A MESSAGE FROM THE COMMISSIONER

I am pleased to present the Social Security Administration's Performance and Accountability Report (PAR) for fiscal year (FY) 2010. This year, as we celebrate our 75th anniversary, we have been invigorated with increased resources, energetic employees, and improved business processes and technology. We have made extraordinary progress even as the economy challenged us with an ongoing surge of benefit applications and furloughs of our State disability determination services (DDS) partners.

This report highlights our financial and performance results as well as our progress towards meeting our strategic goals. We use these goals to measure how well we are delivering service to the American people and preserving the public's trust in our programs. I encourage you to review our FY 2010 PAR to gain an understanding of our important programs, the challenges we face, and our tremendous accomplishments in the last year.

The Social Security and the Supplemental Security Income (SSI) programs touch nearly all Americans at some point in their lives. People depend on Social Security to provide an economic safety net during retirement, after the loss of a loved one, or after the onset of a disability. The benefits we pay each month not only provide a lifeline to our beneficiaries and their families, but also are important to the Nation's economy. Our employees appreciate the significance of these programs and are dedicated to our mission.

When I became Commissioner, I made eliminating our hearings backlog our number one priority. We have not wavered from this commitment. We used our FY 2010 appropriation and *American Recovery and Reinvestment Act* funding to sustain our momentum in eliminating this backlog and in improving the speed and quality of our disability process. We steadily reduced the hearings backlog despite receiving nearly 100,000 more hearing requests than we did in FY 2009. As importantly, we are handling cases more timely. In FY 2010, we reduced the annual average hearing processing time by over two months, and we ended the month of September 2010 with an average processing time below 400 days for the first time in over six years.

We successfully balanced this priority with our other important service improvements. Our improved online services are helping us address our growing workloads. We handled more disability claims than ever before and kept the number of pending cases significantly below our target. We decided over 100,000 initial disability cases in less than two weeks for applicants with the most severe disabilities. The DDSs increased their productivity and accuracy, and we held initial disability processing time more than twenty days below our target. We reduced the average waiting time in field offices. We answered our National 800 Number calls faster than at any time in nearly a decade and reduced our 800 Number busy rates over 40 percent from FY 2009. At the same time, we completed additional program integrity work that has helped increase our SSI payment accuracy.

For the 17th consecutive year, we received an unqualified opinion on our financial statements, and our auditors reported no instances of noncompliance with laws and regulations. We have no material internal control weaknesses and our financial and performance data in this report are reliable and complete under the Office of Management and Budget's guidance.

We have made incredible progress over the last few years. Nevertheless, eliminating our backlogs, improving our services, and keeping up with our program integrity work is a multi-year effort that requires timely and adequate resources. We are meeting our commitments to the American public, and we will continue to do so with enactment of the President's 2011 Budget.

Michael J. Astrue
Commissioner
November 8, 2010

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SSA's *FY 2010 Performance and Accountability Report* is available on the Internet at: www.socialsecurity.gov/finance

Introduction

SSA's *Performance and Accountability Report* (PAR) for fiscal year (FY) 2010 provides financial and performance information that enables the President, Congress, and the public to assess how we performed in accomplishing our mission and achieving our goals. This report is organized into the following major sections:

***MANAGEMENT'S DISCUSSION AND ANALYSIS*:** *Management's Discussion and Analysis* gives an overview of our mission, organization, strategic goals and objectives, and our FY 2010 performance measures. We highlight the FY 2010 results of our key performance measures and discuss our accomplishments and plans to achieve our mission. We also provide a summary of the financial and performance information contained in subsequent sections of the PAR. A synopsis of our systems, controls, and legal compliance is also included as well as a discussion of our key priorities and their possible effect on the future.

***PERFORMANCE SECTION*:** The *Performance Section* discusses the results for each of our FY 2010 performance measures according to the strategic goal and objective. We compare the targets we set for each performance measure to our actual performance during the year. In addition, we include trend data and discuss our performance. Similarly, we compare our FY 2010 targets and performance for each of our Program Performance Measures. We also summarize program evaluations we conducted and their outcomes.

***FINANCIAL SECTION*:** The *Financial Section* contains the message from our Chief Financial Officer, our audited financial statements, the accompanying notes to those statements, and required supplementary information including the Schedule of Budgetary Resources and information on Social Insurance. This section concludes with the auditor's reports.

***OTHER ACCOMPANYING INFORMATION*:** The *Other Accompanying Information* section includes the *Inspector General Statement on SSA's Major Management and Performance Challenges* as well as our Summary of Financial Statement Audit and Management Assurances table and a discussion on our Anti-Fraud Activities and Debt Management. The *Improper Payments Information Act of 2002 Detailed Report* concludes this section.

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

For the 12th year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting (CEAR) award for our FY 2009 Performance and Accountability Report. Receiving the CEAR is a significant accomplishment for a Federal agency, and it is the highest form of recognition in Federal financial reporting.

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

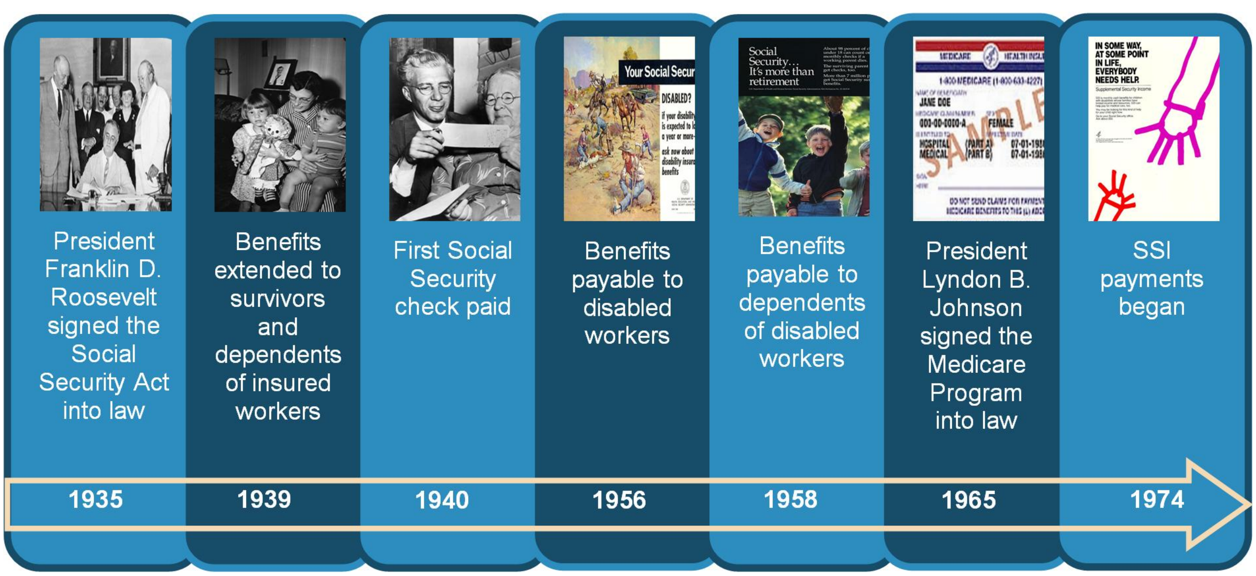
Our Mission: Deliver Social Security services that meet the changing needs of the public

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.



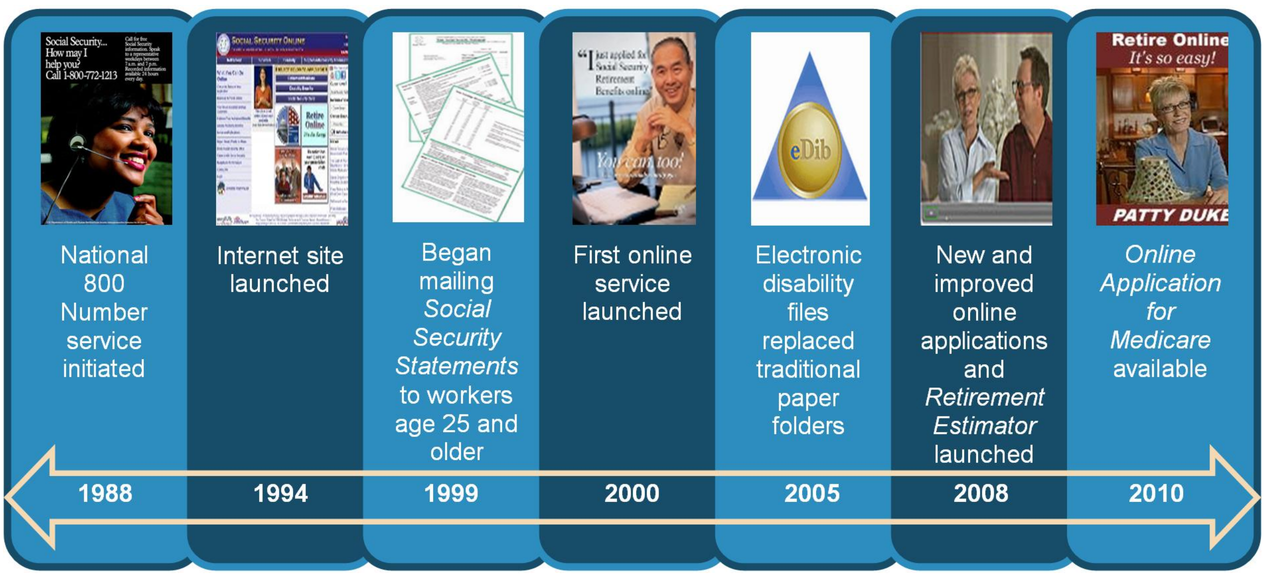
Meeting the Changing Needs of the Public

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.



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.

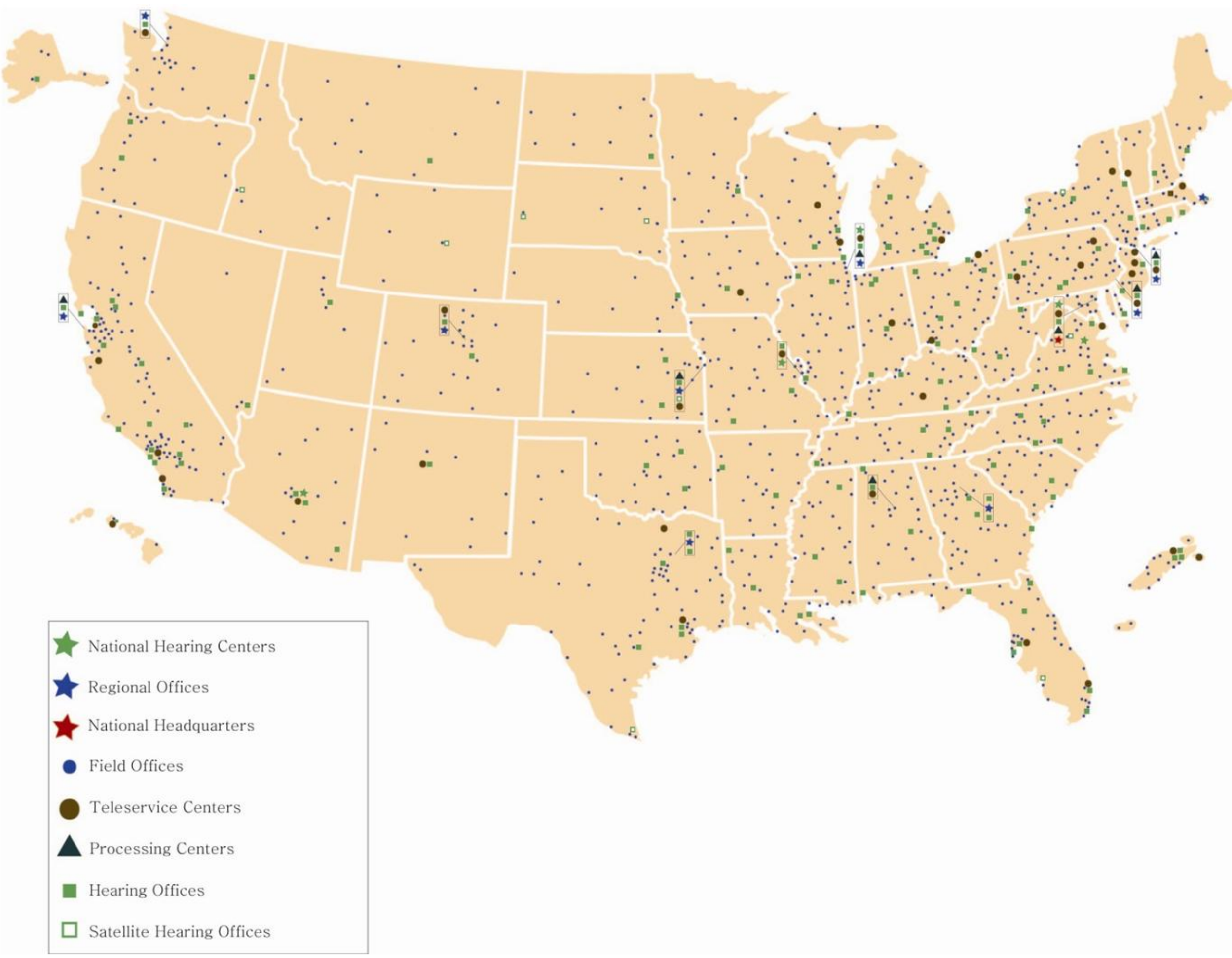


Figure 1: The symbols on this map of the United States identify the locations of our offices.

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:

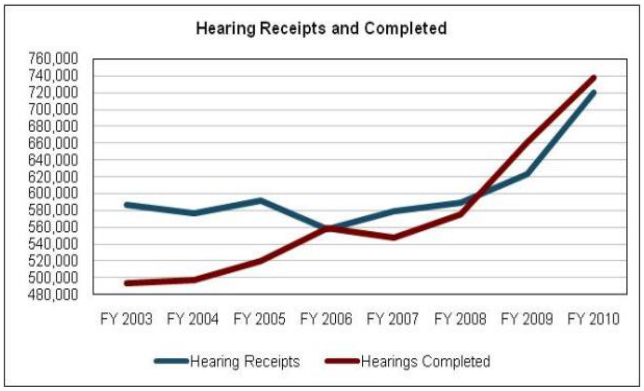
- Increase the Number of Online Applications;
- Issue More Decisions for People Who File for Disability;
- Improve Our Customers' Service Experience on the Telephone, in Our Field Offices, and Online; and
- Ensure Effective Stewardship of Our Programs by Increasing Our Program Integrity Efforts.

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.

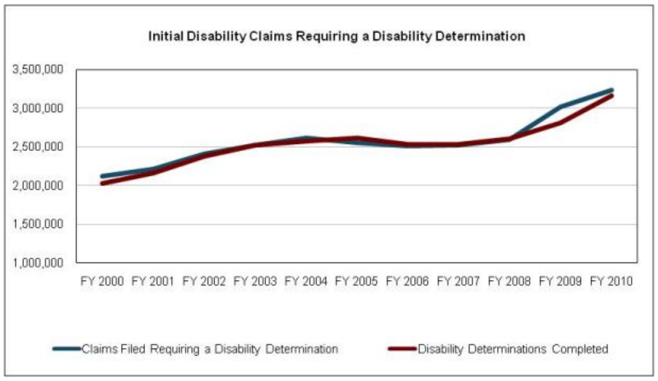
For more information on how we addressed the challenges for this strategic goal, see pages 26-27.

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.

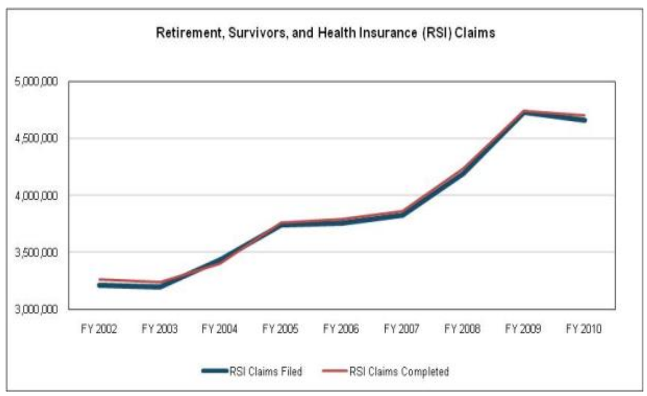
For more information on how we addressed the challenges for this strategic goal, see pages 28-29.

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.

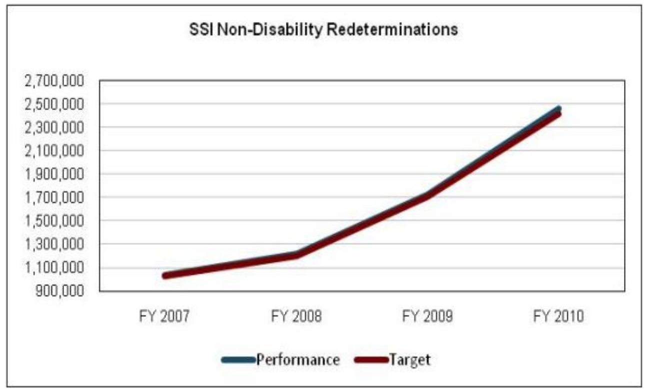
For more information on how we addressed the challenges for this strategic goal, see pages 30-32.

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

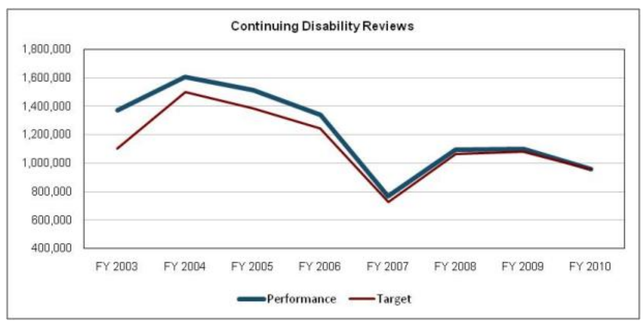
Overall Performance Measure Results: Met the target for 6 of 8 performance measures; 2 measures to be determined – final FY 2010 performance data not available (see pages 69-77)

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.

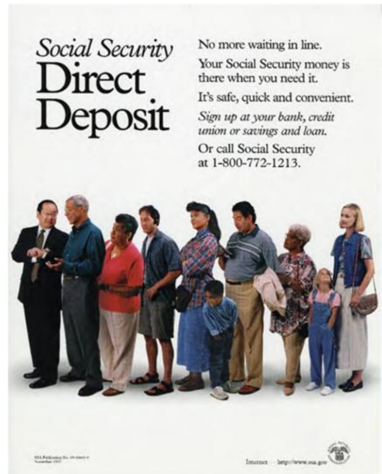
In compliance with the Executive Order, we designated a Senior Sustainability Officer and developed an *Environmental Policy Statement and Strategic Sustainability Plan, which OMB approved* (see www.socialsecurity.gov/budget/sspp/SSASustainabilityPlan.pdf). Additionally, we set target reduction goals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

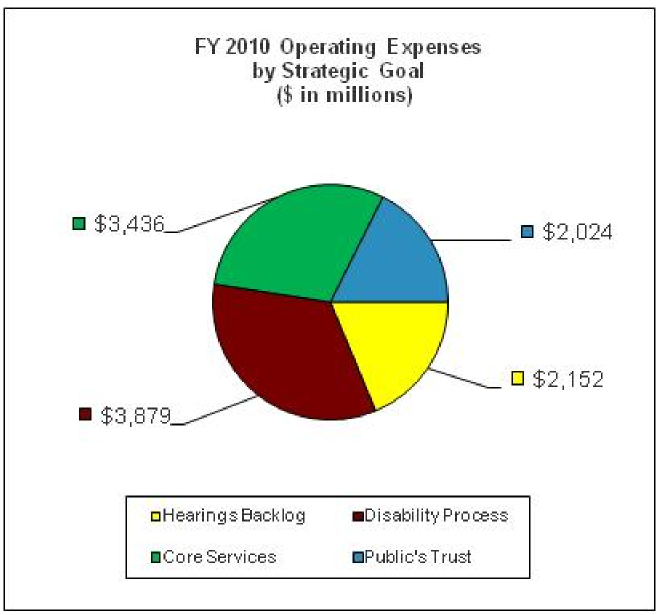
We must notify people whose benefits were suspended or denied after 2006 based on our prior policy (or who had a pending administrative claim challenging any such suspension or denial as of August 11, 2008) of the change in policy, and that they may be entitled to or eligible for benefits or payments 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.



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.

<u>Conducted Service Delivery Assessments:</u> 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

<u>Support *E-Verify*:</u> *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.

<u>Expand Enumeration at Entry:</u> 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

<u>Expand the *Access to Financial Institutions* (AFI) Project:</u> 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.

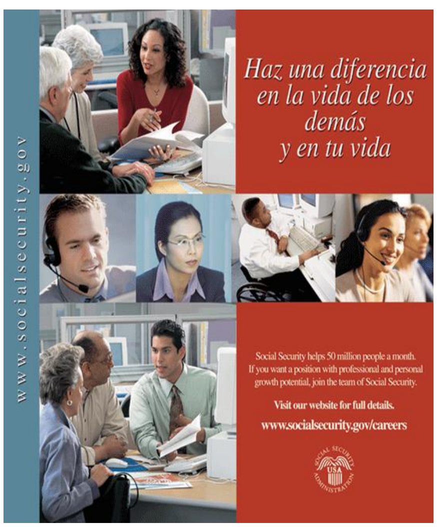
Key Foundational Elements

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:

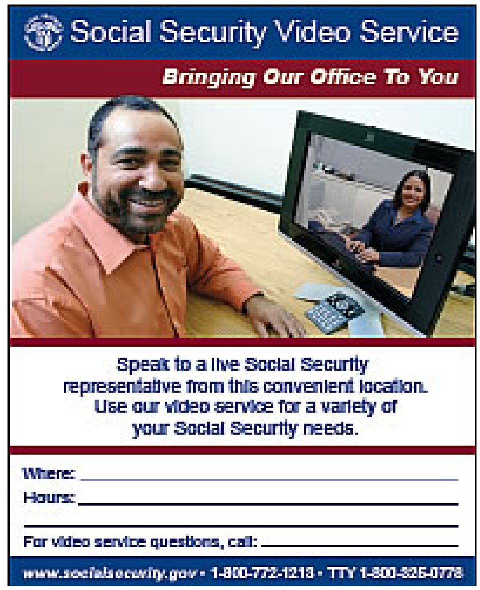


- Implementing the President's directive *Improving the Federal Recruitment and Hiring Process* to provide an easier way for Americans to apply for Federal jobs, increase managers' role and involvement in the recruitment process, and improve the speed and quality of hiring. To implement this new process, 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.
- 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.

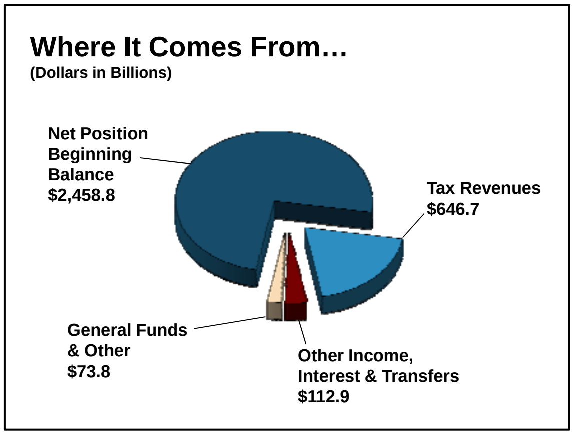
Statement of Net Cost: The Statement of Net Cost displayed on page 101 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of Payments to Social Security Trust Funds appropriations and also contains non-material 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.

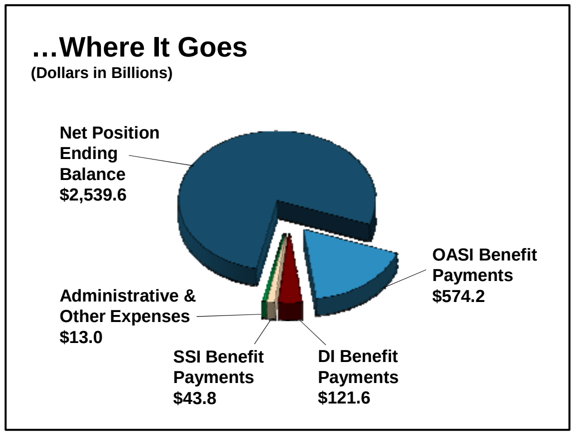
Regarding the OASI program, net cost grew 4.6 percent; benefit payments grew 4.7 percent; operating expenses grew 0.7 percent; the number of OASI beneficiaries grew 2.3 percent to 43.6 million; and average benefit payments grew by 1.1 percent to $1,106.91 per month. For the DI program, net cost grew 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.



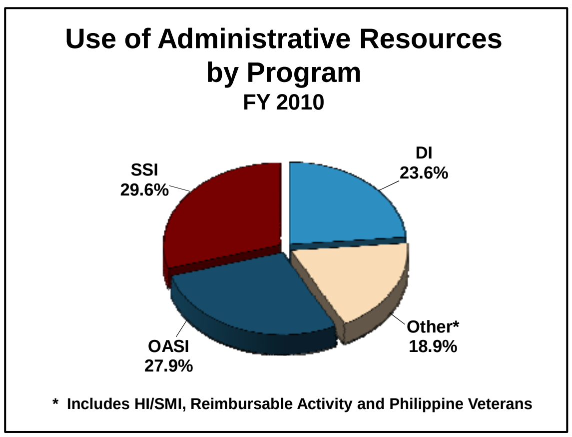


Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 103 provides information on the budgetary resources available to SSA for the year and shows the status of those resources at the end of FY 2010. The statement shows that we had $798.6 billion in budgetary resources 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.

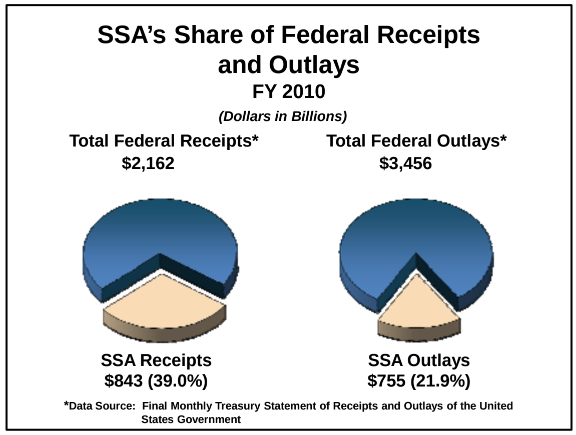
Use of Administrative Resources



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 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.



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]

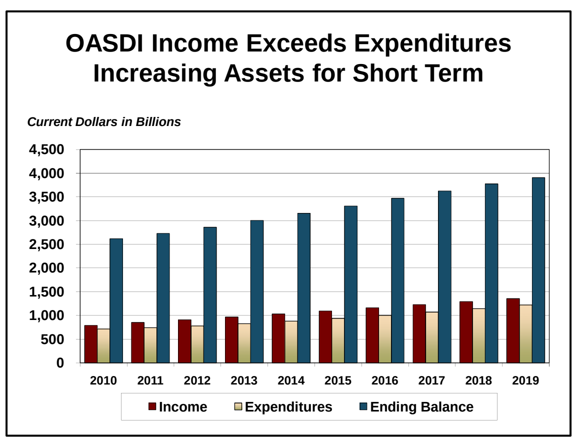
	2006	2007	2008	2009	2010
OASI	44.0	46.3	46.8	47.4	47.8
DI	25.0	23.9	22.0	19.7	16.9
Combined	40.9	42.4	42.4	42.5	42.2

[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.



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.

PERFORMANCE SECTION

Agency Performance

Fiscal Year 2010 Performance Measures By Goal and Objective

In this section, we:

- List our 27 fiscal year (FY) 2010 performance measures, organized by strategic goal and objective. For each performance measure, we provide the FY 2010 target, actual performance, a discussion about our FY 2010 performance, data definition, and data source;
- Provide target and performance historical trend data for prior years in which performance measure data definitions were unchanged;
- Indicate which performance measures are also identified as priority goals;
- Indicate for which measures final FY 2010 performance data were not available at the end of the fiscal year, when the data will become available, and that we will report these data in the *FY 2011 Performance and Accountability Report*;
- Provide performance results for measures cited in our FY 2009 *Performance and Accountability Report* where final data were not available at the end of FY 2009;
- Round actual performance data to the nearest whole number or decimal point, when applicable, using the standard rounding convention;
- List our *Program Performance Measures* and provide FY 2010 targets, actual performance, discussions, data definitions, and data sources (pages 77-84); and
- Discuss our *Program Evaluation* (pages 85-95).

The following is the key we use on pages 49 through 84.

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 are also Priority Goals. See page 10 for more information on 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

1.1a: Complete the budgeted number of hearing requests (PG)

FY 2010 Target: 725,000
Performance: 737,616
Target Achieved: Yes

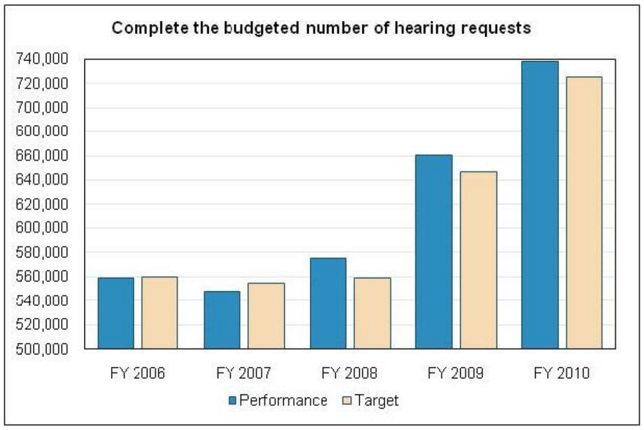
Discussion: In FY 2010, we completed 737,616 hearing requests – the largest annual total in our 75-year history and 76,774 more than FY 2009. This was our third consecutive year in which we exceeded our target even though we raised the bar and increased the target almost 30 percent between FY 2008 to FY 2010. We attribute much of the FY 2010 increase to the outcomes of our hearing backlog reduction strategies discussed below:

- In FY 2010, we hired 228 ALJs and approximately 1,100 hearing office support staff. Moreover, most of the 147 new ALJs we hired in FY 2009 completed the estimated 9-month learning curve and have become fully proficient.

- We opened two National Case Assistance Centers in FY 2010 – one in St. Louis, Missouri; the other in McLean, Virginia. These centers provide services to support ALJs, such as preparing cases for hearings and writing ALJs' hearing decisions.

- We expanded our *Attorney Adjudicator Program*. Under this program, some of our most experienced attorneys are authorized to issue fully-favorable decisions in certain cases without the need to conduct an actual hearing. These "on-the-record" decisions provide disability benefits to claimants more quickly than if they had to wait for a hearing. We also established a Virtual Screening Unit where attorney adjudicators located throughout the country screen cases from the most backlogged hearing offices to determine if they warrant an on-the-record decision. In FY 2010, attorney adjudicators issued 54,186 on-the-record decisions, a 49 percent increase from FY 2009. We discuss our evaluation in more detail on page 86 of the *Program Evaluation* section.

Trend:



Fiscal Year	2006	2007	2008	2009	2010
Performance	558,978	547,951	575,380	660,842	737,616
Target	560,000	555,000	559,000	647,000	725,000
Target Met	⬇	⬇	⬆	⬆	⬆

Data Definition: The number of hearing requests completed in the current fiscal year up to the number budgeted.

Data Source: *Case Processing and Management System*

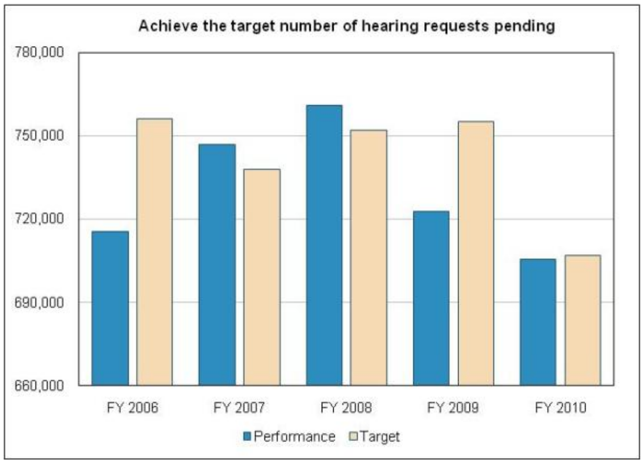
Strategic Objective 1.2: Improve Our Workload Management Practices Throughout the Hearing Process

1.2a: Achieve the target number of hearing requests pending

FY 2010 Target: 707,000
Performance: 705,367
Target Achieved: Yes

Discussion: We were able to complete more hearing requests than we received in FY 2010 despite receiving a record-level of hearing requests (720,161). As a result, we reduced the number of hearing requests pending at the end of FY 2010 by 17,455. This accomplishment was possible due to the efforts we described in 1.1a. above. FY 2010 marked the second consecutive fiscal year in which pending volumes declined since peaking at 767,000 in FY 2008. Eliminating the backlog of hearings requests remains our top priority, and with decreasing pending levels in FYs 2009 and 2010, we remain on track to eliminate our backlog.

Trend:



Fiscal Year	2006	2007	2008	2009	2010
Performance	715,568	746,744	760,813	722,822	705,367
Target	756,000	738,000	752,000	755,000	707,000
Target Met	↑	↓	↓	↑	↑

Data Definition: The number of hearing requests pending at the end of the fiscal year compared to the target.

Data Source: *Case Processing and Management System*

1.2b: Achieve the target to eliminate the oldest hearing requests pending

FY 2010 Target:	Less than 0.5% of hearing requests pending 825 days or older
Performance:	.03% of hearing requests pending 825 days or older
Target Achieved:	Yes

Discussion: We targeted hearing requests that would have been pending 825 days or more by the end of FY 2010. We identified 139,026 cases meeting this criterion. At the end of the fiscal year, only 47, or .03 percent, remained, well below our targeted 0.5 percent.

We began targeting our oldest hearings cases in FY 2007 when we focused on eliminating hearings pending 1,000 days or longer. We lowered the "aged" threshold in each subsequent fiscal year – 900 days or longer in FY 2008; 850 days or longer in FY 2009, and 825 days or longer in FY 2010 – and exceeded our target each year. We will continue to focus on completing the oldest hearing requests pending by lowering the "aged" threshold in FY 2011 to requests pending 775 days or longer.

Trend:

Fiscal Year	2007	2008	2009	2010
Performance	108 of 63,770 cases remained pending (.17%)	281 of 135,160 cases remained pending (.2%)	228 of 166,838 cases remained pending (.14%)	47 of 139,026 cases remained pending (.03%)
Target	Eliminate all hearings pending 1,000 days or more	Less than 1% of hearings pending 900 days or older	Less than 1% of hearings pending 850 days or older	Less than 0.5% of hearing requests pending 825 days or older
Target Met	Not applicable			

Data Definition: The percentage of oldest hearing requests pending. The oldest hearing requests are those cases that are pending, or will be pending 825 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of hearing requests pending 825 days or more at the end of the fiscal year by the universe of oldest hearing requests identified at the beginning of the fiscal year.

Data Source: *Case Processing and Management System*

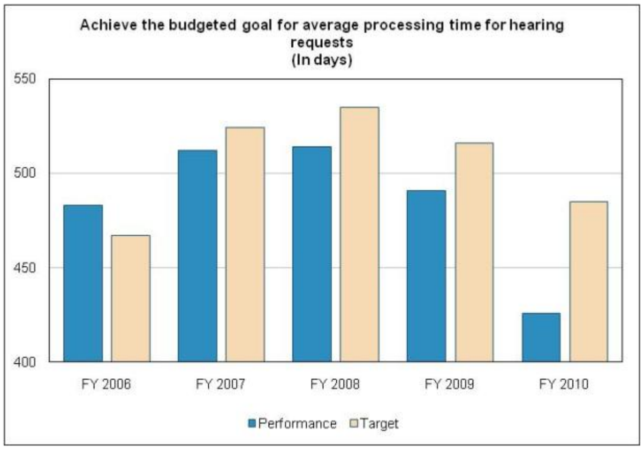
Note: Although this was not a performance measure until FY 2008, we are providing data for FY 2007 for trend purposes only.

1.2c: Achieve the budgeted goal for average processing time for hearing requests (PPM)

FY 2010 Target: 485 days
Performance: 426 days
Target Achieved: Yes

Discussion: In FY 2010, we reduced the average processing time for hearing requests to 426 days, more than two months fewer than FY 2009 and almost three months fewer than FY 2008 when the average processing time for hearing requests peaked at 514 days. We remain committed to achieving our long-term objective to reduce the time it takes an individual to receive a hearing decision to an average of 270 days.

Trend:



Fiscal Year	2006	2007	2008	2009	2010
Performance	483	512	514	491	426
Target	467	524	535	516	485
Target Met	⬇	⬆	⬆	⬆	⬆

Data Definition: The average processing time for hearing request dispositions compared to the target. The average processing time is the cumulative processing time for all hearing requests processed divided by the total number of hearing requests processed in the fiscal year.

Data Source: *Case Processing and Management System*

1.2d: Achieve the target to eliminate the oldest Appeals Council requests for review pending

FY 2010 Target:	Less than 1% of Appeals Council requests for review pending 700 days or older
Performance:	0.5% of Appeals Council requests for review pending 700 days or older
Target Achieved:	Yes

Discussion: We focused on completing the oldest Appeals Council requests pending. In FY 2010, we targeted eliminating 24,297 Appeals Council requests for review that would have been pending for 700 days or longer at the end of the fiscal year. We completed 24,166 of these cases, or 99.5 percent, enabling us to achieve our target for this performance measure. We attribute much of the success to the hiring of 135 additional Appeals Council employees in FY 2010, and to those employees hired and trained the year before. We will continue to lower the "aged" threshold, and in FY 2011, we will focus on decreasing Appeals Council requests for review pending 650 days or longer.

Trend:

Fiscal Year	2009	2010
Performance	10 of 12,184 cases remained pending (.08%)	131 of 24,297 cases remained pending (0.5%)
Target	Less than 1% of Appeals Council cases pending 750 days or older	Less than 1% of Appeals Council requests for review pending 700 days or older
Target Met	⬆	⬆

Data Definition: The percentage of oldest Appeals Council requests for review pending. The oldest requests for review are those cases that are pending, or will be pending, 700 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of requests for review pending 700 days or more at the end of the fiscal year by the universe of oldest Appeals Council requests for review identified at the beginning of the fiscal year.

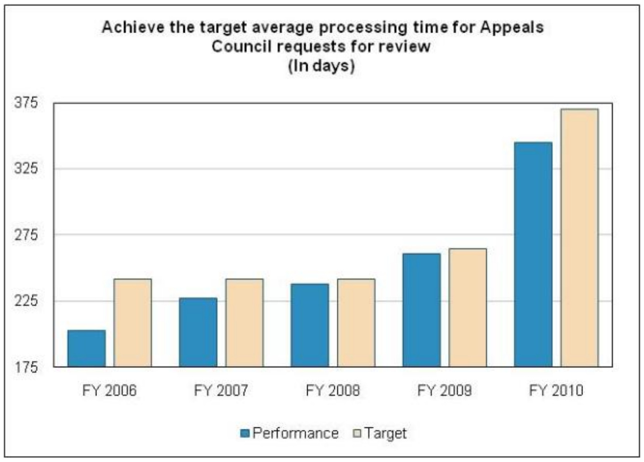
Data Source: *Appeals Review Processing System*

1.2e: Achieve the target average processing time for Appeals Council requests for review

FY 2010 Target: 370 days
Performance: 345 days
Target Achieved: Yes

Discussion: Our successful efforts to complete record-level hearing requests led to an influx of Appeals Council requests for review. In FY 2010, we received a record 128,703 requests for Appeals Council review, a 20 percent increase over FY 2009. Despite completing 102,062 reviews, a 15 percent increase from FY 2009, our pending level steadily grew throughout the fiscal year. We had 106,664 pending Appeals Council requests for review at the end of FY 2010, a 33 percent increase from the previous year. Increasing requests have taken a toll on our average processing time. With additional staffing and the dedicated efforts of our Appeals Council personnel, we kept processing time 25 days below the target.

Trend:



Fiscal Year	2006	2007	2008	2009	2010
Performance	203	227	238	261	345
Target	242	242	242	265	370
Target Met	⬆	⬆	⬆	⬆	⬆

Data Definition: The average processing time for Appeals Council requests for review dispositions compared to the target. The average processing time is the cumulative processing time for all Appeals Council requests for review dispositions divided by the total number of Appeals Council requests for review processed in the fiscal year.

Data Source: *Appeals Review Processing System beginning March 2008; Appeals Council Automated Processing System prior to March 2008*

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

2.1a: Achieve the target percentage of initial disability cases identified as a *Quick Disability Determination* or a *Compassionate Allowance* (PG)

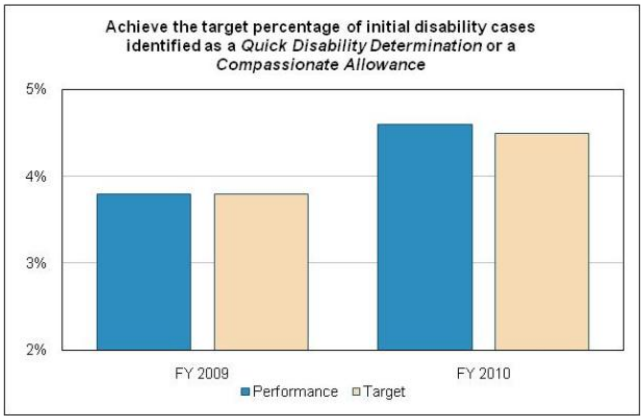
FY 2010 Target: 4.5%
Performance: 4.6%
Target Achieved: Yes

Discussion: One of our most successful initiatives to improve the speed of our disability process is our fast-track effort. Using predictive modeling and computer-based screening tools, we are able to identify electronic disability cases involving medical conditions where a favorable disability determination is highly likely and evidence of the condition can be easily and quickly verified. Consequently, we can complete these disability claims in days compared to months. Our two fast-track initiatives are *Quick Disability Determinations* (QDD) and *Compassionate Allowances.* In FY 2010, our target was to identify 4.5 percent of the initial disability claims filed as a QDD or *Compassionate Allowances*, and we identified 4.6 percent. We fast tracked 20 percent more cases in FY 2010 than in FY 2009.

Examples of conditions identified under QDD include low birth weight babies, certain cancers, and end stage renal disease. We continue to refine and enhance the QDD processes and selection criteria to maximize our capacity to accurately identify these cases

Examples of conditions identified under *Compassionate Allowances* include acute leukemia, pancreatic cancer, and amyotrophic lateral sclerosis (more frequently referred to as Lou Gehrig's disease). We began processing cases under this initiative in October 2008 with a list of 50 qualifying conditions (25 cancers and 25 other diseases). In FY 2010, we expanded the list significantly, adding another 38 qualifying conditions in March 2010. We are currently working on streamlining the application process for *Compassionate Allowances* to make completion less time-consuming and burdensome. See www.socialsecurity.gov/compassionateallowances/ for more information on *Compassionate Allowances.*

Trend:



Fiscal Year	2009	2010
Performance	3.8%	4.6%
Target	3.8%	4.5%
Target Met	⬆	⬆

Data Definition: The percentage is derived by dividing the total number of initial disability cases identified as a *Quick Disability Determination* or a *Compassionate Allowance* or both by the total number of electronic initial disability cases filed in the last month of the current fiscal year.

Data Source: *Executive and Management Information System, Management Information Disability (MIDIB)*

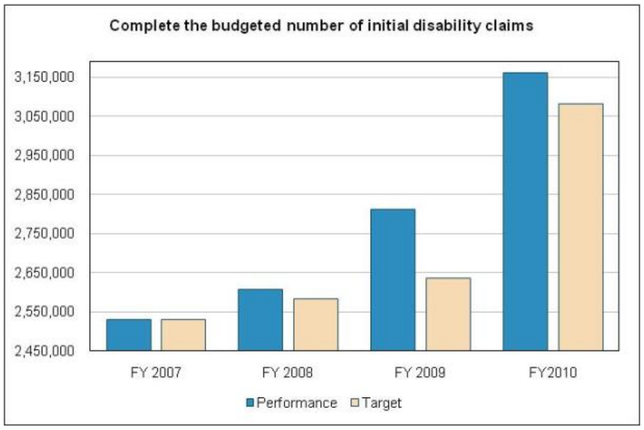
2.1b: Complete the budgeted number of initial disability claims (PG)

FY 2010 Target: 3,081,000
Performance: 3,161,314
Target Achieved: Yes

Discussion: Our disability workloads continued to grow rapidly in FY 2010. We received 24 percent more claims than we did in FY 2008 and do not expect disability claim volumes to subside anytime soon. In FY 2010, we completed 3,161,314 initial disability claims, 348,396 more than FY 2009 – a 12 percent increase. This accomplishment is particularly noteworthy considering that employees in some State DDSs were unnecessarily furloughed during the fiscal year.

We used automation and technology, such as our *Electronic Claims Analysis Tool* (eCAT) to increase our capacity to complete initial disability claims. eCAT is a web-based tool that guides examiners through the disability evaluation process to ensure their decisions comply with our program rules and regulations. Usage yielded more consistent and policy-compliant disability decisions. In FY 2010, we rolled out eCAT in 29 State and Federal sites, raising the total number of participating States to 37. We plan to complete a nationwide roll-out in FY 2011.

Trend:



Fiscal Year	2007	2008	2009	2010
Performance	2,529,721	2,607,282	2,812,918	3,161,314
Target	2,530,000	2,582,000	2,637,000	3,081,000
Target Met	↓	↑	↑	↑

Data Definition: The number of Social Security and Supplemental Security Income initial disability claims completed in the Disability Determination Services and other agency components in the current fiscal year up to the budgeted number.

Data Source: *National Disability Determination Services System* and *Disability Operational Data Store.*

Note: Prior to FY 2009, the performance number only included cases processed by the States. Beginning FY 2009, the performance number included cases processed by all components whether Federal or State.

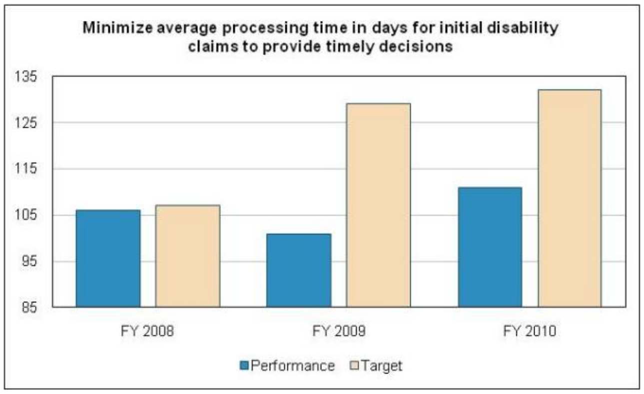
2.1c: Minimize average processing time for initial disability claims to provide timely decisions (PPM)

FY 2010 Target: 132 days
Performance: 111 days
Target Achieved: Yes

Discussion: We anticipated that the increased number of initial disability claims would result in increased processing time. However, even with the record-breaking number of initial disability claims filed, we were able to minimize the increase to just 10 days–from 101 days in FY 2009 to 111 days in FY 2010.

Health Information Technology (IT) continued to show its tremendous potential to decrease average processing times. Using health IT, we were able to access electronic medical records almost instantaneously from participating health providers and medical facilities. In FY 2010, the average processing time in initial disability claims in which health IT was available and used was approximately 15 days shorter when compared to claims where health IT was unavailable. We will continue our efforts to expand health IT usage and increase the number of participants. For more information on our health IT performance, see measure 2.3b on page 61. Additional health IT information is also available at www.socialsecurity.gov/hit.

Trend:



Fiscal Year	2008	2009	2010
Performance	106	101	111
Target	107	129	132
Target Met	⬆	⬆	⬆

Data Definition: The average processing time is the overall, cumulative number of elapsed days, including both Disability Determination Services and field office processing times, from the date of filing through the date payment is made or the denial notice is issued for all initial claims that require a medical determination. The total number of days to process all initial disability claims requiring a medical determination is divided by the total number of initial disability claims requiring a medical determination that are processed during the fiscal year.

Data Source: *Social Security Unified Measurement Systems*

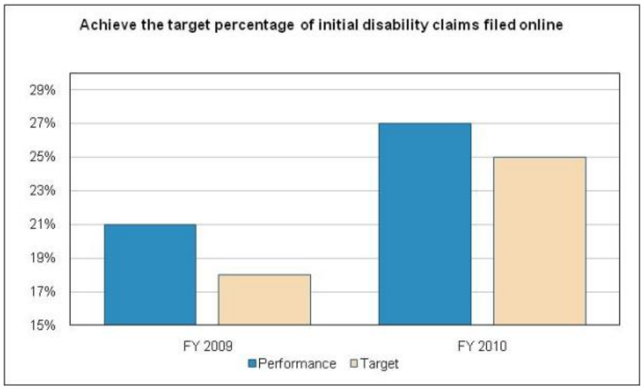
Strategic Objective 2.2: Make it Easier and Faster to File for Disability Benefits Online

2.2a: Achieve the target percentage of initial disability claims filed online (PG)

FY 2010 Target: 25%
Performance: 27%
Target Achieved: Yes

Discussion: In FY 2010, 27 percent of the disability applications we received were filed online compared to 21 percent in FY 2009. We attribute much of the increase to the streamlined and easier to complete disability report we released in January 2010. We will continue our marketing campaign to increase public awareness of both the advantages and availability of filing for disability benefits online, most notably the ability to apply immediately without waiting for an appointment, as well as the ability to file anywhere an Internet connection is available. For more information about applying online for disability benefits, see www.socialsecurity.gov/applyfordisability/. We also identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2009	2010
Performance	21%	27%
Target	18%	25%
Target Met	⬆	⬆

Data Definition: The percentage of initial Social Security disability claims filed online. The percentage is derived by dividing the number of initial Social Security disability claims filed online by the total number of initial disability claims that could be filed online in the current fiscal year.

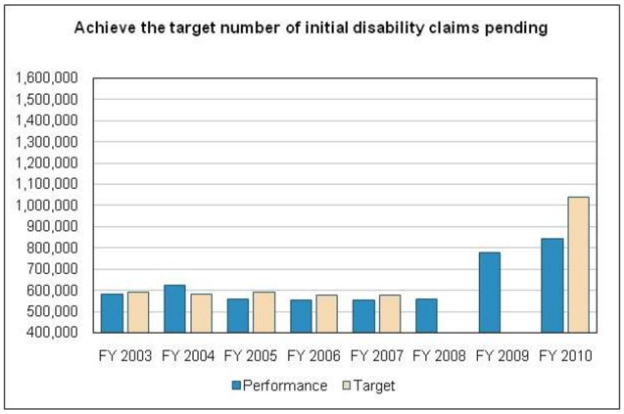
Data Source: Executive and Management Information System, Electronic Service Delivery, Localized Management Information Report

2.2b: Achieve the target number of initial disability claims pending

FY 2010 Target: 1,041,000
Performance: 842,192
Target Achieved: Yes

Discussion: We reintroduced this performance measure in FY 2010 since it clearly reflects the effect of the increasing number of initial disability claims filed and the outcomes of our efforts to increase productivity. In FY 2010, we received and completed a record number of claims.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Performance	581,929	624,658	560,529	555,071	555,317	556,670	779,854	842,192
Target	593,000	582,000	592,000	577,000	577,000	N/A*	N/A*	1,041,000
Target Met	↑	↓	↑	↑	↑	N/A*	N/A*	↑

Data Definition: The number of Social Security and Supplemental Security Income initial disability claims pending in the Disability Determination Services and other agency components in the current fiscal year.

Data Source: *National Disability Determination Services System* and *Disability Operational Data Store*

*This performance measure was eliminated after FY 2007; however, we provided historical data for FYs 2008 and 2009 for trend purposes.

Strategic Objective 2.3: Regularly Update Our Disability Policies and Procedures

2.3a: Update the medical *Listing of Impairments*

FY 2010 Target:	Develop and submit at least 3 regulatory actions or *Social Security Rulings*
Performance:	Published 3 final regulations and 1 Notice of Proposed Rulemaking
Target Achieved:	Yes

Discussion: The *Listings* (www.socialsecurity/disability/professionals/bluebook/listing-impairments.htm) describe for each major body system the impairments considered severe enough to prevent a person from working, or for children, impairments that cause marked and severe functional limitations. In FY 2010, we published final rules in the *Federal Register* for malignant neoplastic, special senses, and the extension of expiration date regulation for eight body systems. Also in FY 2010, we published a Notice of Proposed Rulemaking for mental disorders.

Trend:

Fiscal Year	2009	2010
Performance	**Published eight *Social Security Rulings* in the *Federal Register***	**Published three final regulations and one Notice of Proposed Rulemaking**
Target	**Develop and submit at least three regulatory actions or *Social Security Rulings***	**Develop and submit at least three regulatory actions or *Social Security Rulings***
Target Met	⬆	⬆

Data Definition: Regulatory actions include *Advance Notice of Proposed Rulemaking, Notice of Proposed Rulemaking*, *Final Rules*, or *Ruling*, or other *Federal Register* notice. We will develop regulatory actions or *Social Security Rulings* related to updating the medical *Listings of Impairments* for publication in the *Federal Register*.

Data Source: *Office of Retirement and Disability Policy Workplan*

2.3b: Increase the percentage of disability claims completed using health Information Technology

FY 2010 Target: Establish Baseline
Performance: Baseline Established
Target Achieved: Yes

Discussion: In FY 2009, we became the first Federal agency to use the Department of Health and Human Services' *Nationwide Health Information Network (Exchange),* a secure, standards-based connection to request and obtain electronic medical records almost instantaneously from participating doctors and medical facilities. This promising technology has shown the potential to significantly reduce the amount of time it takes for us to obtain the more than 15 million medical records we request annually, which in turn would decrease the amount of time it takes us to complete a disability claim. Using money we received under the *American Recovery and Reinvestment Act of 2009,* we funded technological support for a number of healthcare providers, primarily regional health information exchanges, to provide us with electronic medical records via the *Exchange*. In FY 2010, we established a baseline comprised of the medical evidence of record received from our current participants, MedVirginia, which is Virginia's Regional Health Information Organization and Beth Israel Deaconess Medical Center in Boston, Massachusetts. These types of partnerships will substantially increase the volume of initial disability claims using health IT in FY 2011. For more information on health IT, see www.socialsecurity.gov/hit.

Data Definition: The percentage increase in the number of disability claims completed using medical evidence gathered through *health Information Technology* over the prior year.

Data Source: *Medical Evidence Gathering and Analysis through Health Information Technology* (MEGAHIT) system

Note: This is a new performance measure for FY 2010. For this measure, "disability cases evaluated" is defined as the number of *Medical Evidence of Record* documents received through health IT over the prior year. Cases evaluated will not be used in the calculation.

Strategic Goal 3: Improve Our Retiree and Other Core Services

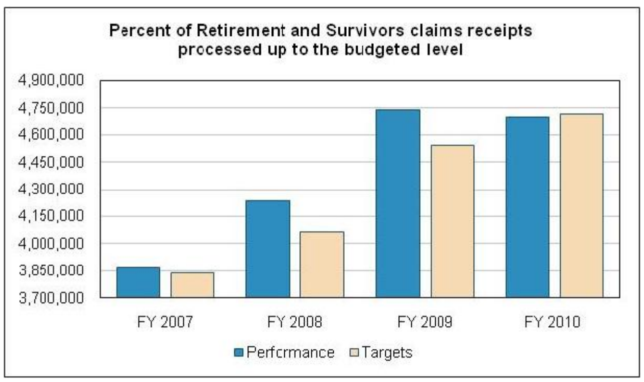
Strategic Objective 3.1: Dramatically Increase Baby **Boomers' Use of Our Online Retirement Services**

3.1a: Percent of retirement and survivors claims receipts completed up to the budgeted level (PPM)

FY 2010 Target:	100% (4,718,000 budgeted; 4,658,124 received)
Performance:	101% (4,700,990)
Target Achieved:	Yes

Discussion: In FY 2010, our performance was 101 percent because we completed 42,866 more retirement and survivors insurance claims than we received. As a result, we were able to reduce the number of pending retirement and survivor claims carried over from FY 2009.

Trend:



Fiscal Year	2007	2008	2009	2010
Performance	101% (3,863,813)	101% (4,236,455)	104% (4,742,218)	101% (4,700,990)
Target	100% (3,837,000)	100% (4,065,000)	100% (4,543,000)	100% (4,718,000; 4,658,124 rec'd)
Target Met	⬆	⬆	⬆	⬆

Data Definition: The percent of retirement, survivors, and health insurance claims receipts completed in the current fiscal year up to the budgeted number.

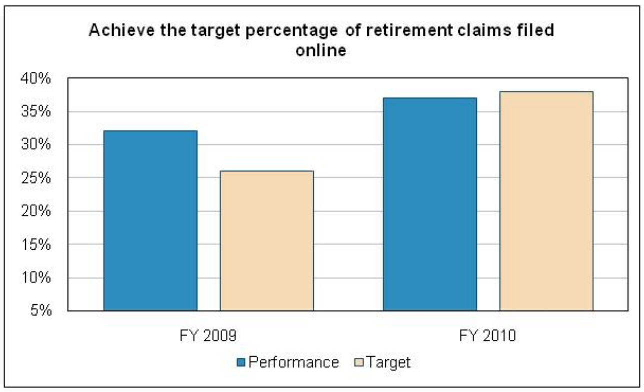
Data Source: *Work Measurement Transitional Database*

3.1b: Achieve the target percentage of retirement claims filed online (PG)

FY 2010 Target: 38%
Performance: 37%
Target Achieved: No

Discussion: Online retirement claims accounted for 37 percent of all retirement applications filed in FY 2010 that were eligible for online filing. This was a 16 percent increase over FY 2009. Although we barely missed our target, we will continue to encourage more people to use our online services. We are also conducting several surveys with people who have filed for benefits online to assess how we can better address the public's needs (see page 91 for more information on these surveys). We identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2009	2010
Performance	32%	37%
Target	26%	38%
Target Met	↑	↓ ↑

Data Definition: The percentage of retirement claims filed online. The percentage is derived by dividing the number of retirement claims filed online by the total number of retirement claims that could be filed online in the fiscal year.

Data Source: *Executive and Management Information System, Electronic Service Delivery, Localized Management Information Report*

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

FY 2010 Performance Measure: None

We do not have an FY 2010 performance measure under this strategic objective. However, we did advance this strategic objective in FY 2010 with the initiatives outlined on pages 30-31.

Strategic Objective 3.3: Improve Our Telephone Service

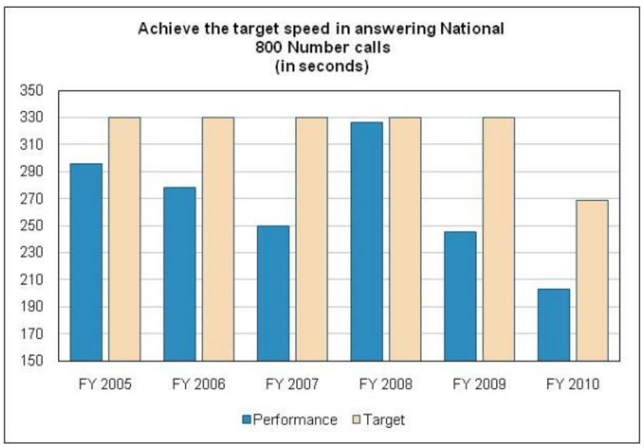
3.3a: Achieve the target speed in answering National 800 Number calls (PG)

FY 2010 Target: 269 seconds
Performance: 203 seconds
Target Achieved: Yes

Discussion: Calls to our National 800 Number continued to be the primary option the public chooses to access our services. In FY 2010, our telephone agents handled almost 42 million calls, 10 percent more than they handled in FY 2009. We were able to answer calls 42 seconds faster than we did in FY 2009, the fastest speed of answering since we began reporting this data in FY 2005. Moreover, the speed in answering National 800 Number calls in FY 2010 was our best since we began reporting our performance in FY 2005.

We attribute much of our improved performance to the increased staffing. In FY 2010, we hired 589 additional telephone agents, increasing our corps to 4,871 dedicated telephone agents. We have implemented several technological advancements to make our National 800 Number more efficient, such as improving and increasing our call-routing capabilities. To further improve our service to National 800 Number callers in FY 2011 and beyond, we began construction of a new teleservice center in Jackson, Tennessee. This facility, the first to be added in more than a decade, is scheduled to open in FY 2011. We also identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010
Performance	296	278	250	326	245	203
Target	330	330	330	330	330	269
Target Met	↑	↑	↑	↑	↑	↑

Data Definition: Speed of answer is calculated by dividing the wait time of all National 800 Number calls by the number of all National 800 Number calls answered in the fiscal year. Wait time begins from the time the caller is transferred to an agent (in queue) until an agent answers the call.

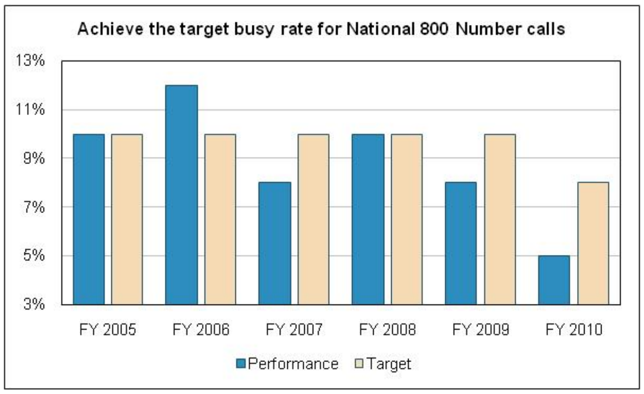
Data Source: Report generated by Cisco router software

3.3b: Achieve the target busy rate for National 800 Number calls (PG)

FY 2010 Target: 8%
Performance: 5%
Target Achieved: Yes

Discussion: FY 2010 was the third consecutive fiscal year that our busy rate declined, achieving the lowest busy rate for National 800 Number calls since we began reporting on them in FY 2005. Over this five-year period, we have reduced our busy rate by over 40 percent since 2009. We have enhanced our automated telephone services so more callers can successfully complete their business by phone without the assistance of one of our agents. Speech recognition technology allows callers to speak their request into an interactive voice prompt system enabling them to complete an array of actions, such as changing addresses, requesting verification of benefits, and replacing Medicare cards. We identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010
Performance	10%	12%	8%	10%	8%	5%
Target	10%	10%	10%	10%	10%	8%
Target Met	⬆	⬇	⬆	⬆	⬆	⬆

Data Definition: The busy rate is calculated as the number of National 800 Number busy messages divided by the number of National 800 Number calls offered to agents in the fiscal year. The caller receives a busy message when an agent is not available to answer the call because the queue has reached its maximum capacity of waiting calls. When this happens, we instruct the individual to call back later.

Data Source: Report generated by Cisco router software

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

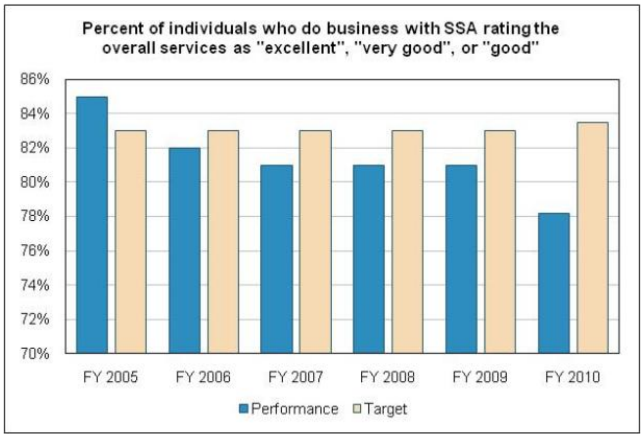
3.4a: Percent of individuals who do business with SSA rating the overall service as **"excellent," "very good," or "good"** **(PPM, PG)**

FY 2010 Target: 83.5%
Performance: 78.2%
Target Achieved: No

Discussion: We conduct surveys each year to evaluate various aspects of our service. The outcome of this performance measure is based on the combined results of annual service satisfaction surveys of callers to our National 800 Number and field offices, visitors to our field and hearing offices, and since FY 2009, people who have used our online services to complete a transaction. The results of these surveys allow us to identify the specific aspects of service where improvements would have the greatest affect on overall satisfaction. We discuss these surveys in more detail on pages 85-95 in the *Program Evaluation Section*.

The public was very satisfied with our online services in FY 2010. In April 2010, the *American Customer Satisfaction Index* (ACSI) *e-Government Satisfaction Index*, widely used in both the Federal and private sectors to measure public satisfaction with features of websites, ranked our online services as the best in Government, exceeding the top private sector sites in customer satisfaction. On a 100-point scale, our online *Retirement Estimator* and *iClaims* benefit applications scored 90 and ranked in the top spots. Our online *Help with Medicare Prescription Drug Plan Costs* ranked third with a score of 87. For more information on ACSI government satisfaction scores see www.theacsi.org/index.php?option=com_content&task=view&id=12&Itemid=26. We will continue to examine ways to improve the public's overall satisfaction with our services by simplifying policies, enhancing online services, and improving our automated systems. We also identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010
Performance	85%	82%	81%	81%	81%	78.2%*
Target	83%	83%	83%	83%	83%	83.5%*
Target Met	↑	↓	↓	↓	↓	↓

Data Definition: The percent is derived by dividing the number of respondents who rate overall service as "good," "very good," or "excellent" on a six-point scale ranging from "excellent" to "very poor" in the fiscal year by the total number of respondents.

Data Source: Overall satisfaction rating is based on service satisfaction surveys of National 800 Number callers; field office callers; visitors to field offices and hearings offices; and, starting in FY 2009, individuals who filed an application online. Additional cohorts of individuals using transactional Internet services are to be added incrementally each year from FY 2011- FY 2013 in the following categories: changes to beneficiary records; completion of medical forms; and information requests (such as request for benefit verification.)

Note: Prior to FY 2009, historical data included surveys of National 800 Number callers, field office callers, and visitors to field offices and hearing offices only. Starting in FY 2009 and continuing in FY 2010, we expanded the data source to include people who filed an application online.

*Beginning FY 2010, trend and performance data for this measure were rounded to one-tenth percent instead of whole number.

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

3.5a: Achieve the target percentage for correctly assigning original Social Security numbers

FY 2010 Target: 99%
Performance: Data available April 2011
Target Achieved: TBD

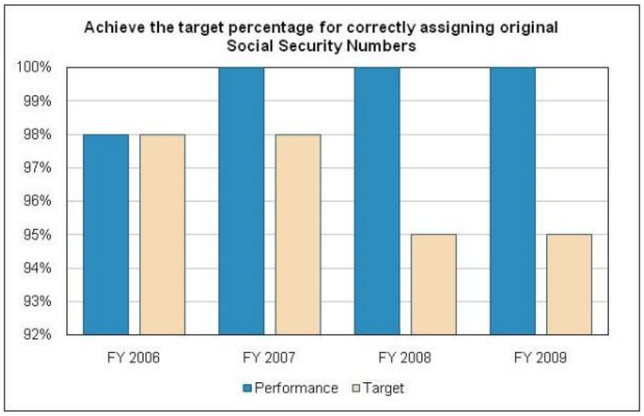
Discussion: FY 2010 data for this performance measure will not be available until April 2011 and we will discuss FY 2010's performance in the *FY 2011 Performance and Accountability Report*. Our discussion below relates to the

FY 2009 performance data that was unavailable when we published the *FY 2009 Performance and Accountability Report.*

In FY 2009, we correctly assigned 100 percent of the Social Security numbers, exceeding the FY 2009 target of 95 percent. We expanded the use of *Social Security Verification Services* and *E-Verify*, which enables employers to verify in real time if reported names and Social Security numbers of employees match our records. Also, in FY 2009, we opened two additional Social Security Card Centers in Sacramento, California and Minneapolis, Minnesota, bringing our total to eight card centers nationwide. Because of their specialized service and expertise, card center employees complete Social Security number applications with a high degree of accuracy and efficiency.

We continued our *Social Security Number Application Process* (SSNAP) initiative, a new system that will enhance the application process and the accuracy of the data we collect.

<u>*Trend:*</u>



Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**
Performance	**98%**	**100%**	**100%**	**100%**	**Data available April 2011**
Target	**98%**	**98%**	**95%**	**95%**	**99%**
Target Met	⬆	⬆	⬆	⬆	**TBD**

<u>Data Definition:</u> The percentage is derived using a statistically valid sample of original Social Security numbers assigned in the fiscal year. The number of correctly assigned Social Security numbers is divided by the total number sampled. We consider the Social Security number assigned correctly when: 1) the individual did not receive a Social Security number that belongs to someone else; 2) the individual did not receive more than one Social Security number, except where permitted; and 3) the individual is eligible to receive a Social Security number based on supporting documentation.

<u>Data Source</u>: *Enumeration Quality Review*

*<u>*Note</u>*: In FY 2008, historical data for the number of Social Security numbers issued free of critical error included "if the applicant had more than one Social Security number, the numbers were cross-referenced." The reason targeted performance levels were decreased beginning in FY 2009 was that we changed the definition of what we considered to be a correctly assigned Social Security number. In FY 2009, historical data will include correct assignment of a Social Security number if the individual does not receive more than one Social Security number. Beginning in FY 2010, we changed the data definition to include correct assignment of Social Security numbers if the individual did not receive more than one Social Security number, except where permitted.

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

Strategic Objective 4.1: Curb improper payments

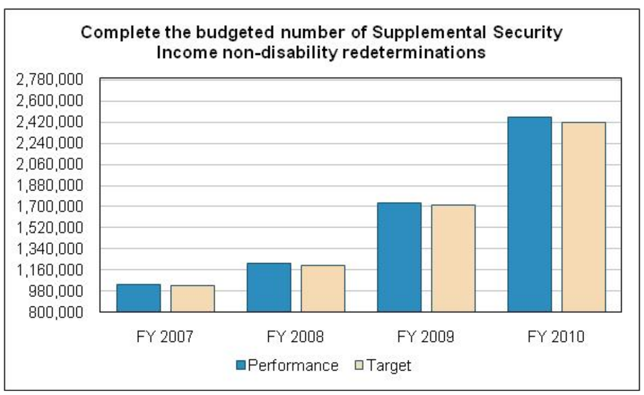
4.1a: Complete the budgeted number of Supplemental Security Income non-disability redeterminations (PG)

FY 2010 Target: 2,422,000
Performance: 2,465,878
Target Achieved: Yes

Discussion: Redeterminations are periodic reviews of non-medical factors of entitlement to ensure we make accurate payments to people receiving SSI payments. As a needs-based program, factors such as income, resources, and living arrangements can affect entitlement to or the amount of a person's SSI payment. Redeterminations are cost effective. We currently estimate that they have a return on investment over 10 years of $8 in program savings for each $1 spent, including accrued Medicaid savings. In FY 2010, we conducted 735,303 more redeterminations than in FY 2009, an increase of 42 percent.

Since we do not have the resources to conduct an annual redetermination on every SSI recipient every year, we use a statistical model to target SSI redeterminations. This model, which has been in place for nearly two decades, uses various income, resource, and living arrangement variables obtained from our SSI payment and claims-processing systems to predict likely SSI overpayments and underpayments for each recipient on the SSI rolls each year. Based on the predicted dollar amounts of SSI overpayments, we prioritize SSI redeterminations so that we can target the most error-prone cases. From these targeted cases, we select cases for redetermination based on the resources we have available. We also identified this performance measure as one of our priority goals.

Trend:



Fiscal Year	2007	2008	2009	2010
Performance	1,038,948	1,220,664	1,730,575	2,465,878
Target	1,026,000	1,200,000	1,711,000	2,422,000
Target Met	↑	↑	↑	↑

Data Definition: The number of non-disability SSI redeterminations completed in the fiscal year up to the target. This number includes scheduled and unscheduled reviews, as well as targeted redeterminations.

Data Source: *Redeterminations Service Delivery Objective Report, Limited Issue Service Delivery Objective Report, Post-eligibility Operational Data Store*

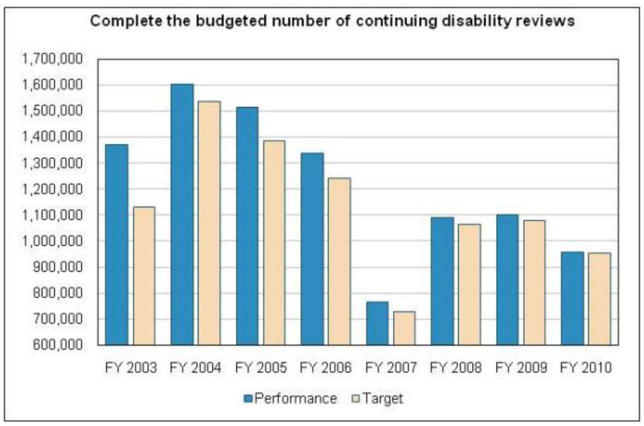
4.1b: Complete the budgeted number of continuing disability reviews (PG)

FY 2010 Target: 954,000*
Performance: 956,182
Target Achieved: Yes

Discussion: We conduct continuing disability reviews (CDR) to determine if disabled beneficiaries continue to meet the medical requirements to support their disability entitlement. CDRs are highly cost-effective; historically every $1 spent on CDRs produces at least $10 in lifetime program savings. In FY 2010, we conducted 956,182 CDRs.

We conduct two types of CDRs, full medical reviews and mailers. Using computer-scoring models, we identify cases for which conducting a full medical review would not be cost effective. In these cases, we use a questionnaire (mailer). In FY 2010, we completed 631,615 mailer CDRs. We also conducted 324,567 full medical reviews, an increase of 7,607 from FY 2009. Full CDRs require a new medical evaluation and disability determination by our examiners in the State DDSs. Full medical CDRs are expensive; we estimate each review costs approximately $1,000 to complete. With the additional funding we received, we dedicated more resources for full medical CDRs in FY 2010. Doing so, however, required us to reduce the overall CDR target from about 1 million in FY 2009 to 954,000 in FY 2010. We identified the full medical CDR subset of this performance measure as one of our priority goals.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Performance	1,371,255	1,604,680	1,515,477	1,337,638	764,852	1,091,303	1,101,983	956,182
Target	1,129,000	1,537,000	1,384,000	1,242,000	729,000	1,065,000	1,079,000	954,000*
Target Met	↑	↑	↑	↑	↑	↑	↑	↑

Data Definition: The number of continuing disability reviews (CDRs) completed in the fiscal year up to the target. This number includes medical reviews completed by the Disability Determination Services and other agency components, reviews conducted by questionnaires (mailers) that do not require a medical review, and cases where we initiated a review but one was not conducted because the individual failed to cooperate.

Data Source: *Continuing Disability Review Tracking Files*

**Note*: Below we provide a fiscal-year breakdown of full medical CDRs and mailers completed since FY 2003:

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Full Medical	679,309	693,680	532,849	340,580	207,637	245,388	316,960	324,567
Mailers	691,946	911,000	982,628	997,058	557,215	845,915	785,023	631,615

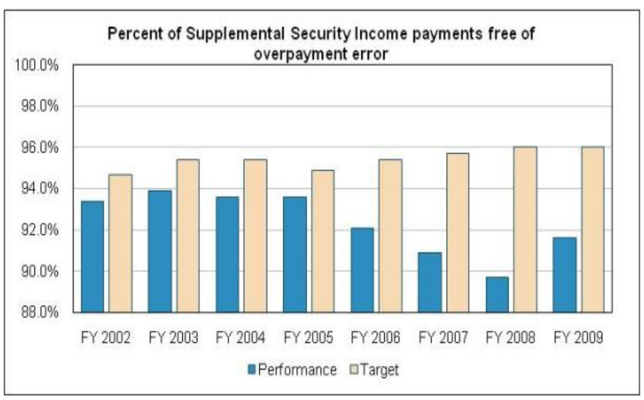
4.1c: Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error (PPM)

FY 2010 Target: O/P accuracy: 91.6%
U/P accuracy: 98.8%
Performance: Data available June 2011
Target Achieved: TBD

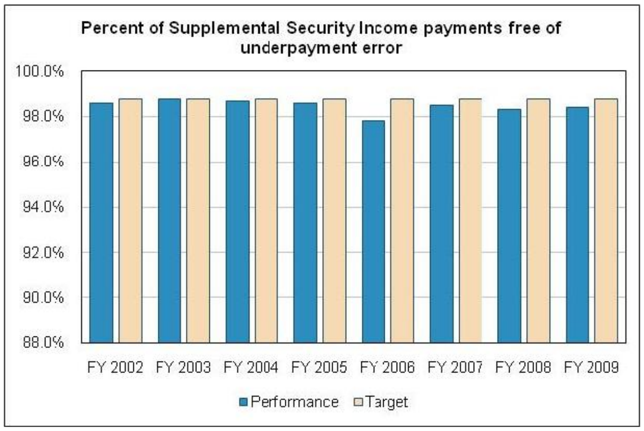
Discussion: FY 2010 data for this performance measure will not be available until June 2011, and we will discuss FY 2010's performance in the *FY 2011 Performance and Accountability Report*. Our discussion below relates to the FY 2009 performance data that was unavailable when we published the *FY 2009 Performance and Accountability Report.*

In FY 2009, we were unable to meet our SSI overpayment or underpayment accuracy targets; however, accuracy in both categories improved from FY 2008. As we explain on page 69, improper payments under the SSI program are particularly challenging because the amount of the payments can fluctuate monthly depending on changes in a person's income, resources, or living arrangements, thus making SSI payments very susceptible to error. With our commitment to increase funding for program integrity efforts, including increasing the number of redeterminations we complete, and our dedication to reducing improper SSI payments under our *Access to Financial Institutions Project and SSI Telephone Wage Reporting System* outlined on pages 32-33, we are confident our SSI payment accuracy will continue to improve. For more information on our SSI payment accuracy rates, see *Improper Payments Information Act of 2002 Detailed Report* in the *Other Accompanying Information* section.

Trend:



Overpayment									
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Performance	93.4%	93.9%	93.6%	93.6%	92.1%	90.9%	89.7%	91.6%	Data available June 2011
Target	94.7%	95.4%	95.4%	94.9%	95.4%	95.7%	96.0%	96.0%	91.6%
Target Met	↓	↓ ↑	↓	↓	↓	↓	↓	↓ ↑	TBD



Underpayment									
Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Performance	**98.6%**	**98.8%**	**98.7%**	**98.6%**	**97.8%**	**98.5%**	**98.3%**	**98.4%**	**Data available June 2011**
Target	**98.8%**	**98.8%**	**98.8%**	**98.8%**	**98.8%**	**98.8%**	**98.8%**	**98.8%**	**98.8%**
Target Met	↓	↑	↓	↓	↓	↓ ↑	↓	↓ ↑	**TBD**

Data Definition: The Supplemental Security Income payment accuracy rate free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. The payment accuracy is based on a non-medical review of sampled individuals receiving Supplemental Security Income payments during the fiscal year. The overpayment accuracy rate is determined by dividing the total overpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent. The underpayment accuracy rate is determined by dividing the total underpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent.

Data Source: *Supplemental Security Income Stewardship Report*

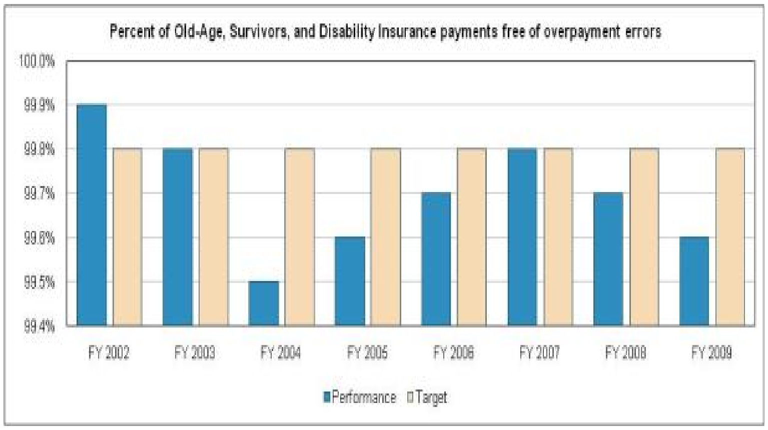
4.1d: Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error (PPM)

FY 2010 Target: O/P accuracy: 99.8%
U/P accuracy: 99.8%
Performance: Data available June 2011
Target Achieved: TBD

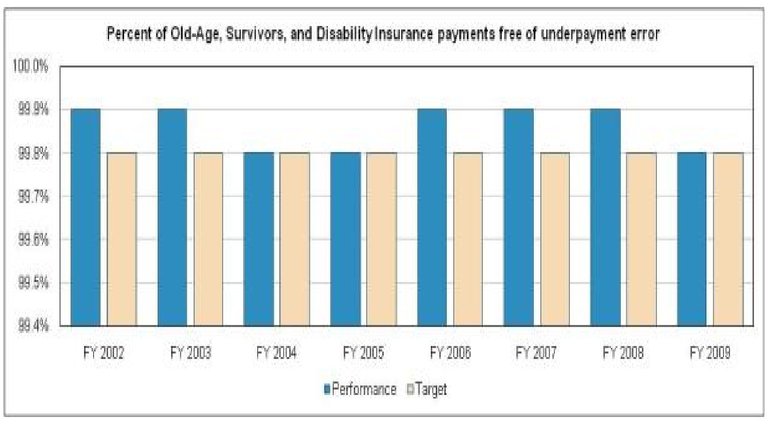
Discussion: FY 2010 data for this performance measure will not be available until June 2011. We will discuss FY 2010's performance in the *FY 2011 Performance and Accountability Report*. Our discussion below relates to the FY 2009 performance data that was unavailable when we published the *FY 2009 Performance and Accountability Report.*

Our FY 2009 Old-Age, Survivors, and Disability Insurance (OASDI) underpayment accuracy rate (99.9 percent) exceeded our target (99.8 percent); however, we did not meet our OASDI overpayment accuracy target of 99.8 percent. In FY 2009, our OASDI overpayment accuracy was 99.6 percent, and while it fell slightly from FY 2008, the decrease was not statistically significant. There are many causes for improper OASDI payments; for example, disabled beneficiaries failing to report work activity, beneficiaries incorrectly estimating annual wages. These and other causes resulted in approximately $3.2 billion in improper OASDI payments in FY 2009. We are committed to reducing payment errors and eliminating waste, fraud, and abuse in our OASDI program by intensifying our program integrity efforts. For more information on improper payments and our efforts to reduce them, see www.socialsecurity.gov/improperpayments. To learn more about how we determine OASDI payment accuracy rates, see *Improper Payments Information Act of 2002 Detailed Report* in the *Other Accompanying Information* section.

Trend:



Overpayment									
Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Performance	**99.9%**	**99.8%**	**99.5%**	**99.6%**	**99.7%**	**99.8%**	**99.7%**	**99.6%**	**Data available June 2011**
Target	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**
Target Met	⬆	⬆	⬇	⬇ ⬆	⬇ ⬆	⬆	⬇	⬇	**TBD**



Underpayment									
Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Performance	**99.9%**	**99.9%**	**99.8%**	**99.8%**	**99.9%**	**99.9%**	**99.9%**	**99.9%**	**Data available June 2011**
Target	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**	**99.8%**
Target Met	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	**TBD**

Data Definition: The Old-Age, Survivors, and Disability Insurance (OASDI) payment free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. The payment accuracy is based on a non-medical review of sampled individuals receiving OASDI payments during the fiscal year. The overpayment accuracy rate is determined by dividing the total overpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent. The underpayment accuracy rate is determined by dividing the total underpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent.

Data Source: *Old-Age, Survivors, and Disability Insurance Stewardship Report*

Strategic Goal 4.2: Ensure Privacy and Security of Personal Information

FY 2010 Performance Measure: None

We do not have a FY 2010 performance measure under this strategic objective. However, we will continue to engage in a variety of practices to ensure privacy and security of personal information. We discuss this objective in more detail on page 33.

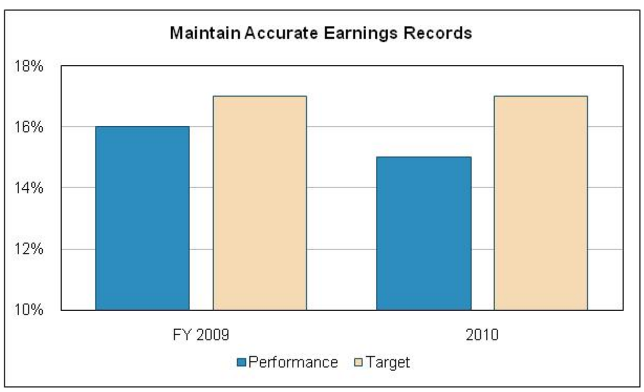
Strategic Objective 4.3: Maintain Accurate Earnings Records

4.3a: Reduce the target percentage of paper *Forms W-2* completed

FY 2010 Target: 17%
Performance: 15%
Target Achieved: Yes

Discussion: We strive to accurately post all the annual wage reports we receive to workers' earning records. Although the vast majority of wage reports are submitted electronically, we continue to receive some paper reports. Paper wage reports are generally more error-prone, labor intensive, and expensive to process. Consequently, we encourage employers to increase their electronic wage reporting. In FY 2010, we exceeded our target to have no more than 17 percent of our annual wage reports be paper. We conducted many outreach efforts to encourage employers to register and use *Business Services Online*, a feature accessed from the Social Security website that enables employers to electronically file *Forms W-2*s (see www.socialsecurity.gov/bso/bsowelcome.htm).

Trend:



Fiscal Year	2009	2010
Performance	16%	15%
Target	17%	17%
Target Met	⬆	⬆

Data Definition: The percentage of paper *Forms W-2* processed to completion. The percentage is derived by dividing the number of paper *Forms W-2* processed to completion by the total number of *Forms W-2* processed to completion.

Data Source: *Earnings Modernization Operational Data Store Management Information Reports*

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

FY 2010 Performance Measure: None

We do not have a FY 2010 performance measure under this strategic objective. However, we will continue to simplify and streamline our policies and procedures and move more of our business processes to an electronic environment. We discuss this initiative in more detail on page 34.

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

4.5a: Receive an unqualified audit opinion on **SSA's financial statements**

FY 2010 Target:	Receive an unqualified opinion
Performance:	Received an unqualified opinion
Target Achieved:	Yes

Discussion: For the 17th successive year, we received an unqualified opinion on our financial statements. In accordance with the *Chief Financial Officers Act*, the Office of the Inspector General contracted with Grant Thornton, LLP to independently audit our financial statements. In its audit, Grant Thornton, LLP found that our financial statements, as contained in this *FY 2010 Performance and Accountability Report* are presented fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America. We take our stewardship responsibility of our programs very seriously, and we will continue to demonstrate an unyielding dedication to sound financial management practices.

Trend: We have received an unqualified audit opinion every year from FY 1994 to FY 2010**.**

Data Definition: The receipt of an unqualified audit opinion from an independent auditor. An independent auditor determines that agency financial statements are presented fairly, in all material respects, and conform to accounting principles generally accepted in the United States of America.

Data Source: The independent auditor report

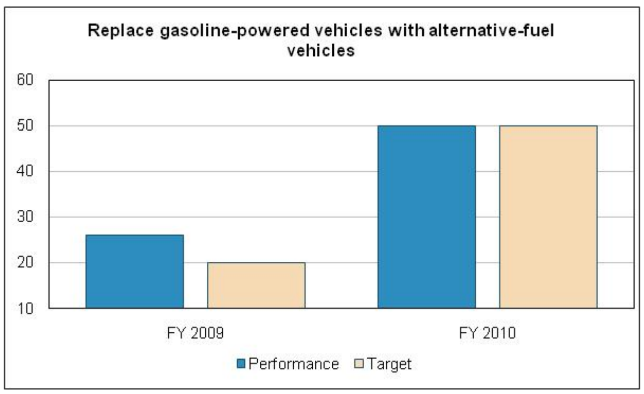
Strategic Objective 4.6: Use **"Green" Solutions to Improve Our Environment**

4.6a: Replace gasoline-powered vehicles with alternative-fuel vehicles

FY 2010 Target: 50 vehicles
Performance: 50 vehicles
Target Achieved: Yes

Discussion: In FY 2010, we replaced 50 gasoline-powered vehicles in our inventory with alternative-fuel vehicles nationwide. In addition, we provided recurring training to fleet liaisons to ensure that all components assigned government leased/owned vehicles comply with *Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management* (www.edocket.access.gpo.gov/2007/pdf/07-374.pdf). We also reduced petroleum consumption by 25,468 gallons, and increased alternative-fuel consumption by 30,806 gallons from FY 2009. As a result, we ranked third among 21 agencies for reducing petroleum consumption by 26.4 percent and fourth for increasing alternative fuel by 85.4 percent.

Trend:



Fiscal Year	2009	2010
Performance	26 vehicles	50 vehicles
Target	20 vehicles	50 vehicles
Target Met	⬆	⬆

Data Definition: The number of gasoline-powered vehicles in our inventory replaced with alternative-fuel vehicles nationwide in the fiscal year.

Data Source: *Agency Fleet Vehicle Inventory*

4.6b: Develop and implement an agency *Environmental Management System*

FY 2010 Target: Provide training needed for implementation
Performance: Provided training needed for implementation
Target Achieved: Yes

Discussion: We provided training to staff on the requirements to establish our *Environmental Management System* (EMS). The EMS will ensure that we continue to make environmentally conscious decisions when purchasing equipment, disposing of old equipment, renovating or constructing new buildings, and implementing a variety of other "green" improvements. We will continue to develop our *EMS* and aim to have it in place by FY 2012. See www.socialsecurity.gov/budget/sspp/SSASustainabilityPlan.pdf for our *Strategic Sustainability Plan* containing our *Environmental Policy Statement* and additional information on our EMS.

Trend:

Fiscal Year	2009	2010
Performance	Developed a high-level project plan	Provided training needed for implementation
Target	Develop a high-level project plan	Provide training needed for implementation
Target Met	⬆	⬆

Data Definition: A high-level project plan is developed and implemented. Developing the plan includes establishing timeframes, establishing and assigning specific responsibilities, and training suitable staff to implement an organizational *Environmental Management System* by 2012.

Data Source: *Office of Management and Budget Environmental Scorecard* Workgroup

Program Performance Measures

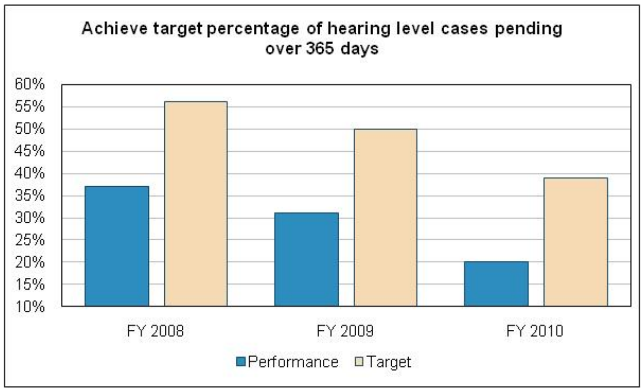
In FY 2010, we had 16 Program Performance Measures, 8 of which were also *Government Performance and Results Act* performance measures. We annotated on pages 14-18 those *Government Performance and Results Act* measures that were also *Program Performance Measures*. Below, we discuss our FY 2010 performance for the remaining eight *Program Performance Measures*.

Achieve target percentage of hearing level cases pending over 365 days

FY 2010 Target: 39%
Performance: 20%
Target Achieved: Yes

In FY 2010, we continued to focus on the oldest hearing requests pending (see 1.2b on page 51). In addition to eliminating hearing requests pending 825 or more days, we decreased the percentage of hearing requests pending one year or longer. FY 2010 marked the second consecutive year we have lowered the percentage, and in doing so, exceeded our targeted percentage levels. At the end of FY 2010, one-fifth of our hearings were pending for one year or more compared to more than one-third in FY 2008.

Trend:



Fiscal Year	**2008**	**2009**	**2010**
Performance	**37%**	**31%**	**20%**
Target	**56%**	**50%**	**39%**
Target Met	⬆	⬆	⬆

Data Definition: Measured from the date of request for hearing, this represents the number of cases that have been pending for more than 365 days as a percentage of the total number of cases pending at the hearing level. Included in the pending caseload are remands, as well as postentitlement actions. Remands are measured from the remand order date. A remand is an order by either the Appeals Council or a Federal Court returning a claim to a previous level decision maker for further action. Cases may be remanded for various reasons, including new evidence submitted with an appeal; a change in regulations; an error of law by the previous decision maker; or an abuse of discretion.

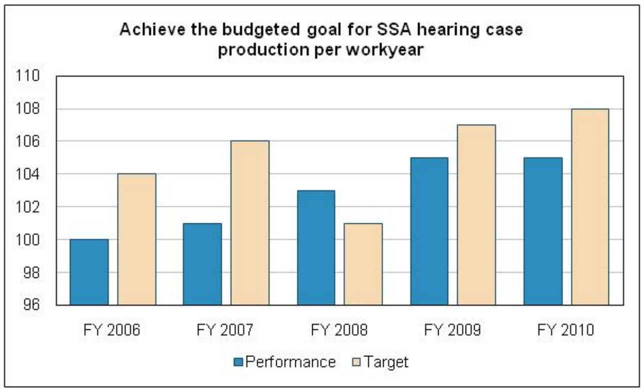
Data Source: *Case Processing and Management System* and *Disability Adjudication Reporting Tools*

Achieve the budgeted goal for SSA hearings cases production per workyear

FY 2010 Target: 108
Performance: 105
Target Achieved: No

Discussion: Production per workyear is a measurement we use to quantify the average annual number of hearings dispositions by employees in our hearing offices. Using such a broad spectrum, PPWY fluctuations tend to be slight; performance has remained between 100 and 106 since FY 2003. Despite our efforts to maximize hearings productivity, we were unable to meet our FY 2010 target. The initiatives we continue to take to reduce our hearings backlog, some of which initiatives discussed on pages 49-50, will contribute to future PPWY increases.

Trend:



Fiscal Year	2006	2007	2008	2009	2010
Performance	100	101	103	105	105
Target	104	106	101	107	108
Target Met	↓	↓	↑	↓	↓

Data Definition: This indicator represents the average number of SSA hearings case production per workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, ALJ travel, leave, holidays, etc.

Data Source: *Office of Disability Adjudication and Review, Monthly Activity Report, the Case Processing and Management System, Payroll Analysis Recap Report, Travel Formula* (based on the assumption that ALJs spend an average of 10 percent of their time in travel status), and *Training Reports* (Regional reports on new staff training, ongoing training, and special training).

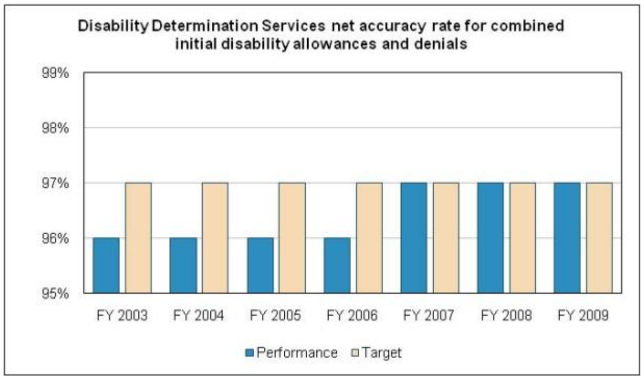
Disability Determination Services net accuracy rate for combined initial disability allowances and denials

FY 2010 Target: 97%
Performance: Data available January 2011
Target Achieved: TBD

Discussion: FY 2010 data for this performance measure will not be available until January 2011. We will discuss FY 2010's performance in the *FY 2011 Performance and Accountability Report*. Our discussion below relates to the FY 2009 performance data that was unavailable when we published the *FY 2009 Performance and Accountability Report.*

In FY 2009, we achieved the targeted Disability Determination Services (DDS) net accuracy rate of 97 percent. Beginning in late 2008, we began to experience a significant increase in initial disability applications due to the economy and rise in unemployment. The number of initial disability claims applications increased almost 17 percent between FYs 2008 and 2009, and the backlog of disability claims in DDSs increased 40 percent. Despite these increases, we maintained accuracy at 97 percent for combined initial disability allowances and denials.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Performance	96%	96%	96%	96%	97%	97%	97%	Data available January 2011
Target	97%	97%	97%	97%	97%	97%	97%	97%
Target Met	↓	↓	↓	↓	↑	↑	↑	TBD

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

Data Source: *Disability Quality Assurance Databases*

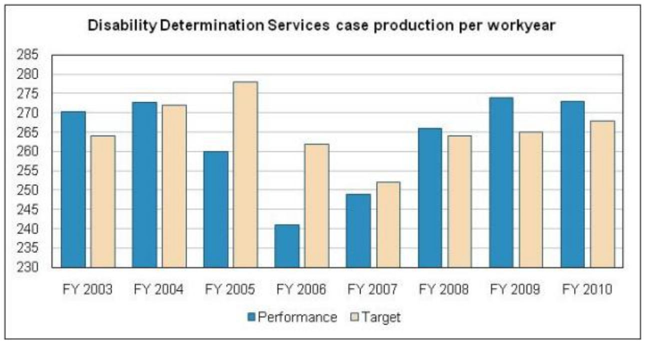
Note: Deficient cases corrected after the 90-day period are still counted as a deficiency.

Disability Determination Services case production per workyear

FY 2010 Target: 268
Performance: 273
Target Achieved: Yes

Discussion: Production per workyear (PPWY) is a measurement we use to quantify the average annual number of disability determinations by each employee in our Disability Determination Services (DDS). We met our FY 2010 target. Our FY 2010 PPWY is even more impressive considering several states imposed hiring freezes and furloughs that adversely affected some DDS staffing and performance. Despite these obstacles, we maintained a high PPWY with the efforts we describe on pages 55-57.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Performance	270.4	272.6	260	241	249	266	274	273
Target	264	272	278	262	252	264	265	268
Target Met	↑	↑	↓	↓	↓	↑	↑	↑

Data Definition: This indicator represents the average number of Disability Determination Services case production per workyear expended for all work. A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.). It is inclusive of everyone on the Disability Determination Services payroll, including doctors under contract to the Disability Determination Services.

Data Source: *National Disability Determination Services System* and *Disability Operational Data Store*

Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets assigned, who work

FY 2010 Target: 98,940
Performance: Data available July 2011
Target Achieved: TBD

Discussion: FY 2010 data for this performance measure will not be available until July 2011, and we will discuss FY 2010's performance in the *FY 2011 Performance and Accountability Report*. Our discussion below relates to the FY 2009 performance data that was unavailable when we published the *FY 2009 Performance and Accountability Report.*

There were 105,843 people with *Tickets to Work (Tickets)* in use who worked in FY 2009. This number was a 9 percent increase over the number of people who worked in 2008. We set a target of 97,000 people who had *Tickets* in use and who worked. We made this conservative projection because employment of beneficiaries with disabilities is historically sensitive to macroeconomic trends. Rates of employment tend to be affected by changes in the unemployment rate. See page 87 for our evaluation of the *Ticket to Work Program*.

Trend:

Fiscal Year	2008	2009	2010
Performance	96,993	105,843	Data available July 2011
Target	Establish a new baseline from which to measure future performance	97,000	98,940
Target Met	⬆	⬆	TBD

Data Definition: Count the number of DI, SSI, and concurrent beneficiaries who have used their *Ticket* to sign up with an Employment Network (EN) or state vocational rehabilitation agency and who have recorded earnings in the *Disability Control File* in any month of the calendar year. The data are provided on a calendar year basis and reported in June of the following year. Performance measure language has been changed from "assigned" to "in use" to be consistent with this data definition. Beginning with 2008, under new regulations, *Tickets* are counted as "in use" when they are being used with an EN or state vocational rehabilitation agency, whereas under the pre-FY 2008 system they were counted when assigned.

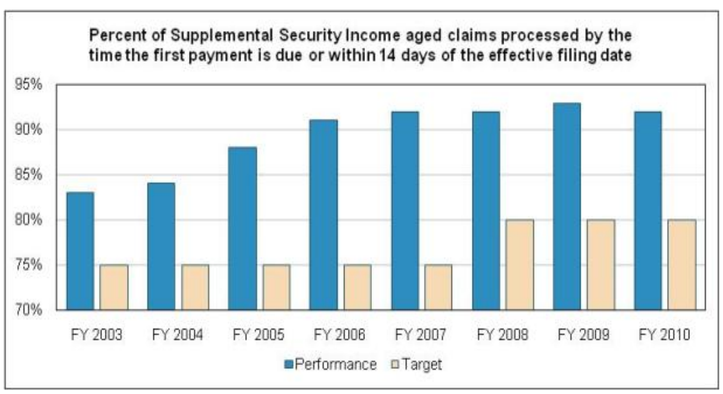
Data Source: The "*Verify Update Earnings Screen's Work and Earnings Reports*" data field in the *Disability Control File*

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

FY 2010 Target: 80%
Performance: 92%
Target Achieved: Yes

Discussion: The nature of the SSI program implores us to complete and make payments on these claims as quickly as possible. We strive to complete and make the first SSI payment to qualifying aged people within 14 days of the application filing date. In FY 2010, we accomplished this endeavor in 92 percent of the SSI aged claims we handled, well exceeding our targeted 80 percent.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Performance	83%	84%	88%	91%	92%	92%	93%	92%
Target	75%	75%	75%	75%	75%	80%	80%	80%
Target Met	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆

Data Definition: This rate reflects the number of SSI aged applications completed through the SSA operational system (i.e., award or denial notices are triggered) before the first regular continuing payment is due or not more than 14 days from the effective filing date, if later, divided by the total number of SSI Aged applications processed. The first regular continuing payment due date is based on the first day of the month that all eligibility factors are met and payment is due.

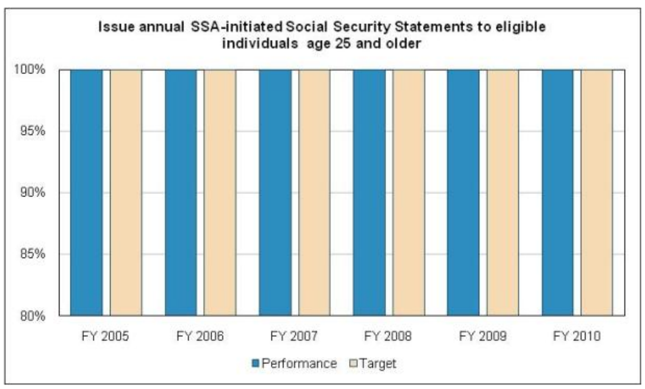
Data Source: *Title XVI Operational Data Store*

Issue annual SSA-initiated *Social Security Statements* to eligible individuals age 25 and older

FY 2010 Target: 100%
Performance: 100%
Target Achieved: Yes

Discussion: We are required by law to issue *Social Security Statements* annually to all workers age 25 and older who are not yet receiving Social Security benefits. *Social Security Statements* provide workers' their earnings histories and estimates of the benefits they and their families may receive as a result of their retirement, death or disability. We mail *Statements* to qualifying workers 2 to 3 months before their birthday using addresses provided to us by the Internal Revenue Service. In FY 2010, we mailed almost 152 million *Statements.* We also conduct an annual survey to measure the satisfaction of people who received a *Social Security Statement*. We discuss the results of the survey on page 93. See www.socialsecurity.gov/mystatement for more information about the *Social Security Statement*.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010
Performance	100%	100%	100%	100%	100%	100%
Target	100%	100%	100%	100%	100%	100%
Target Met	⬆	⬆	⬆	⬆	⬆	⬆

Data Definition: The percentage of *Social Security Statements* mailed to eligible individuals (Social Security number holders age 25 and older who are not yet in benefit status and for whom a mailing address can be determined) during the fiscal year.

Data Source: *Executive and Management Information System.*

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

FY 2010 Target: Conduct Analysis
Performance: Completed
Target Achieved: Yes

Discussion: To assist the Administration and Congress in making informed decisions on major policy issues, we provided policymakers with the information they need to understand the broad impact and effects of potential reform proposals. In FY 2010, we met this target as we continued to provide analysis and research on policy initiatives, produced briefing materials, and provided technical assistance in response to Congressional requests. We also continued to use retirement modeling as one of our most important tools for evaluating the effects of Social Security reform proposals and produced numerous periodic reports that provide detailed statistical data on program size and trends.

Trend: We met this target every year from FY 2003- FY 2010 by conducting analyses related to Social Security reform.

Fiscal Year	2009	2010
Performance	Completed	Completed
Target	Conduct Analysis	Conduct Analysis
Target Met	⬆	⬆

Data Definition: Completed reports and analysis of present law provisions, as well as proposed and pending legislation and other proposals relating to solvency of the system.

Data Source: Office of Retirement and Disability Policy records (consists primarily of various micro simulation models, e.g., *Modeling Income in the Near Term, Financial Eligibility Model, Social Security and Accounts Simulator, and surveys, e.g., Survey of Income and Program Participation, Health and Retirement Study*).

Program Evaluation

The following are brief summaries of selected program evaluations we completed during FY 2010 to assess how well our programs are working. We list the evaluations under the strategic goal they support in our *Fiscal Years 2008-2013 Agency Strategic Plan*. To obtain copies of the results of completed evaluations write to:

Social Security Administration
Chief Information Officer
Office of Vision and Strategy
Division of Strategic Services
3124 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

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

Hearing Process Report Card

The *Hearing Process Report Card* is an annual survey we began in FY 2008 to assess customer satisfaction with our hearing process. Here we discuss the results from our FY 2009 survey. We will discuss the FY 2010 survey results in the *FY 2011 Performance and Accountability Report*.

In FY 2009, we surveyed both Social Security and Supplemental Security Income claimants who recently received a decision following a hearing. Surveyed participants were asked to rate the service we provided throughout the hearing process, starting with ease of finding information about how to file the hearing request and continuing through receipt of the decision. We found that the outcome of a person's hearing greatly influenced their satisfaction level. Eighty-two percent of respondents who received a favorable decision rated the hearing process as "excellent," "very good," or "good" (E/VG/G) compared to 31 percent of respondents who received an unfavorable decision. Both of these results improved from FY 2008, when 80 percent of the respondents who received a favorable decision rated the hearing process as E/VG/G, compared 29 percent of the respondents who received an unfavorable decision.

We also asked those surveyed to rate our service overall. Once again, we found that the successful outcome of a hearing greatly influenced their opinion. When respondents received a favorable decision, 76 percent rated their overall perception of our service as E/VG/G compared to 37 percent of the respondents who received an unfavorable decision. Both ratings exceeded FY 2008 survey results (74 percent and 34 percent, respectively). The following chart summarizes our *Hearing Process Report Card* results and provides a comparison between FY 2008 and FY 2009 results in the following chart:

Hearing Process Report Card
Percent of Respondents Reporting Customer Satisfaction as "Excellent," "Very Good," or "Good"

Fiscal Year	Satisfaction with the Entire Hearings Process		Overall Opinion of Our Service	
	Awards	Denials	Awards	Denials
2009	82%	31%	76%	37%
2008	80%	29%	74%	34%

Disability Appeals -*Attorney Adjudicator Quality Assessment*

To help eliminate our hearings backlog, we continued to utilize some of our most experienced attorney adjudicators to issue fully favorable decisions without the need to conduct an actual hearing in front of an administration law judge. See page 50 for more information on our *Attorney Adjudicator Program*.

In FY 2009, we conducted a random review of more than 1,020 attorney adjudicators' decisions to evaluate their accuracy. Our quality review agreement rate was 96 percent. We continued our *Attorney Adjudicator Quality Assessment* in FY 2010, and we will discuss our findings in the *FY 2011 Performance and Accountability Report.*

Hearing Quality Assurance Review

We developed a Quality Assurance Program for the hearing process designed to provide an in-line review of the case preparation process and decision drafting to ensure that we are following our electronic business process, providing timely hearings, and issuing legally sufficient decisions. We have developed an electronic tool to determine the appropriate sampling rate and for capturing data from case reviews. We will use information obtained from the reviews to improve the electronic business process as well as to identify areas where training may be needed. In July 2010, we began piloting the Quality Assurance Program in 6 of our 10 regions. We reviewed 206 cases in FY 2010, and we will discuss our findings in the *FY 2011 Performance and Accountability Report*.

Appeals Council Assurance Review

At the end of FY 2010, the Appeals Council began a review of 3,500 randomly selected favorable and partially favorable ALJ decisions. The purpose of this new and ongoing review is to ensure policy compliance and legal sufficiency of hearing decisions and to take corrective action, as needed. We will provide more information on this review in the *FY 2011 Performance and Accountability Report.*

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

Disability Claim Pre-Effectuation Accuracy Reports

We have three major ongoing accuracy reviews of proposed disability determinations at the initial and reconsideration levels. One review assesses the accuracy of randomly selected proposed allowances and denial cases to determine National and State-based accuracy rates. The other two reviews target proposed allowances and denials that are more likely to contain errors. We conduct these reviews before the decision is processed. We will provide more information on this review in the *FY 2011 Performance and Accountability Report.*

Disability Initial Claims Report Card

The *Disability Initial Claims Report Card* is an annual survey we began in FY 2007 to measure customer satisfaction with our initial disability application process. We survey disability claimants – both Social Security and Supplemental Security Income (SSI) – during the following stages of the application process:

- Mid-process claimants, selected after the application is filed but before a decision is made;
- Post- adjudicative awards, selected after the application is filed and after the decision awarding benefits; and
- Post-adjudicative denials, selected after the application is filed and after the decision denying benefits is processed.

We asked the people surveyed to rate their level of satisfaction for two categories – ease of filing the disability application and their overall opinion of our service. Below we summarize the *Disability Initial Claims Report Card* results for FY 2009, showing the percentage of respondents rating our service "excellent," "very good," or "good" for each. Perceptions of service remained stable from FY 2008.

Disability Initial Claims Report Card Survey Results

Fiscal Year	Ease of Filing the Disability Application			Overall Opinion of Our Service		
	Mid-Process	Awards	Denials	Mid-Process	Awards	Denials
2009	83%	90%	56%	84%	92%	51%

We will publish the results from our *FY 2010 Disability Initial Claims Report Card* in our *Fiscal Year 2011 Performance and Accountability Report*.

Evaluation of *Ticket to Work* Programs and Adequacy of Incentives

The *Ticket to Work* program is one of our return-to-work initiatives. The purpose of the program is to expand the universe of service providers available to people with disabilities who are seeking vocational rehabilitation, employment, and other related support services. *The Work Site* (www.socialsecurity.gov/work) provides a host of resources for *Ticket to Work* participants.

An independent evaluation of the program is providing us with ongoing feedback on the program's effectiveness and potential. The findings from the first four evaluation reports have already had a significant impact on improving the program and were instrumental in the redesign of *Ticket to Work* that resulted in the new *Ticket to Work* regulations in FY 2008.

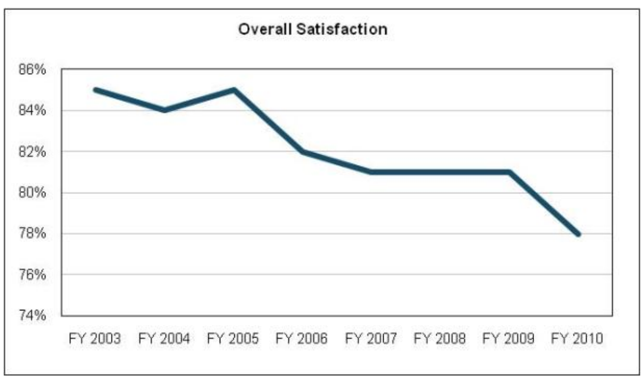
The fifth report, which is a series of ten papers on special topics, will be published at the beginning of FY 2011. An example of information in this report includes the finding that many beneficiaries are interested in working (40 percent), and that about half of these beneficiaries ended up working within 3 ½ years after they were interviewed. We use the information and feedback from our ongoing evaluation to improve the future development of our return to work programs.

For a full discussion of the program and the evaluation findings from the first four reports, see www.socialsecurity.gov/disabilityresearch/research.htm#Ticket. We will post the fifth report at the same site when it is available.

Strategic Goal 3: Improve Our Retiree and Other Core Services

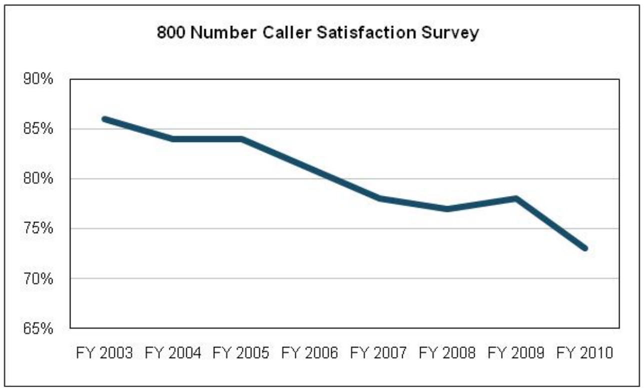
Overall Service Satisfaction Surveys

We continually evaluate our retirement and other core services by surveying the people who use them. These surveys reflect the public's perception of the services we provide whether they contact us via the Internet, telephone, or in-person visits to our offices. In addition, public feedback helps us identify strengths and weaknesses in our programs and processes so we can make necessary improvements. We combined the results of the separate surveys, discussed in more detail below, to produce a single customer satisfaction measure. In FY 2010, the combined results indicated 78 percent of the respondents rated our overall service as "excellent," "very good," or "good" (E/VG/G). This rate reflects a statistically significant drop in satisfaction compared to FY 2009, when 81 percent of the respondents rated our service as E/VG/G. We illustrate our service satisfaction ratings from FY 2003 through FY 2010 in the following graph:



<u>800 Number Caller Survey</u>

Our telephone service remains a primary option for providing service to the public. In FY 2010, our telephone agents handled nearly 42 million calls to our National 800 Number. In FY 2010, 73 percent of survey respondents rated the service they received during their National 800 Number call as E/VG/G, significantly lower than FY 2009 when the satisfaction rating was 78 percent. We illustrate our overall satisfaction rates from FY 2003 through FY 2010 in the following graph:



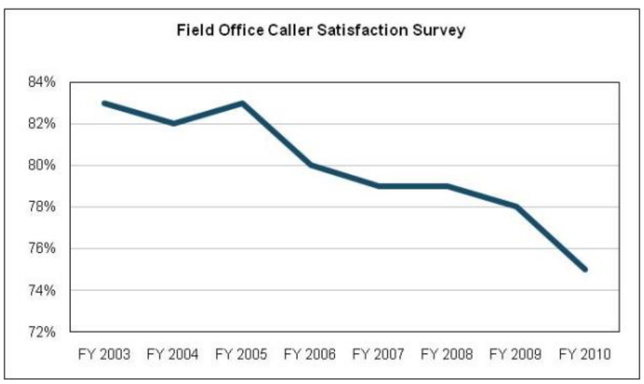
In our FY 2009 survey, overall satisfaction with the National 800 Number telephone service remained stable at 78 percent. Survey results indicated "access," i.e., getting through to be served, was the aspect of service that consistently received the lowest ratings and had the strongest effect on overall satisfaction. Sixty-eight percent of survey respondents rated access E/VG/G. This was consistent with the FY 2008 access rating (67 percent), but continued to be significantly lower than the 75-percent rate sustained from FY 2002 to FY 2006. Nearly half of the respondents surveyed in FY 2009 said that it was somewhat or very hard to reach the type of service they needed through the speech recognition system. For those callers placed on hold prior to speaking with an agent, just over half (55 percent) rated the length of time they waited as E/VG/G, not a statistically significant difference from FY 2008 (58 percent).

FY 2009 respondents rated various aspects of staff performance, such as helpfulness, courtesy, and job knowledge much more favorably than access to service. Ratings of these aspects of staff performance ranged from 88 to 91 percent E/VG/G and were comparable to ratings in FY 2008 (90 to 93 E/VG/G).

We will discuss the FY 2010 survey results in more detail in our *FY 2011 Performance and Accountability Report.*

Field Office Caller Survey

In FY 2010, 75 percent of the respondents to our *Field Office Caller Survey* rated the overall service they received when they called an office as E/VG/G. This rating is not a statistically significant difference than the rating given by FY 2009 respondents (78 percent). However, over time small annual declines in the overall service ratings have resulted in a level of satisfaction that is significantly lower than the high point of 83 percent achieved in FYs 2003 and 2005. The chart below illustrates our field office caller satisfaction rates from FY 2003 through FY 2010:



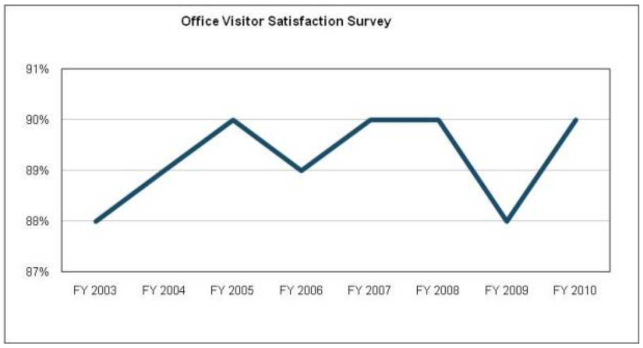
Seventy-eight percent of respondents to our FY 2009 *Field Office Caller Survey*, rated our field office telephone service overall as E/VG/G. Respondents who rated overall service as less than E/VG/G often attributed their dissatisfaction to "access," mainly because of trouble getting through to a field office. Sixty-six percent of the FY 2009 respondents rated "access" as E/VG/G, continuing the gradual decline in this area over the last few years. More than half of our survey respondents reported they had tried to call our field offices previously but were unable to get through. Almost 40 percent of survey respondents who waited on hold were dissatisfied with the amount of time it took to be connected to a field office employee. Failure to receive a return call in response to a voicemail was another source of dissatisfaction for respondents. Among callers who expected a return call to their voicemail, 92 percent said they asked for a call back, but only 58 percent reported they received a return call.

As in our *800 Number Caller Survey*, FY 2009 *Field Office Caller Survey* respondents were very satisfied with the various aspects of office staff performance. Respondents rated aspects of staff performance, such as helpfulness, courtesy, and job knowledge, between 89 to 93 percent E/VG/G. For the most part, these ratings were higher than the FY 2008 ratings that ranged from 87 to 90 percent E/VG/G.

We will discuss the FY 2010 survey results in more detail in our *FY 2011 Performance and Accountability Report*.

<u>Office Visitor Survey</u>

We conduct an annual *Office Visitor Survey* to measure satisfaction of people who visit our field and hearing offices. In FY 2010, 90 percent of the respondents rated the overall service they received during their office visit as E/VG/G. This rating, which was higher than the overall service rating of 88 percent in FY 2009, returns satisfaction levels to those recorded from FYs 2006 through 2008. The chart below shows our office visitors' overall service ratings from FY 2003 through FY 2010:



We will discuss the FY 2010 survey results in more detail in our *FY 2011 Performance and Accountability Report*. Here we provide *Office Visitor Survey* results for FY 2009.

Results from our FY 2009 *Office Visitor Survey* were based on visitors to randomly selected field and hearing offices during a 4-week period in October and November 2008. Selected visitors completed a "Report Card" about their satisfaction with service. Eighty-eight percent of respondents rated overall service as E/VG/G, a small, but statistically significant decline, compared to 90 percent in our FY 2008 *Office Visitor Survey*. One of the lower rated aspects of service was the time spent waiting to be served in the office.

All together, 76 percent of those surveyed rated waiting time as E/VG/G. However, satisfaction with waiting time was lower among field office visitors (75 percent) compared to hearing office visitors (90 percent). The waiting time rating from field office respondents in FY 2009 was lower than it was in FY 2008 (78 percent).

Respondents' perceptions of office environment, such as location, hours, and comfort, were favorable with E/VG/G ratings ranging from 88 to 91 percent. Of all aspects of service, office privacy received the lowest rating, 75 percent E/VG/G. Survey results indicate visitors view office staff favorably; employee helpfulness, courtesy, knowledge, and clarity of explanations were all rated at 90 percent E/VG/G.

Internet Report Card Survey

In FY 2010, we conducted our first annual *Internet Report Card Survey*. This year, the survey included people who used one of our online applications to file for retirement benefits, Social Security disability benefits, or a Medicare Part D subsidy. Survey respondents gave these online applications an overall rating of 91 percent E/VG/G. We will discuss the FY 2010 survey results in more detail in our *FY 2011 Performance and Accountability Report*.

In subsequent years, we plan to expand the *Internet Report Card Survey* to include three other categories of transactions currently offered on our website: reports of changes in personal information for people receiving benefits (change of address or direct deposit), requests for information (such as verification of benefits received), and disability report forms. In addition to assessing overall satisfaction with our online application, the survey covers aspects of online services that influence customer satisfaction, such as ease of finding the online application on the website and how easy it is to complete the application.

Internet Satisfaction Surveys

Internet Benefit Application Survey

This special-study survey measured satisfaction of people who used our new *iClaim* to file for retirement or disability benefits. This year we are reporting a more detailed analysis of our FY 2009 survey results, which were not available when we published the *FY 2009 Performance and Accountability Report*. For retirement claims, the survey explored satisfaction with the entire process, from filing online through receiving the decision. We selected claimants who recently filed for disability benefits; they provided their opinions while a decision was still pending.

Ninety-four percent of respondents who filed for retirement or disability benefits online rated their experience as E/VG/G. Respondents who filed for retirement benefits were the most satisfied, with 98 percent giving the online application a positive rating. Respondents who filed for disability benefits also viewed *iClaim* very favorably, although their 88 percent E/VG/G rating was significantly lower than the rating from claimants filing for retirement benefits, which may be explained in part by the status of their claim.

Respondents filing for retirement benefits were much more satisfied with the amount of time it took to complete *iClaim* (97 percent E/VG/G rating) than disability claimant respondents (78 percent). The perception of time it took to complete *iClaim* had a strong effect on respondents who filed for disability benefits online. Among the disability claimant respondents who rated the amount of time spent as E/VG/G, satisfaction with *iClaim* was the same as respondents filing for retirement benefits – 97 percent rated their experience filing online as E/VG/G. On the other hand, respondents who were dissatisfied with the time they spent completing the disability application gave the online application an overall rating of 56 percent E/VG/G.

Quality Reviews and Service Evaluations

800 Number Telephone Service Evaluation

We monitor calls to our National 800-Number to evaluate both the accuracy of the information our telephone agents provide and the actions they take. Each year we listen to about 3,000 calls handled by agents in our 41 call centers nationwide. We randomly select and monitor calls throughout the year based on a statistical sampling methodology. Our agents do not know when their calls are monitored. We use the results of our annual *800 Number Service Evaluation*, which we have conducted on an ongoing basis since 1989, to identify training needs and clarify operating instructions for our agents.

We assess the accuracy of the information agents provide and the actions they take based on our program policy and operating guidelines. We use two measures of accuracy in evaluating our 800 number service. Payment accuracy indicates the percentage of calls free of payment error. A payment error occurs when an agent's information or action (or failure to give information or take action) has the potential to improperly affect a caller's payment or eligibility for benefits. The second accuracy measure we use is service accuracy, which reflects the percentage of calls free of service error. A service error occurs when an agent does not meet the caller's need for information, causes the caller inconvenience, or creates an unnecessary additional workload.

Our latest published accuracy rates are for FY 2009. Payment accuracy was 95.8 percent and service accuracy was 86.7 percent. In addition to recording payment and service accuracy, our review identifies the specific causes of error and the operating policies that were not followed.

<u>Field Office Telephone Service</u>

We conduct an annual evaluation of the telephone service in our field offices. Each year we select a random sample of over 100 field offices across the country for the evaluation. We monitor about 2,000 randomly selected calls over the course of the year to assess the accuracy of the information agents provide and the actions they take. The agents do not know when we monitor their calls. We use the results of our Field Office Telephone Service Evaluation, which we have conducted since 1999, to identify training needs and clarify operating instructions for our agents.

This evaluation identifies the specific causes of error and the operating policies that were not followed. It uses the same standards of payment and service accuracy as our *800 Number Service Evaluation* discussed above. We assess a payment error when the information or action (or failure to provide information or take action) has the potential to improperly affect a caller's payment or eligibility to benefits. We assess a service error when an agent does not meet the caller's need for information, causes the caller inconvenience or creates an unnecessary additional workload.

Our latest published accuracy rates are for FY 2009. Payment accuracy was 94.4 percent and service accuracy was 79.2 percent.

<u>Enumeration Quality Review</u>

Each year we process approximately 6 million original and 12 million replacement Social Security card applications. We also verify Social Security numbers more than one billion times a year through a variety of electronic data exchanges with public and private organizations. We refer to the process of assigning and issuing Social Security numbers as enumeration. To assess the accuracy of our enumeration process, we conduct annual reviews using a random sample of original Social Security numbers assigned during the fiscal year by one of the following means:

- *Enumeration-at-Birth*: Parents can apply for a Social Security number for their newborn child at the same time they apply for their newborn's birth certificate. The state agency that issues the birth certificate will share the information with us, at which time we assign a Social Security number and issue a Social Security card;

- *Enumeration-at-Entry:* Certain non-citizens can apply for a Social Security number as part of the Department of State's immigration process. When the immigrant enters the United States, the Department of Homeland Security electronically transmits the enumeration information to us. If the immigrant qualifies, we assign a Social Security number and issue a Social Security card; and

- *Paper Social Security number applications:* People complete *Form SS-5, Application for a Social Security Card*, and submit it to a local field office or Social Security Card Center.

In FY 2009, enumeration accuracy for the assignment of a Social Security number was 99.9 percent. The most commonly cited error was applicants who received two different Social Security numbers: one through the *Enumeration-at-Entry* process and one through the SS-5 process. The results from our FY 2010 *Enumeration*

Quality Review will not be available until May 2011, and we will report them in our *FY 2011 Performance and Accountability Report*.

Social Security Statement Survey

Each year we issue *Social Security Statements* to more than 150 million people. The *Social Security Statement* is a concise, easy-to-read personal record of workers' earnings, the amount of Social Security taxes they paid, and a summary of the estimated benefits they and their families may receive.

The *Social Security Statement Survey* measures the satisfaction of people who received a *Social Security Statement.* Respondents to our FY 2009 *Social Security Statement Survey* confirmed the *Statement* is well received and that most considered it an important financial planning document. Survey results also showed that revisions in some areas would help make the *Statement* an easily understandable, useful, and viable tool for retirement planning. We will discuss the FY 2010 survey results in the *FY 2011 Performance and Accountability Report*.

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

Retirement, Survivors, and Disability Insurance Stewardship Review

We have conducted the Old-Age and Survivors Insurance (OASI) Stewardship review since 1981 and the Disability Insurance (DI) Stewardship review since 1998. These annual reviews provide an accuracy measurement of Social Security benefit payments, and the findings meet the reporting requirements contained in the *Improper Payments Information Act of 2002* (see www.whitehouse.gov/sites/default/files/omb/financial/_improper/PL_107-300.pdf). We will provide the results of the *FY 2010 Stewardship Review* in our *FY 2011 Performance and Accountability Report*.

Our findings under this Stewardship Review are based on a monthly sample of people receiving Social Security benefits. We randomly select samples of about 80 OASI cases and about 40 DI cases each month. In all sampled cases, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all nonmedical factors of eligibility as of the month the case was selected for review.

Total benefit payments for the Title II OASDI program in FY 2009 totaled about $660 billion and there were 52.2 million people receiving benefits at the end of the fiscal year. Our payment accuracy with respect to overpayments was 99.6 percent based on improper payments totaling a projected $2.5 billion (i.e. 99.6 percent of all payments are free of overpayment errors.) We refer to this as the overpayment accuracy rate. Payment accuracy with respect to underpayments, referred to as the underpayment accuracy rate, was 99.9 percent based on unpaid dollars projected at $619 million (i.e., underpayment dollars as a percentage of total dollars paid were 0.08 percent).

For FY 2009, each tenth of a percentage point in the payment accuracy represents about $660 million in program spending for the Title II program. Overall, Title II OASDI accuracy rates have remained steady over the past five years. In the OASDI program, errors dollars involving substantial gainful activity are the leading category of overpayments. The leading categories of underpayment error dollars in the OASDI programs involve computational problems with the primary insurance amount computation. The sheer magnitude of the payments made in the Title II program, approximately $660 billion in FY 2009, means that even a small percentage in error will result in a substantial dollar error.

Supplemental Security Income Stewardship Review

Under the *Supplemental Security Income (SSI) Stewardship Review*, we measure the accuracy of payments to people who received SSI payments during the fiscal year. We review a random sample of approximately 4,000 SSI cases and project the findings to the universe of all people receiving SSI. In conducting the review, we interviewed recipients (or their representative payees) and contacted other sources, such as employers and financial institutions to obtain supporting information. We recreated all non-medical factors of SSI eligibility to measure the accuracy of the payments. We report our findings as a percent of SSI dollars paid that are free of overpayment and underpayment errors.

In FY 2009, the SSI overpayment accuracy rate was 91.6 percent, and the underpayment accuracy rate was 98.4 percent. The overpayment rate was higher than the FY 2008 rate (89.7 percent) and the underpayment rate was higher than the FY 2008 rate (98.3 percent). The difference in the SSI overpayment accuracy rate from FY 2008 to FY 2009 is statistically significant; the difference in the SSI underpayment accuracy rate from FY 2008 to FY 2009 is not statistically significant. In FY 2009, the leading cause of SSI overpayments was inaccurate or unreported financial data and the leading cause for underpayments was errors for in-kind support and maintenance (that is, income in the form of food or shelter).

We will report the results of our *FY 2010 Supplemental Security Insurance Stewardship Review* in our *FY 2011 Performance and Accountability Report.*

The *Federal Information Security Management Act of 2002 Report to Congress*

The *Federal Information Security Management Act* (FISMA) was introduced as part of the *eGov Act of 2002*. FISMA is a security framework that requires Federal agencies to ensure that adequate protections are provided for Federal information systems and information. Federal agencies included in the *eGov Act* must submit annual FISMA reports to the Office of Management and Budget (OMB) by November 15, 2010. Our report summarizes the results of the agency's security reviews of major information systems and programs, progress on correcting identified weaknesses, and the results of other work performed during the reporting period using OMB's performance measures. There are currently several bills pending in Congress to strengthen FISMA. As Congress considers revamped cyber security legislation, we will strive to meet and exceed existing information security requirements for protecting Federal information systems and information to include personally identifiable information. See www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/FY09_FISMA.pdf for the *FY 2009 FISMA Report to Congress*.

Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

The *Social Security Act* requires the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds to report annually to Congress on the financial and actuarial status of the two Social Security trust funds – OASI and DI. The 2010 *OASDI Trustees Report*, issued in August 2010, showed improvements in the projected long-term financial status of the Social Security program compared to the Trustees' 2009 report. The primary reasons for this improvement were legislative changes, particularly the estimated effects of the *Patient Protection and Affordable Care Act* and the *Health Care and Education Reconciliation Act of 2010*. Other report highlights included:

- The projected point at which tax revenues will permanently fall below program costs in 2015 – 1 year sooner than the estimate in last year's report;

- The projected point at which the trust funds will be exhausted is 2037 – the same as the estimate in last year's report;
- The projected actuarial deficit over the 75-year long-range period is 1.92 percent of taxable payroll – down from 2 percent in last year's report; and
- Over the 75-year period, the trust funds would require additional revenue equivalent to $5.4 trillion in present value as of January 1, 2010, to pay all scheduled benefits.

See www.socialsecurity.gov/OACT/TR/2010 for the full 2010 Trustees Report.

Annual Report of the Supplemental Security Income Program

By law, we must report annually to the President and to Congress on the status of the Supplemental Security Income (SSI) program. The 2010 report, issued in August 2010, covered the 25-year period, 2010 to 2034. Significant findings stemming from our evaluation included:

- By 2034, the end of the 25-year projection period, we estimated the federal SSI recipient population will reach 9.9 million. The projected growth in the SSI program over the 25-year period is largely due to the overall growth in the U.S. population, although we expect the current fluctuating economy will temporarily generate additional growth beyond what we anticipated from historical trends. The percentage of the population receiving SSI is projected to vary somewhat by age group, with the percentage of those age 65 or older projected to decline, and the percentage for those under 65 projected to slightly increase;
- Expressed as a percentage of the total U.S. population, the number of federal SSI recipients increased slightly from 2.31 percent in 2008 to 2.36 percent in 2009 and is projected to increase gradually to 2.59 percent of the population by 2034 due largely to the changing age distribution of the population;
- Federal expenditures for the SSI payments in calendar year 2010 are estimated to increase by $2.1 billion to $48 billion, an increase of 4.5 percent from 2009 levels;

In constant 2010 dollars, federal expenditures for SSI payments are projected to increase to $59.9 billion in 2034, a real increase of one percent per year; and Federal SSI expenditures expressed as a percentage of Gross Domestic Product (GDP) were 0.291 percent of GDP in 2008. Due to the fluctuating economy, expenditures as a percentage of GDP increased to 0.322 in 2009. We project these to increase slightly to 0.325 percent of GDP in 2010, but decline thereafter to 0.247 percent of the GDP by 2034.

To review the FY 2010 Annual Report of the Supplemental Security Income Program, see www.socialsecurity.gov/OACT/ssir/SSI10/index.html.

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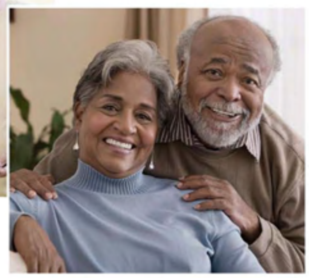


FINANCIAL SECTION

A Message from The Chief Financial Officer

The fiscal year (FY) 2010 audit resulted in the 17th consecutive unqualified opinion on our financial statements. We are proud of this sustained achievement as it demonstrates our ongoing successful efforts for excellence in financial reporting. The unqualified opinion attests to the fair presentation of our financial statements and demonstrates our commitment to accountability and fiscal discipline in our stewardship of the funds entrusted to us by the American people.

Our independent auditors also issued an unqualified opinion on our assertion that SSA's internal control over financial reporting for FY 2010 operated effectively. The auditors determined that we had no material weaknesses but did cite an ongoing significant deficiency in internal control. The significant deficiency from FY 2009 relating to strengthening controls to protect our information is not fully resolved, as the correction is a multi-year effort. In addition, the auditors identified new elements under the existing deficiency that will require us to further improve the controls over protecting our information. We are taking all steps necessary to correct the identified deficiency so that we minimize risks and eliminate potential problems. Additional discussion of the significant deficiency may be found in the Systems and Controls and the Auditor's Reports sections of this report.

We continued our tradition of implementing, developing, and using information technology advancements that will provide relevant, reliable, and timely accounting and management information. In FY 2010, we upgraded our accounting system to the highest standard for our commercial off-the-shelf software. This upgrade represents a significant step toward incorporating the Common Governmentwide Accounting Classification structure, which establishes a standard method for classifying financial effects of government business activities. We also continued planning the implementation of an improved cost accounting system, which will better manage and account for resources and enhance decision-making.

With our strategic emphasis on the identification and recovery of improper payments, we launched an aggressive initiative to reduce improper payments and maintain high payment accuracy rates. In addition, we developed a new website (www.socialsecurity.gov/improperpayments/) to report our goals and performance. We also continue to maintain effective internal controls over the funds provided to us under the *American Recovery and Reinvestment Act of 2009* (ARRA). As the Senior Accountable Official, it is my responsibility to monitor the use of these funds (see our plan at www.socialsecurity.gov/recovery/) and to ensure that we make progress toward achieving our ARRA goals. In support of the Office of Management and Budget's Open Government directive, we report spending data, including grant, contract, and Federal Assistance payments on www.USAspending.gov to improve the quality of information available to the public.

In recognition of our commitment to the President's twin goals of transparency and accountability, we received the Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants for our FY 2009 Performance and Accountability Report. SSA has received the CEAR award for 12 consecutive years.

The success of our financial stewardship is due to the efforts of our employees who practice sound fiscal policies supporting SSA's mission, programs, and systems. We are responsible stewards of the Social Security funds.

Michael G. Gallagher
Chief Financial Officer
November 8, 2010

Financial Statements and Additional Information

The agency's financial statements and additional information for fiscal years (FY) 2010 and 2009 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2010 and 2009, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.

- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2010 and 2009. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.

- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2010 and 2009. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.

- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2010 and 2009. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.

- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.

- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2010 and 2009
(Dollars in Millions)

Assets		2010		2009
Intragovernmental:				
Fund Balance with Treasury (Notes 3 and 4)	$	6,187	$	7,286
Investments (Note 5)		2,586,333		2,504,248
Interest Receivable, Net (Note 5)		28,893		29,382
Accounts Receivable, Net (Note 6)		915		565
Other		2		0
Total Intragovernmental		2,622,330		2,541,481
Accounts Receivable, Net (Notes 3 and 6)		10,369		9,694
Property, Plant, and Equipment, Net (Notes 3 and 7)		2,825		2,455
Other		3		4
Total Assets	$	2,635,527	$	2,553,634
Liabilities (Note 8)				
Intragovernmental:				
Accrued Railroad Retirement Interchange	$	4,418	$	4,310
Accounts Payable		8,525		8,512
Other		269		286
Total Intragovernmental		13,212		13,108
Benefits Due and Payable		80,785		79,859
Accounts Payable		473		453
Other		1,467		1,389
Total Liabilities		95,937		94,809
Net Position				
Unexpended Appropriations-Earmarked Funds (Note 9)		61		58
Unexpended Appropriations-Other Funds		412		680
Cumulative Results of Operations-Earmarked Funds (Note 9)		2,537,480		2,456,852
Cumulative Results of Operations-Other Funds		1,637		1,235
Total Net Position		2,539,590		2,458,825
Total Liabilities and Net Position	$	2,635,527	$	2,553,634

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2010 and 2009

(Dollars in Millions)

	2010	2009
OASI Program		
Benefit Payments	**$ 574,223**	$ 548,695
Operating Expenses (Note 10)	**3,584**	3,559
Total Cost of OASI Program	**577,807**	552,254
Less: Exchange Revenues (Notes 11 and 12)	**(15)**	(16)
Net Cost of OASI Program	**577,792**	552,238
DI Program		
Benefit Payments	**121,598**	116,120
Operating Expenses (Note 10)	**3,028**	2,856
Total Cost of DI Program	**124,626**	118,976
Less: Exchange Revenues (Notes 11 and 12)	**(42)**	(40)
Net Cost of DI Program	**124,584**	118,936
SSI Program		
Benefit Payments	**43,844**	42,114
Operating Expenses (Note 10)	**3,798**	3,486
Total Cost of SSI Program	**47,642**	45,600
Less: Exchange Revenues (Notes 11 and 12)	**(301)**	(347)
Net Cost of SSI Program	**47,341**	45,253
Other		
Benefit Payments	**8**	9
Operating Expenses (Note 10)	**2,546**	15,222
Total Cost of Other Program	**2,554**	15,231
Less: Exchange Revenues (Notes 11 and 12)	**(10)**	(10)
Net Cost of Other	**2,544**	15,221
Total Net Cost		
Benefit Payments	**739,673**	706,938
Operating Expenses (Note 10)	**12,956**	25,123
Total Cost	**752,629**	732,061
Less: Exchange Revenues (Notes 11 and 12)	**(368)**	(413)
Total Net Cost	**$ 752,261**	$ 731,648

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2010 and 2009
(Dollars in Millions)

	2010			2009		
	Earmarked Funds	**All Other Funds**	**Total**	Earmarked Funds	All Other Funds	Total
Cumulative Results of Operations:						
Beginning Balances	**$ 2,456,852**	**$ 1,235**	**$ 2,458,087**	$ 2,325,293	$ 421	$ 2,325,714
Budgetary Financing Sources						
Appropriations Used	**22,845**	**50,975**	**73,820**	20,822	62,178	83,000
Tax Revenues (Note 13)	**646,673**	**0**	**646,673**	668,186	0	668,186
Interest Revenues	**118,014**	**0**	**118,014**	118,230	0	118,230
Transfers-In/Out - Without Reimbursement	**(5,952)**	**7,841**	**1,889**	(5,561)	7,509	1,948
Railroad Retirement Interchange	**(4,500)**	**0**	**(4,500)**	(4,510)	0	(4,510)
Net Transfers-In/Out	**(10,452)**	**7,841**	**(2,611)**	(10,071)	7,509	(2,562)
Other Budgetary Financing Sources	**63**	**0**	**63**	59	0	59
Other Financing Sources (Non-Exchange)						
Imputed Financing Sources (Note 14)	**0**	**709**	**709**	0	578	578
Other	**0**	**(3,377)**	**(3,377)**	0	(3,470)	(3,470)
Total Financing Sources	**777,143**	**56,148**	**833,291**	797,226	66,795	864,021
Net Cost of Operations	**696,515**	**55,746**	**752,261**	665,667	65,981	731,648
Net Change	**80,628**	**402**	**81,030**	131,559	814	132,373
Cumulative Results of Operations	**$ 2,537,480**	**$ 1,637**	**$ 2,539,117**	$ 2,456,852	$ 1,235	$ 2,458,087
Unexpended Appropriations:						
Beginning Balances	**$ 58**	**$ 680**	**$ 738**	$ 54	$ 1,724	$ 1,778
Adjustments						
Corrections of Errors	**5**	**0**	**5**	0	0	0
Beginning Balances, as Adjusted	**$ 63**	**$ 680**	**$ 743**	$ 54	$ 1,724	$ 1,778
Budgetary Financing Sources						
Appropriations Received	**22,851**	**51,480**	**74,331**	20,833	61,821	82,654
Other Adjustments	**(8)**	**(773)**	**(781)**	(7)	(687)	(694)
Appropriations Used	**(22,845)**	**(50,975)**	**(73,820)**	(20,822)	(62,178)	(83,000)
Total Budgetary Financing Sources	**(2)**	**(268)**	**(270)**	4	(1,044)	(1,040)
Total Unexpended Appropriations	**61**	**412**	**473**	58	680	738
Net Position	**$ 2,537,541**	**$ 2,049**	**$ 2,539,590**	$ 2,456,910	$ 1,915	$ 2,458,825

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2010 and 2009
(Dollars in Millions)

	2010	2009
Budgetary Resources (Note 15)		
Unobligated Balance, Brought Forward, October 1	$ 2,584	$ 2,860
Recoveries of Prior Year Unpaid Obligations	411	490
Budget Authority		
Appropriation	882,359	899,939
Spending Authority from Offsetting Collections		
Earned		
Collected	3,650	4,233
Change in Receivable	2	(7)
Change in Unfilled Customer Orders		
Advance Received	(14)	(56)
Expenditure Transfers from Trust Funds	11,466	11,629
Subtotal	897,463	915,738
Nonexpenditure Transfers, Net	(18)	38
Temporarily Not Available Pursuant to Public Law	(101,020)	(141,431)
Permanently Not Available	(786)	(700)
Total Budgetary Resources	$ 798,634	$ 776,995
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	$ 792,886	$ 770,188
Reimbursable	3,653	4,223
Subtotal	796,539	774,411
Unobligated Balances		
Apportioned	861	728
Unobligated Balance - Not Available	1,234	1,856
Total Status of Budgetary Resources	$ 798,634	$ 776,995
Change in Obligated Balance		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	$ 87,128	$ 79,950
Uncollected Customer Payments, Brought Forward, October 1	(3,743)	(2,522)
Total Unpaid Obligated Balance, Net	83,385	77,428
Obligations Incurred, Net	796,539	774,411
Gross Outlays	(795,652)	(766,743)
Recoveries of Prior Year Unpaid Obligations, Actual	(411)	(490)
Change in Uncollected Customer Payments	(87)	(1,221)
Obligated Balance, Net, End of Period		
Unpaid Obligations	87,604	87,128
Uncollected Customer Payments	(3,830)	(3,743)
Total Unpaid Obligated Balance, Net, End of Period	$ 83,774	$ 83,385
Net Outlays		
Net Outlays		
Gross Outlays	$ 795,652	$ 766,743
Offsetting Collections	(15,016)	(14,575)
Distributed Offsetting Receipts	(26,455)	(24,554)
Net Outlays	$ 754,181	$ 727,614

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

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2010
(In billions)

		Estimates from Prior Years			
	2010	**2009**	**2008**	**2007**	**2006**
Actuarial present value for the 75-year projection period of estimated future tax income received from or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$19,914	$18,559	$18,249	$17,515	$16,568
Have attained retirement eligibility age (Age 62 and over)	672	575	542	477	533
Those expected to become participants (Under age 15)	19,532	18,082	17,566	16,121	15,006
All current and future participants	40,118	37,217	36,357	34,113	32,107
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	32,225	30,207	29,021	27,928	26,211
Have attained retirement eligibility age (Age 62 and over)	8,096	7,465	6,958	6,329	5,866
Those expected to become participants (Under age 15)	7,744	7,223	6,933	6,619	6,480
All current and future participants	48,065	44,894	42,911	40,876	38,557
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,947	-$7,677	-$6,555	-$6,763	-$6,449

Additional Information

	2010	2009	2008	2007	2006
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,947	-$7,677	-$6,555	-$6,763	-$6,449
Combined OASI and DI Trust Fund assets at start of period	2,540	2,419	2,238	2,048	1,859
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost, plus the combined OASI and DI Trust Fund assets at start of period (Note 17)	-$5,406	-$5,258	-$4,316	-$4,715	-$4,591

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

(Presented in Millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA’s Limitation on Administrative Expenses (LAE), three deposit funds, and four general fund appropriations. Starting in the second quarter of FY 2009, SSA’s financial statements also include new appropriations related to the *American Recovery and Reinvestment Act* (ARRA) of 2009.

LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

Fund Balance with Treasury

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

Investments

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

Property, Plant, and Equipment

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally-developed, contractor-developed, and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing (ADP) and Telecommunications Site Preparation, buildings, and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget, on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that affect budgetary obligations. However, HI/SMI's share of capital assets is considered a Non-Entity Asset.

Benefits Due and Payable

Liabilities are accrued for OASI and DI benefits due for the month of September, which by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals, and civil litigation cases. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally-recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

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

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund. The new ARRA appropriations are also funded by Treasury's General Fund.

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

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Consolidated Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

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

SSA's earmarked funds are the OASI and DI Trust Funds, PTF, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

American Recovery and Reinvestment Act

Under the ARRA of 2009 (Public Law 111-5), SSA received appropriated funds to provide Title II and Title XVI recipients with a one-time economic recovery payment (ERP). Since these payments are ruled one-time payments and are to have no association with SSA's Trust Funds, they have been classified as operating expenses under the Other program on the financial statements. The appropriations received included funds to cover the expenses for administering these ERP payments. The agency also received funds for:

- Constructing and equipping a replacement for SSA's current National Computer Center;
- Processing OASI and DI workload and related health information technology costs; and
- Auditing and oversight of SSA's activities under the ARRA.

Refer to Note 10, Operating Expenses.

Medicare Improvements for Patients and Providers Act of 2008

In FY 2009, SSA received funding under the *Medicare Improvements for Patients and Providers Act of 2008* (Public Law 110-275). This funding covers SSA administrative expenses for the Medicare Saving Program and the Low Income Subsidy Program. Refer to Note 10, Operating Expenses.

Food, Conservation, and Energy Act of 2008 (Farm Bill)

In FY 2008, Congress passed the *Food, Conservation, and Energy Act of 2008* (Public Law 110-246). This provided the exclusion of Conservation Reserve Program payments from self-employment income for the purposes of the SECA tax in the case of individuals who receive Social Security retirement or disability benefits. The bill also provides the transfer of funds by the Department of the Treasury from general revenues to the OASI and DI Trust Funds in order to ensure that the assets of the Trust Funds are not reduced because of the enactment. SSA transferred FY 2009 and FY 2010 amounts totaling $14 million in May 2010. The $5 million related to FY 2009 is recorded as corrections of errors on the Statement of Changes in Net Position due to an oversight of facts available at the time of the FY 2009 statements, as SSA was unaware of this activity until FY 2010.

Presentation Change

Effective for the third quarter FY 2010, the Statement of Changes in Net Position will be presented in the columnar format. This change has been made in order to facilitate understanding of the statement and to comply with the columnar format in OMB's Circular A-136. FY 2009 balances have been presented in the new format for comparison purposes to the reformatted statement.

2. Centralized Federal Financing Activities

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

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

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized, and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983, are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were $92 and $97 million for the years ended September 30, 2010 and 2009. SSA contributions to the basic FERS plan were $375 and $335 million for the years ended September 30, 2010 and 2009. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were $135 and $117 million for the years ended September 30, 2010 and 2009. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are shown in Chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments classified as SSI Accounts Receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI Attorney Fees that are returned to the Department of the Treasury General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

Chart 3 - Non-Entity Assets as of September 30:
($ in millions)

	2010			2009		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	$ 5,544	$ (592)	$ 4,952	$ 5,322	$ (824)	$ 4,498
SSI Overpayment Coll	3,237	0	3,237	3,381	0	3,381
SSI State Supp Fees (GF)	132	0	132	154	0	154
Title VIII State Supp Fees (GF)	2	0	2	2	0	2
SSI Attorney Fees (GF)	8	0	8	6	0	6
PP&E (CMS)	29	0	29	31	0	31
Total	$ 8,952	$ (592)	$ 8,360	$ 8,896	$ (824)	$ 8,072

The SSI Accounts Receivable, Net, has been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-517 requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the States to SSA.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees. In addition, the Fund Balance with Treasury also includes the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI Attorney fees.

The Centers for Medicare and Medicaid Services (CMS) portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet is also recognized as a non-entity asset. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retains that portion of assets. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

4. Fund Balance with Treasury

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in Chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30:
($ in millions)

	2010	2009
Trust Funds*		
OASI	$ (463)	$ (210)
DI	(384)	(263)
LAE	19	29
General Funds		
SSI	2,948	3,102
Other	621	1,028
Other Funds		
SSI	205	216
Other	3,241	3,384
Total	$ 6,187	$ 7,286

Chart 4b - Status of Fund Balances as of September 30:
($ in millions)

	2010	2009
Unobligated Balance		
Available	$ 298	$ 304
Unavailable	401	675
Obligated Balance Not Yet Disbursed	2,870	3,151
OASI, DI and LAE	(828)	(444)
Non-Budgetary FBWT	3,446	3,600
Total	$ 6,187	$ 7,286

*The phrase "Trust Funds" is being used as the fund type as defined by OMB.

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2010 and 2009 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. Investments and Interest Receivable

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

SSA's investments in Special-Issue U.S. Treasury Securities are $2,586,333 and $2,504,248 million as of September 30, 2010 and 2009, respectively. The interest rates on these investments range from 2⅞ to 7 percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2025. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are $28,893 and $29,382 million as of September 30, 2010 and 2009.

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

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

6. Accounts Receivable, Net

Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $915 and $565 million as of September 30, 2010 and 2009 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $2,926 and $3,181 million as of September 30, 2010 and 2009 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and State SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or received benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30: ($ in millions)						
	2010			2009		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,144	$ (208)	$ 1,936	$ 2,457	$ (204)	$ 2,253
DI	5,450	(2,062)	3,388	5,224	(2,049)	3,175
SSI*	7,603	(1,947)	5,656	7,307	(1,878)	5,429
LAE	15	0	15	11	0	11
Subtotal	15,212	(4,217)	10,995	14,999	(4,131)	10,868
Less:						
Eliminations**	(626)	0	(626)	(1,174)	0	(1,174)
Total	$ 14,586	$ (4,217)	$ 10,369	$ 13,825	$ (4,131)	$ 9,694

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

Chart 6 shows that in FY 2010 and 2009, gross accounts receivable was reduced by $626 and $1,174 million as an intra-agency elimination. This intra-agency activity results primarily from Windfall Offset and Special Disability Workload (SDW) cases. Windfall Offset is the amount of Supplemental Security Income that would not have been paid if retroactive Title II benefits had been paid timely to eligible beneficiaries. SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. For the SDW cases, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 17,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are $32 and $349 million as of September 30, 2010 and 2009. DI SDW receivables are $1 million as of September 30, 2010 and 2009. SSI SDW net receivables are $140 and $306 million as of September 30, 2010 and 2009.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. Property, Plant, and Equipment, Net

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

Chart 7 - Property, Plant and Equipment as of September 30:
($ in millions)

Major Classes:	2010 Cost	2010 Accumulated Depreciation	2010 Net Book Value	2009 Cost	2009 Accumulated Depreciation	2009 Net Book Value
Land	$ 4	$ 0	$ 4	$ 4	$ 0	$ 4
Construction in Progress	2	0	2	0	0	0
Buildings	536	(301)	235	522	(290)	232
Equipment (incl. ADP Hardware)	685	(546)	139	582	(494)	88
Internal Use Software	4,284	(1,895)	2,389	3,558	(1,475)	2,083
Leasehold Improvements	260	(204)	56	241	(193)	48
Total	$ 5,771	$ (2,946)	$ 2,825	$ 4,907	$ (2,452)	$ 2,455

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Construction in Progress	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30:
($ in millions)

	2010			2009		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	$ 4,418	$ 0	$ 4,418	$ 4,310	$ 0	$ 4,310
Accounts Payable	67	8,458	8,525	124	8,388	8,512
Other	68	201	269	64	222	286
Total Intragovernmental	4,553	8,659	13,212	4,498	8,610	13,108
Benefits Due and Payable	77,056	3,729	80,785	76,123	3,736	79,859
Accounts Payable	37	436	473	33	420	453
Other	751	716	1,467	717	672	1,389
Total	$ 82,397	$ 13,540	$ 95,937	$ 81,371	$ 13,438	$ 94,809

Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

Intragovernmental Other Liabilities

Intragovernmental Other Liabilities includes amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts Not Covered by budgetary resources for SSI State Administrative Fee Collections and amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $59 and $60 million as of September 30, 2010 and 2009. Intragovernmental Other Not Covered amounts include $132 and $154 million as of

September 30, 2010 and 2009 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2010 and 2009. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

Chart 8b - Benefits Due and Payable as of September 30:
($ in millions)

	2010	2009
OASI	$ 51,651	$ 50,273
DI	24,329	25,450
SSI	5,431	5,310
Subtotal	81,411	81,033
Less: Intra-agency eliminations	(626)	(1,174)
Total	$ 80,785	$ 79,859

Included in the Benefits Due and Payable for OASI, DI, and SSI are the estimated liabilities related to the settlement of Martinez, et. al v. Astrue case. The case generally concerns the ineligibility of certain individuals for cash benefits due to their status as “fleeing felons.” The agency reached final approval of the settlement on September 24, 2009. The settlement order will restore benefits and eliminate overpayments for certain class members as defined in the settlement agreement. SSA developed reasonable estimates of the amount of restored benefits and the amount of overpayments to be eliminated. Estimated OASI payables are $1 and $66 million as of September 30, 2010 and 2009. Estimated DI payables are $2 and $146 million as of September 30, 2010 and 2009. Estimated SSI payables are $208 and $255 million as of September 30, 2010 and 2009. Estimates related to this case for overpayment reductions for OASI, DI, and SSI are $2, $4, and $39 million, respectively, as of September 30, 2010 and $35, $65 and $126 million, respectively, as of September 30, 2009. The estimated overpayment reductions are not included on SSA’s consolidated financial statements; but rather, disclosed in this footnote.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Accounts Receivable, Net. OASI payables are $64 and $224 million as of September 30, 2010 and 2009. DI payables are $282 and $1,182 million as of September 30, 2010 and 2009. In FY 2010, the DI SDW payable has decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2010 and 2009, gross Benefits Due and Payable was reduced by $626 and $1,174 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Accounts Receivable, Net. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2010 and 2009.

Chart 8c - Net SDW Liability as of September 30: ($ in millions)		
	2010	2009
Net DI Liability	$ 281	$ 1,182
Net OASI Payable	32	(125)
Net SSI Receivable	(140)	(306)
Net Liability Due to the Public	$ 173	$ 751

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the State overpayment, is set up as an accounts payable until payment is made to the States.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $319 and $311 million as of September 30, 2010 and 2009 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

Contingent Liabilities

For several years, the Department of Justice (Tax Division) handled litigation concerning whether medical residents are subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. On March 2, 2010, the Internal Revenue Service (IRS) announced plans to refund medical residents FICA taxes for the period from 1995 to April 1, 2005. SSA anticipates that the IRS refund program will result in dismissal of pending cases covering the period before April 1, 2005. The IRS will disperse refunds to the institutions, as well as to employees who sought or consented to receive a refund. At this time, SSA is not able to make a reasonable estimate for the refund of medical resident FICA taxes due to the applicable institutions and employees. For the period from April 1, 2005, additional suits challenged IRS regulations, which precluded medical residents from qualifying for the student exception. The Eighth Circuit Court of Appeals upheld the appropriateness of the regulations. However, on June 1, 2010, the Supreme Court agreed to hear a challenge to the validity of the regulations during the term, which begins in FY 2011. SSA is not able to make a reasonable estimate of the potential loss at this time.

In addition to the matters identified above, there is one other pending matter. The case concerns the interpretation of provisions of the Social Security Act that permit the agency to suspend certain benefits to parole and probation violators. Plaintiffs are seeking certification of a nationwide class action seeking payments as early as 1996; the Government is opposing class certification. SSA is not able to make an estimate of the possible liability at this time.

9. Earmarked Funds

The OASI and DI Trust Funds, PTF, and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

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

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

PTF

PTF consists of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income Tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement, and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI State Administrative Fees

Administrative Fees collected from States are also classified as earmarked funds. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each State an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the State for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 9 for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2010 and 2009.

Chart 9 - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2010				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (463)	$ (384)	$ 82	$ 0	$ (765)
Investments	2,399,111	187,222	0	0	2,586,333
Interest Receivable	26,666	2,227	0	0	28,893
Accounts Receivables -Federal	2	1	0	0	3
Accounts Receivables - Non-Federal	1,936	3,388	0	(33)	5,291
Total Assets	$ 2,427,252	$ 192,454	$ 82	$ (33)	$ 2,619,755
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,909	$ 509	$ 0	$ 0	$ 4,418
Accounts Payable, Federal	950	890	2	0	1,842
Benefits Due and Payable	51,651	24,329	0	(33)	75,947
Other - Non Federal Liabilities	0	7	0	0	7
Total Liabilities	56,510	25,735	2	(33)	82,214
Unexpended Appropriations	0	0	61	0	61
Cumulative Results of Operations	2,370,742	166,719	19	0	2,537,480
Total Liabilities and Net Position	$ 2,427,252	$ 192,454	$ 82	$ (33)	$ 2,619,755
Statement of Net Cost					
Program Costs	$ 574,223	$ 121,598	$ 0	$ 0	$ 695,821
Operating Expenses	640	227	0	0	867
Less Earned Revenue	(1)	(29)	(143)	0	(173)
Net Cost of Operations	$ 574,862	$ 121,796	$ (143)	$ 0	$ 696,515
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,270,181	$ 186,635	$ 94	$ 0	$ 2,456,910
Adjustments	0	0	5	0	5
Beginning Balances, Adjusted	$ 2,270,181	$ 186,635	$ 99	$ 0	$ 2,456,915
Tax Revenue	552,804	93,869	0	0	646,673
Interest Revenue	108,424	9,590	0	0	118,014
Net Transfers In/Out	14,179	(1,626)	(23,005)	0	(10,452)
Other	16	47	22,843	0	22,906
Total Financing Sources	675,423	101,880	(162)	0	777,141
Net Cost of Operations	574,862	121,796	(143)	0	696,515
Net Change	100,561	(19,916)	(19)	0	80,626
Net Position End of Period	$ 2,370,742	$ 166,719	$ 80	$ 0	$ 2,537,541

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,427 million of liabilities in the earmarked funds for the year ended September 30, 2010 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9.

Chart 9 - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2009				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (210)	$ (263)	$ 96	$ 0	$ (377)
Investments	2,296,316	207,932	0	0	2,504,248
Interest Receivable	26,843	2,539	0	0	29,382
Accounts Receivables -Federal	1	1	0	0	2
Accounts Receivables - Non-Federal	2,253	3,175	0	(350)	5,078
Total Assets	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,817	$ 493	$ 0	$ 0	$ 4,310
Accounts Payable, Federal	932	800	2	(350)	1,384
Benefits Due and Payable	50,273	25,450	0	0	75,723
Other - Non Federal Liabilities	0	6	0	0	6
Total Liabilities	55,022	26,749	2	(350)	81,423
Unexpended Appropriations	0	0	58	0	58
Cumulative Results of Operations	2,270,181	186,635	36	0	2,456,852
Total Liabilities and Net Position	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
Statement of Net Cost					
Program Costs	$ 548,695	$ 116,120	$ 0	$ 0	$ 664,815
Operating Expenses	777	271	0	0	1,048
Less Earned Revenue	1	26	169	0	196
Net Cost of Operations	$ 549,471	$ 116,365	$ (169)	$ 0	$ 665,667
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,128,633	$ 196,648	$ 66	$ 0	$ 2,325,347
Tax Revenue	571,185	97,001	0	0	668,186
Interest Revenue	107,673	10,557	0	0	118,230
Net Transfers In/Out	12,147	(1,251)	(20,967)	0	(10,071)
Other	14	45	20,826	0	20,885
Total Financing Sources	691,019	106,352	(141)	0	797,230
Net Cost of Operations	549,471	116,365	(169)	0	665,667
Net Change	141,548	(10,013)	28	0	131,563
Net Position End of Period	$ 2,270,181	$ 186,635	$ 94	$ 0	$ 2,456,910

Chart 9 includes eliminations between SSA's earmarked funds, which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,500 million of liabilities in the earmarked funds for the year ended September 30, 2009 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9.

10. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 10a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other represent (1) HI/SMI trust funds' shares of SSA's operating expenses including the Medicare Prescription Drug Program and (2) SSA's administrative expense for the Medicare Saving Program and the Low Income Subsidy Program. The FY 2010 Chart 10a shows two categories added last year, LAE ARRA and Program ERP. LAE ARRA operating expenses recorded in the Other program represent administrative costs attributable to ERP, expenses associated with the construction and setup of the new National Support Center (NSC), and costs related to the retirement and disability workload backlog. Program ERP amounts reported in Other represent the one-time payments made to eligible Title II and Title XVI beneficiaries. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

	2010						
	LAE						
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Program ERP	Total
OASI	$ 2,906	$ 38	$ 0	$ 637	$ 3	$ 0	$ 3,584
DI	2,765	36	0	120	107	0	3,028
SSI	3,668	0	0	0	130	0	3,798
Other	2,050	28	345	0	5	118	2,546
	$ 11,389	$ 102	$ 345	$ 757	$ 245	$ 118	$ 12,956

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

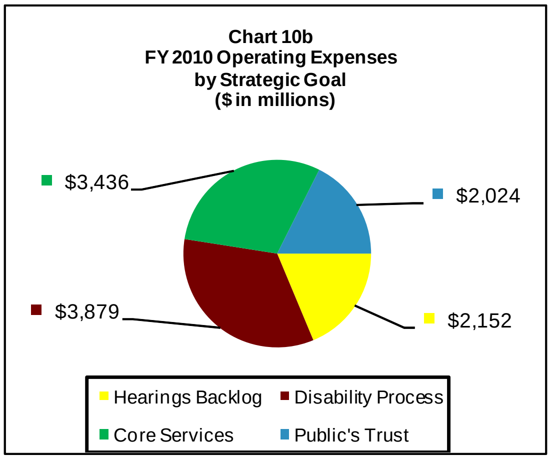
	2009						
	LAE						
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Program ERP	Total
OASI	$ 2,746	$ 36	$ 0	$ 774	$ 3	$ 0	$ 3,559
DI	2,551	34	0	144	127	0	2,856
SSI	3,354	0	0	0	132	0	3,486
Other	1,938	27	173	0	5	13,079	15,222
	$ 10,589	$ 97	$ 173	$ 918	$ 267	$ 13,079	$ 25,123

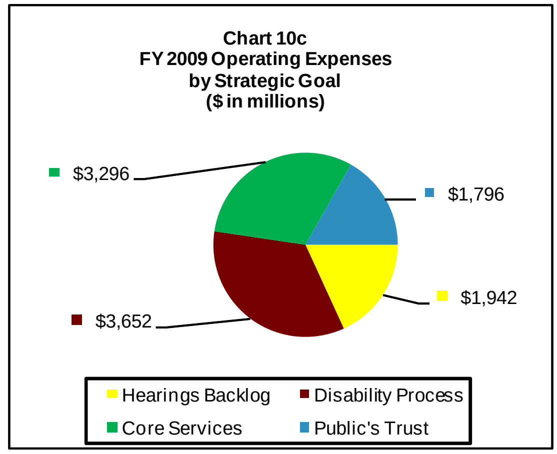
Classification of Operating Expenses by Strategic Goal

The Annual Performance Plan (APP) sets forth expected levels of performance the agency is committed to achieving, as well as includes proposed levels of performance for future fiscal years. SSA's APP is characterized by broad-based strategic goals that are supported by the entire agency. The four goals are:

- Eliminate our hearings backlog and prevent its recurrence;
- Improve the speed and quality of our disability process;
- Improve our retiree and other core services; and
- Preserve the public's trust in our programs.

Charts 10b and 10c exhibit distribution of FY 2010 and 2009 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the agency's LAE budget appropriation. LAE ARRA expenses are subtracted from total SSA LAE operating expenses before being distributed to SSA's APP Strategic goals in these two charts. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.





11. Exchange Revenues

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are $368 and $413 million for the years ended September 30, 2010 and 2009. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of $283 and $329 million for the years ended September 30, 2010 and 2009.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of $140 and $161 million as of September 30, 2010 and 2009. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $132 and $154 million as of September 30, 2010 and 2009. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of $143 and $168 million for the years ended September 30, 2010 and 2009 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $85 and $84 million for the years ended September 30, 2010 and 2009 in other exchange revenue.

12. Costs and Exchange Revenue Classifications

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits, and imputed financing costs. Refer to Note 14, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, ERP, payroll, and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the States' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering (1) a portion of the Medicare program, (2) the Medicare Saving Program and the Low Income Subsidy Program, and (3) ARRA activities.

Chart 12- Costs and Exchange Revenue Classifications as of September 30:
($ in millions)

	2010			2009		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,472	$ (11)	$ 1,461	$ 1,555	$ (11)	$ 1,544
Public	576,335	(4)	576,331	550,699	(5)	550,694
OASI Subtotal	577,807	(15)	577,792	552,254	(16)	552,238
DI Program						
Intragovernmental	914	(10)	904	869	(11)	858
Public	123,712	(32)	123,680	118,107	(29)	118,078
DI Subtotal	124,626	(42)	124,584	118,976	(40)	118,936
SSI Program						
Intragovernmental	1,079	(13)	1,066	978	(13)	965
Public	46,563	(288)	46,275	44,622	(334)	44,288
SSI Subtotal	47,642	(301)	47,341	45,600	(347)	45,253
Other Program						
Intragovernmental	589	(7)	582	550	(7)	543
Public	1,965	(3)	1,962	14,681	(3)	14,678
Other Subtotal	2,554	(10)	2,544	15,231	(10)	15,221
Total	$ 752,629	$ (368)	$ 752,261	$ 732,061	$ (413)	$ 731,648

13. Tax Revenues

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the IRS or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $646,673 and $668,186 million for the years ended September 30, 2010 and 2009.

14. Imputed Financing

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $1,148 and $982 million for the years ended September 30, 2010 and 2009 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of $709 and $578 million for the years ended September 30, 2010 and 2009 that primarily represents annual service cost not paid by SSA.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $882,359 and $899,939 million for the years ended September 30, 2010 and 2009. Appropriations Received on the Consolidated Statements of Changes in Net Position are $74,331 and $82,654 million for the same years. The primary differences of $808,028 and $817,285 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA’s Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB’s Circular A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects, or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30:
($ in millions)

	2010			2009		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	$ 44	$ 0	$ 44	$ 0	$ 0	$ 0
Category B	63,088	3,650	66,738	73,573	4,219	77,792
Exempt	729,754	3	729,757	696,615	4	696,619
Total	$ 792,886	$ 3,653	$ 796,539	$ 770,188	$ 4,223	$ 774,411

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

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

Legal Arrangements Affecting Use of Unobligated Balances

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending, are included in Investments on the Consolidated Balance Sheets.

Chart 15b - OASI and DI Trust Fund Activities as of September 30:
($ in millions)

	2010	2009
Beginning Balance	$ 2,433,305	$ 2,291,874
Receipts	807,879	817,185
Less Obligations	706,859	675,754
Excess of Receipts Over Obligations	101,020	141,431
Ending Balance	$ 2,534,325	$ 2,433,305

Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $1,987 and $1,722 million for the years ended September 30, 2010 and 2009.

Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2009 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

Chart 15c presents a reconciliation of budgetary resources, obligations incurred, and outlays as presented in the SBR, to amounts included in the Budget of the United States Government for the year ended September 30, 2009. Budgetary resources and obligations incurred reconcile to Program and Financing (P & F) Schedule while outlays reconcile to the Analytical Perspectives of the Budget.

Chart 15c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the United States Government for FY 2009:
($ in millions)

	Budgetary Resources	Status of Resources	Outlays
Combined Statement of Budgetary Resources	$ 776,995	$ 776,995	$ 727,614
Expired activity not on P & F	(505)	(470)	0
Offsetting Receipts activity not on P& F	0	0	24,554
Other	9	(26)	1
Budget of the United States Government	$ 776,499	$ 776,499	$ 752,169

A reconciliation has not been conducted for the year ended September 30, 2010 since this report is published in November 2010 and the actual budget data for FY 2010 will not be available until the President’s Budget is published.

16. Reconciliation of Net Cost of Operations to Budget

Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2010 and 2009 (Dollars in Millions)

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 796,539**	$ 774,411
Offsetting Collections and Recoveries	**(15,515)**	(16,289)
Obligations Net of Offsetting Collections and Recoveries	**781,024**	758,122
Offsetting Receipts	**(26,455)**	(24,554)
Net Obligations	**754,569**	733,568
Other Resources		
Imputed Financing	**709**	578
Other	**(283)**	(329)
Net Other Resources Used to Finance Activities	**426**	249
Total Resources Used to Finance Activities	**754,995**	733,817
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(282)**	(227)
Resources that Fund Expenses Recognized in Prior Periods	**(8)**	0
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**26,427**	24,528
Resources that Finance the Acquisition of Assets	**(865)**	(755)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(28,429)**	(26,755)
Total Resources Not Part of the Net Cost of Operations	**(3,157)**	(3,209)
Total Resources Used to Finance the Net Cost of Operations	**751,838**	730,608
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	**11**	18
Other	**9**	601
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**20**	619
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**494**	421
Revaluation of Assets and Liabilities	**0**	(1)
Other	**(91)**	1
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**403**	421
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**423**	1,040
Net Cost of Operations	**$ 752,261**	$ 731,648

Chart 16, presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one statement but not the other.

17. Social Insurance Disclosures

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future tax income, estimated future cost, and the excess of income over cost for the "open group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI Social Insurance program.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions described in the 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) for the 75-year projection period beginning January 1, 2010. Similar actuarial present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future tax income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

In addition to the actuarial present value of estimated future excess of income excluding interest over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for a "closed group" of participants. The closed group of participants considered here consists of those who, in the starting year of the projection period, have attained age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future tax income for that group of participants.

Also included in the Statement of Social Insurance as "additional information" for the open group are: (1) the actuarial present value of the excess of estimated future income over the estimated future cost; (2) the combined OASI and DI Trust Fund assets at the start of the period; and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, we believe its inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2010 totaled $2,540 billion and were comprised entirely of investment securities which are backed by the full faith and credit of the Federal Government.

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

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

Assumptions Used for the Statement of Social Insurance

The actuarial present values used in this presentation for the current year (2010) are based on the assumption that the income excluding interest and the benefit payments for the program would continue at the levels scheduled under current law, even after trust fund exhaustion. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2010

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2010	2.08	784.4	75.8	80.4	1,215,000	3.1	5.1	2.0	-0.9	2.3	3.4%
2020	2.05	723.8	77.1	81.2	1,125,000	1.1	3.9	2.8	0.5	2.2	5.7%
2030	2.01	661.8	78.3	82.2	1,085,000	1.2	4.0	2.8	0.5	2.1	5.7%
2040	2.00	606.8	79.3	83.1	1,050,000	1.2	4.0	2.8	0.5	2.2	5.7%
2050	2.00	558.6	80.3	84.0	1,035,000	1.2	4.0	2.8	0.5	2.1	5.7%
2060	2.00	516.4	81.2	84.8	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2070	2.00	479.1	82.1	85.6	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	446.1	82.9	86.3	1,025,000	1.2	4.0	2.8	0.4	2.1	5.7%

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex assumed for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services produced in the U.S., expressed in 2005 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

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

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates[2]	Net Annual Immigration (persons per year)[3]	Average Annual Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2010	2.0	0.79	1,065,000	1.2	4.0	2.8	0.5	2.9
FY 2009	2.0	0.79	1,065,000	1.1	3.9	2.8	0.5	2.9
FY 2008	2.0	0.75	1,070,000	1.1	3.9	2.8	0.5	2.9
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 25th year of the projection period.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64. For the 2009 estimates, the average annual percentage reduction in death rates increased primarily due to the increased ultimate rates of decline in mortality assumed for ages 65 through 84. For the 2010 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2006-2007 Statements, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period. For the 2008-2010 Statements, the value shown is the average net immigration level projected for the 75-year projection period. For the 2010 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the difference between (1) the annual percentage change in the average annual wage in covered employment and (2) the annual percentage change in the Consumer Price Index (CPI). The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period. For the 2010 Statement, the average real wage differential increased from 1.1 to 1.2 percentage points. For the 2010 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2010 Statement, the average annual percentage change increased from 3.9 to 4.0 percentage points.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2010 Statement, the average annual rate of change is consistent with the annual percentages shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached soon after the tenth year of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2010 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2010-2006 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

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

18. Recovery of Medicare Premiums

SSA identified a systemic and recurring error in the process for recovering certain transfers to CMS of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from Social Security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately $800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

19. Incidental Custodial Collections

SSA's custodial collections primarily consist of forfeiture of unclaimed money and property. In addition, other negligible custodial collections occur for interest, fines, and penalties. While these collections are considered custodial, they are not primary to the mission of SSA or material to the overall financial statements. SSA's total custodial revenues are less than $1 million and $1 million for the years ended September 30, 2010 and 2009.

Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2010
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (463)	$ (384)	$ 3,153	$ 3,862	$ 19	$ 0	$ 6,187
Investments	2,399,111	187,222	0	0	0	0	2,586,333
Interest Receivable, Net	26,666	2,227	0	0	0	0	28,893
Accounts Receivable, Net	2	1	0	0	3,838	(2,926)	915
Other	0	0	0	0	2	0	2
Total Intragovernmental	2,425,316	189,066	3,153	3,862	3,859	(2,926)	2,622,330
Accounts Receivable, Net	1,936	3,388	5,656	0	15	(626)	10,369
Property, Plant, and Equipment, Net	0	0	0	0	2,825	0	2,825
Other	0	0	0	0	3	0	3
Total Assets	$ 2,427,252	$ 192,454	$ 8,809	$ 3,862	$ 6,702	$ (3,552)	$ 2,635,527
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,909	$ 509	$ 0	$ 0	$ 0	$ 0	$ 4,418
Accounts Payable	950	890	5,773	3,778	60	(2,926)	8,525
Other	0	0	140	2	127	0	269
Total Intragovernmental	4,859	1,399	5,913	3,780	187	(2,926)	13,212
Benefits Due and Payable	51,651	24,329	5,431	0	0	(626)	80,785
Accounts Payable	0	7	446	0	20	0	473
Other	0	0	341	2	1,124	0	1,467
Total Liabilities	56,510	25,735	12,131	3,782	1,331	(3,552)	95,937
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	61	0	0	61
Unexpended Appropriations-Other Funds	0	0	388	19	5	0	412
Cumulative Results of Operations-Earmarked Funds	2,370,742	166,719	19	0	0	0	2,537,480
Cumulative Results of Operations-Other Funds	0	0	(3,729)	0	5,366	0	1,637
Total Net Position	2,370,742	166,719	(3,322)	80	5,371	0	2,539,590
Total Liabilities and Net Position	$ 2,427,252	$ 192,454	$ 8,809	$ 3,862	$ 6,702	$ (3,552)	$ 2,635,527

Other Accompanying Information: Schedule of Net Cost for the Years Ended September 30, 2010

(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 574,223	$ 0	$ 574,223
Operating Expenses	640	2,944	3,584
Total Cost of OASI Program	574,863	2,944	577,807
Less: Exchange Revenues	(1)	(14)	(15)
Net Cost of OASI Program	574,862	2,930	577,792
DI Program			
Benefit Payments	121,598	0	121,598
Operating Expenses	227	2,801	3,028
Total Cost of DI Program	121,825	2,801	124,626
Less: Exchange Revenues	(29)	(13)	(42)
Net Cost of DI Program	121,796	2,788	124,584
SSI Program			
Benefit Payments	43,844	0	43,844
Operating Expenses	130	3,668	3,798
Total Cost of SSI Program	43,974	3,668	47,642
Less: Exchange Revenues	(283)	(18)	(301)
Net Cost of SSI Program	43,691	3,650	47,341
Other			
Benefit Payments	8	0	8
Operating Expenses	123	2,423	2,546
Total Cost of Other	131	2,423	2,554
Less: Exchange Revenues	0	(10)	(10)
Net Cost of Other Program	131	2,413	2,544
Total Net Cost			
Benefit Payments	739,673	0	739,673
Operating Expenses	1,120	11,836	12,956
Total Cost	740,793	11,836	752,629
Less: Exchange Revenues	(313)	(55)	(368)
Total Net Cost	$ 740,480	$ 11,781	$ 752,261

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2010
(Dollars in Millions)

	OASI	DI	SSI		Other	
	Earmarked	Earmarked	Earmarked	All Other Funds	Earmarked	All Other Funds
Cumulative Results of Operations:						
Beginning Balances	$ 2,270,181	$ 186,635	$ 36	$ (3,736)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	50,862	22,845	84
Tax Revenues (Note 13)	552,804	93,869	0	0	0	0
Interest Revenues	108,424	9,590	0	0	0	0
Transfers In/Out Without Reimbursement	18,201	(1,148)	(160)	(3,672)	(22,845)	47
Railroad Retirement Interchange	(4,022)	(478)	0	0	0	0
Net Transfers In/Out	14,179	(1,626)	(160)	(3,672)	(22,845)	47
Other Budgetary Financing Sources	16	47	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out	0	0	0	(3,237)	0	3,237
Imputed Financing Sources	0	0	0	28	0	0
Other	0	0	0	(140)	0	(3,237)
Total Financing Sources	675,423	101,880	(160)	43,841	0	131
Net Cost of Operations	574,862	121,796	(143)	43,834	0	131
Net Change	100,561	(19,916)	(17)	7	0	0
Cumulative Results of Operations	$ 2,370,742	$ 166,719	$ 19	$ (3,729)	$ 0	$ 0
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 650	$ 58	$ 24
Adjustments						
Corrections of Errors	0	0	0	0	5	0
Beginning Balances, As Adjusted	$ 0	$ 0	$ 0	$ 650	$ 63	$ 24
Budgetary Financing Sources						
Appropriations Received	0	0	0	51,142	22,851	309
Other Adjustments	0	0	0	(542)	(8)	(230)
Appropriations Used	0	0	0	(50,862)	(22,845)	(84)
Total Budgetary Financing Sources	0	0	0	(262)	(2)	(5)
Total Unexpended Appropriations	0	0	0	388	61	19
Net Position	$ 2,370,742	$ 166,719	$ 19	$ (3,341)	$ 61	$ 19

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2010 (Continued)

(Dollars in Millions)

	LAE	CONSOLIDATED		
	All Other Funds	Earmarked	All Other Funds	CONSOLIDATED TOTAL
Cumulative Results of Operations:				
Beginning Balances	$ 4,971	$ 2,456,852	$ 1,235	$ 2,458,087
Budgetary Financing Sources				
Appropriations Used	29	22,845	50,975	73,820
Tax Revenues (Note 13)	0	646,673	0	646,673
Interest Revenues	0	118,014	0	118,014
Transfers In/Out Without Reimbursement	11,466	(5,952)	7,841	1,889
Railroad Retirement Interchange	0	(4,500)	0	(4,500)
Net Transfers In/Out	11,466	(10,452)	7,841	(2,611)
Other Budgetary Financing Sources	0	63	0	63
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	681	0	709	709
Other	0	0	(3,377)	(3,377)
Total Financing Sources	12,176	777,143	56,148	833,291
Net Cost of Operations	11,781	696,515	55,746	752,261
Net Change	395	80,628	402	81,030
Cumulative Results of Operations	$ 5,366	$ 2,537,480	$ 1,637	$ 2,539,117
Unexpended Appropriations:				
Beginning Balances	$ 6	$ 58	$ 680	$ 738
Adjustments				
Corrections of Errors	0	5	0	5
Beginning Balances, As Adjusted	$ 6	$ 63	$ 680	$ 743
Budgetary Financing Sources				
Appropriations Received	29	22,851	51,480	74,331
Other Adjustments	(1)	(8)	(773)	(781)
Appropriations Used	(29)	(22,845)	(50,975)	(73,820)
Total Budgetary Financing Sources	(1)	(2)	(268)	(270)
Total Unexpended Appropriations	5	61	412	473
Net Position	$ 5,371	$ 2,537,541	$ 2,049	$ 2,539,590

Required Supplementary Information: Schedule of Budgetary Resources for the Years Ended September 30, 2010

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 896	$ 83	$ 1,605	$ 2,584
Recoveries of Prior Year Unpaid Obligations	36	2	3	47	323	411
Budget Authority						
Appropriations	682,472	125,392	51,302	23,164	29	882,359
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	3,592	3	55	3,650
Change in Receivable	0	0	0	0	2	2
Change in Unfilled Customer Orders						
Advance Received	0	0	(10)	0	(4)	(14)
Expenditure Transfers from Trust Funds	0	0	0	0	11,466	11,466
Subtotal	682,472	125,392	54,884	23,167	11,548	897,463
Nonexpenditure Transfers, Net	(33)	15	0	0	0	(18)
Temporarily Not Available Pursuant to Public Law	(101,020)	0	0	0	0	(101,020)
Permanently Not Available	(3)	(2)	(542)	(238)	(1)	(786)
Total Budgetary Resources	$ 581,452	$ 125,407	$ 55,241	$ 23,059	$ 13,475	$ 798,634
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 581,452	$ 125,407	$ 51,030	$ 22,976	$ 12,021	$ 792,886
Reimbursable	0	0	3,592	3	58	3,653
Subtotal	581,452	125,407	54,622	22,979	12,079	796,539
Unobligated Balances						
Apportioned	0	0	255	43	563	861
Unobligated Balances - Not Available	0	0	364	37	833	1,234
Total Status of Budgetary Resources	$ 581,452	$ 125,407	$ 55,241	$ 23,059	$ 13,475	$ 798,634
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 55,022	$ 26,789	$ 2,206	$ 945	$ 2,166	$ 87,128
Uncollected Customer Payments, Brought Forward, October 1	0	0	0	0	(3,743)	(3,743)
Total Unpaid Obligated Balance, Net	55,022	26,789	2,206	945	(1,577)	83,385
Obligations Incurred, Net	581,452	125,407	54,622	22,979	12,079	796,539
Gross Outlays	(579,928)	(126,423)	(54,495)	(23,337)	(11,469)	(795,652)
Obligated Balance Transferred, Net						
Recoveries of Prior Year Unpaid Obligations, Actual	(36)	(2)	(3)	(47)	(323)	(411)
Change in Uncollected Customer Payments	0	0	0	0	(87)	(87)
Obligated Balance, Net, End of Period						
Unpaid Obligations	56,510	25,771	2,330	540	2,453	87,604
Uncollected Customer Payments	0	0	0	0	(3,830)	(3,830)
Total Unpaid Obligated Balance, Net, End of Period	$ 56,510	$ 25,771	$ 2,330	$ 540	$ (1,377)	$ 83,774
Net Outlays						
Net Outlays						
Gross Outlays	$ 579,928	$ 126,423	$ 54,495	$ 23,337	$ 11,469	$ 795,652
Offsetting Collections	0	0	(3,582)	(3)	(11,431)	(15,016)
Distributed Offsetting Receipts	(21,107)	(1,828)	(283)	(3,237)	0	(26,455)
Net Outlays	$ 558,821	$ 124,595	$ 50,630	$ 20,097	$ 38	$ 754,181

REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

PROGRAM DESCRIPTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as "Social Security," provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2009, OASDI benefits were paid to almost 53 million beneficiaries. Eligibility and benefit amounts are determined under the laws applicable for the period. Current law provides that the amount of the monthly benefit payments for workers, or their eligible dependents or survivors, is based on the workers' lifetime earnings histories.

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

PROGRAM FINANCES AND SUSTAINABILITY

As discussed in Note 8 to the consolidated financial statements, a liability of $75 billion as of September 30, 2010 and September 30, 2009 is included in "Benefits Due and Payable" on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date. Virtually all of this amount was paid in October 2010. Also, an asset of $2,586 billion as of September 30, 2010 ($2,504 billion as of September 30, 2009) is recognized for the "investments in Treasury securities." These investments are referred to as the combined OASI and DI Trust Fund assets throughout the remainder of this Required Supplementary Information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investment and Interest Receivable, Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2010. This is because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid, or are due to be paid, because benefit payments are nonexchange transactions and are not considered deferred compensation, as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker's expected retirement benefits has been recognized by the time the worker retires.

Required Supplementary Information - While no liability has been recognized on the balance sheet for future obligations beyond those due at the reporting date, actuarial estimates are made of the long-range financial condition of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

- **Income:** payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; interest income from Treasury securities held as assets of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **Income excluding interest:** income, as defined above, excluding the interest income from Treasury securities held as assets of the OASI and DI Trust Funds;
- **Cost:** scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **Cashflow:** either income excluding interest, or cost, depending on the context, expressed in nominal dollars;
- **Net cashflow:** income excluding interest less cost, expressed in nominal dollars;

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

All estimates in this section are based on the 75-year projections under the intermediate assumptions in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (2010 Trustees Report) (see Note 17 to the Statement of Social Insurance). The Statement of Social Insurance and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

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

(2) estimated annual income (excluding interest) and cost in nominal dollars and as percentages of taxable payroll and GDP;

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

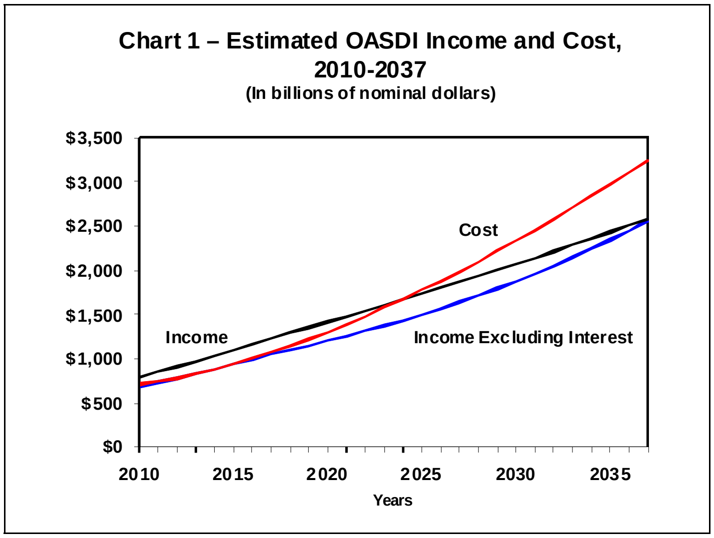
(4) an analysis of the sensitivity of the projections to changes in selected assumptions.

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

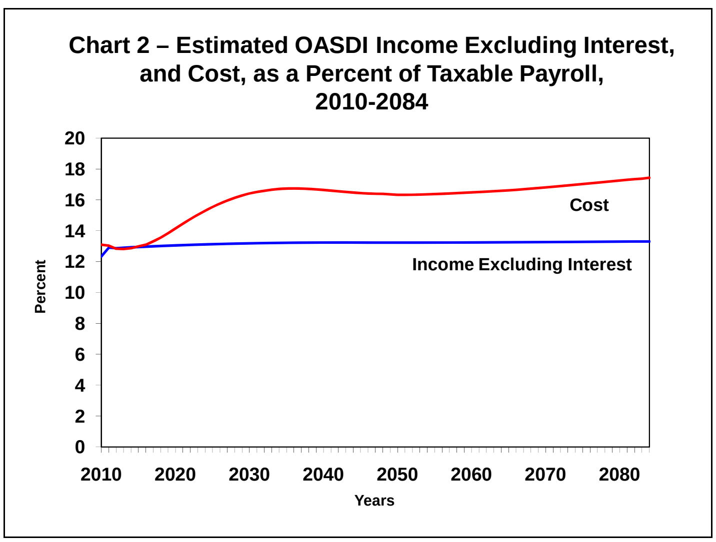
Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2010-2037 in nominal dollars. These estimates are only displayed through 2037, the year that the combined OASI and DI Trust Funds are projected to become exhausted. After the point of such exhaustion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income. Thus, extension of this chart, which is intended to illustrate the tax revenue and interest accruals available to meet the cost of scheduled benefit obligations under the program, beyond the point of combined OASI and DI Trust Fund exhaustion, would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

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

As Chart 1 shows, estimated cost starts to exceed income (including interest) in 2025. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated annual cost is projected to exceed income excluding interest in 2010 and 2011, to be less than income excluding interest in 2012 through 2014, and to exceed income excluding interest in 2015 and later. In 2010, 2011, and years after 2014, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption will differ from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. To finance this redemption, the government would have to increase its borrowing from the public, raise taxes (other than OASDI payroll taxes), and/or reduce expenditures (other than OASDI cost). Alternatively, the government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.



Percentage of Taxable Payroll - Chart 2 shows estimated annual income excluding interest and cost expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent), and the 12.4 percent that is paid on taxable self-employment income. In years 2012-14, estimated annual cost is less than estimated annual income, excluding interest, whereas in all other years it is more. After 2015, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2035 and is rising at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 75 percent of the estimated cost.

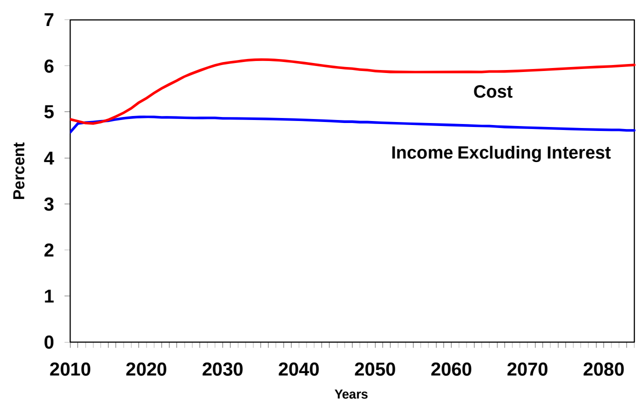


Actuarial Balance - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$7,947 billion. If augmented by the combined OASI and DI Trust Fund assets at the start of the period (January 1, 2010), it is -$5,406 billion. This excess does not equate to the actuarial balance in the Trustees Report of -1.92 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

One interpretation of this negative actuarial balance (-1.92 percent of taxable payroll) is that it represents the magnitude of an increase in the combined payroll tax rate for the entire 75-year period that would allow the combined trust funds to remain solvent throughout the period with a small amount of assets remaining in the combined trust funds at the end of the period. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.92 percentage points in this rate for each year of the 75-year projection period (0.96 percentage points for employees and employers each, resulting in a total rate of 14.32 percent or a rate of 7.16 percent for each) is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all benefits during this period could be reduced by about 12.0 percent on average (or there could be some combination of both tax increases and benefit reductions) to achieve solvency throughout the period.

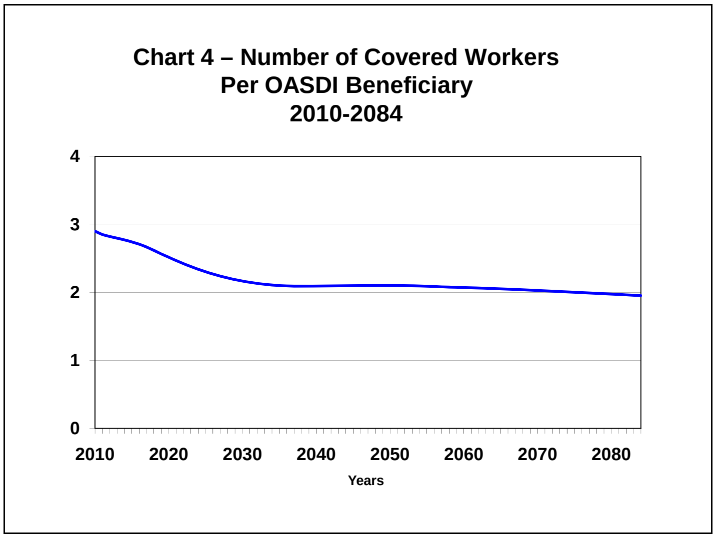
Percentage of Gross Domestic Product (GDP) - Chart 3 shows estimated annual income excluding interest and cost expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

Chart 3 – Estimated OASDI Income Excluding Interest, and Cost, as a Percent of GDP, 2010-2084



In 2009, OASDI cost was about $686 billion, which was about 4.8 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.0 percent of GDP in 2030, hits a peak of 6.1 percent of GDP in 2035, declines to a low of 5.9 percent in 2055, and then slowly increases, reaching 6.0 percent of GDP by 2084. The rapid increase from 2010 to 2027 will occur because baby boomers will become eligible for OASDI benefits, lower birth rates will result in fewer workers per beneficiary, and beneficiaries will continue to live longer.

Ratio of Workers to Beneficiaries - Chart 4 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes on the basis of services for wages in covered employment and/or on the basis of income from covered self-employment. The estimated number of workers per beneficiary will decline from 3.0 in 2009 to 2.0 in 2084.



SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because perfect long-range projections of these factors are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real-wage differential, consumer price index, and real interest rate. The range of values chosen for the sensitivity analysis is intended to present a reasonable range within which future experience is generally expected to fall, on average over long time periods. The range of values is not intended to represent any particular probability interval around the intermediate assumptions.

For this analysis, the intermediate assumptions in the 2010 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2010, and are based on estimates of income and cost during the 75-year projection period 2010-2084. In this section, for brevity, “income” means “income excluding interest.”

For each assumption analyzed, one table and two charts are presented. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. The first chart shows estimated annual OASDI net cashflow based on each of those values. The second chart, labeled with the suffix “A,” shows the present value of each annual net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today’s dollars. Because the calculation of present values is a discounting process, the magnitude of the present value for each year in the second chart is lower than the corresponding net cashflow amount in the first chart--positive values are less positive and negative values are less negative.

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

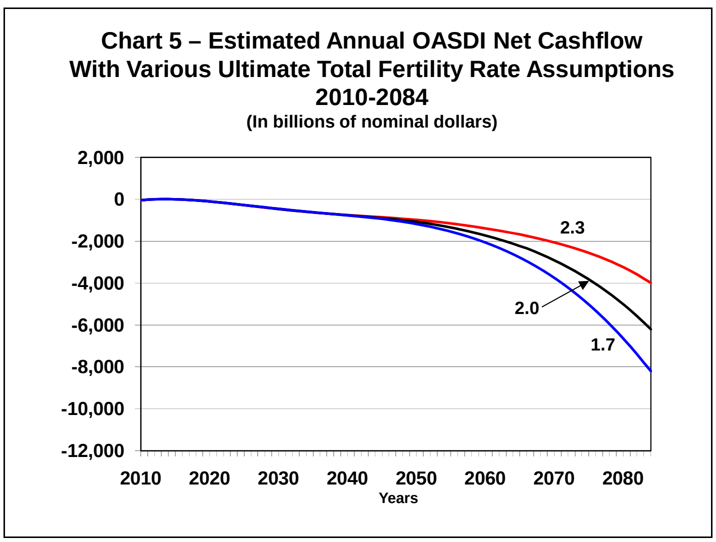
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the assumptions about the ultimate total fertility rate. These assumptions are 1.7, 2.0, and 2.3 children per woman, where 2.0 is the intermediate assumption in the 2010 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2034.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 2.0 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to cost would increase to $8,892 billion, from $7,947 billion; if the ultimate rate were changed to 2.3, the shortfall would decrease to $6,978 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2010-2084

Ultimate Total Fertility Rate	1.7	2.0	2.3
Present Value of Estimated Excess (In billions)	-$8,892	-$7,947	-$6,978

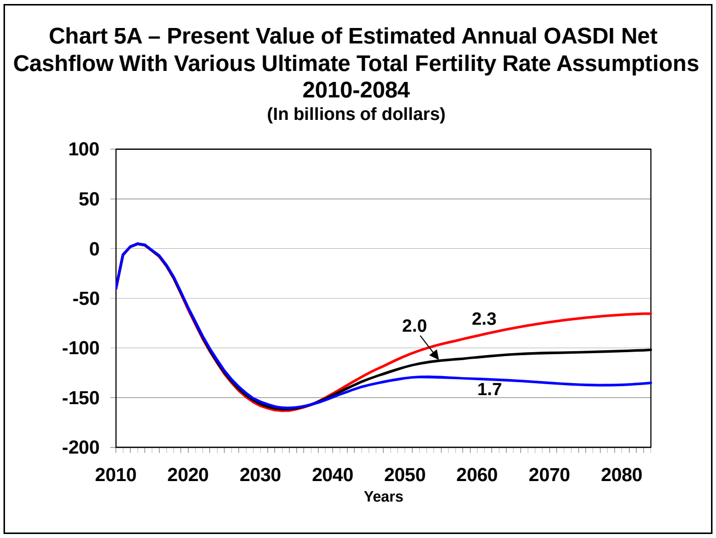
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing in years 2011-13, the net cashflow estimates decrease steadily through 2084. The net cashflow estimates corresponding to all three ultimate total fertility rates are negative in years 2010-11 and increasingly negative in all years after 2014. While the fertility rate would have a substantial effect for the next 75-year period as a whole, it would have only a minor effect for years before the combined OASI and DI Trust Funds are projected to become depleted under each of these fertility assumptions. The combined trust funds are projected to be depleted in 2037 using a 2.0 or 2.3 ultimate fertility rate and in 2038 using a 1.7 ultimate fertility rate.

In the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2038 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from 2038 on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

Chart 5A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 5A are similar. The present values based on all three ultimate total fertility rates are negative in years 2010-11 and negative in all years after 2014. The net cashflow estimates corresponding to a 2.0 and 2.3 ultimate fertility rate increase in years 2011-13, decrease in years 2014-33, and increase (become less negative) thereafter. The net cashflow estimates corresponding to a 1.7 ultimate fertility rate increase in years 2011-13, decrease in years 2014-34, and increase (become less negative) through 2053. For an ultimate assumed total fertility rate of 1.7, the present values are fairly stable after 2050. Based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2035 than it would to cover the annual deficit in 2034.

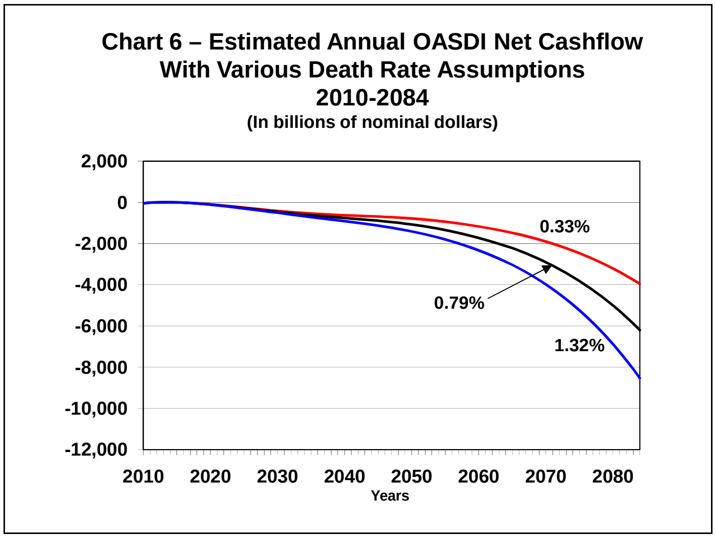
Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2009-2084 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.33, 0.79, and 1.32 percent per year, where 0.79 percent is the intermediate assumption in the 2010 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 22, 45, and 63 percent, respectively). The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.9 in 2009 to 81.1, 84.9, and 88.8 in 2084 for average annual reductions in the age-sex-adjusted death rate of 0.33, 0.79, and 1.32 percent, respectively.

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.79 percent, the Trustees' intermediate assumption, to 0.33 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $6,076 billion, from $7,947 billion; if the annual reduction were changed to 1.32 percent, meaning that people live longer, the shortfall would increase to $9,991 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2010-2084

Average Annual Reduction in Death Rates (from 2009 to 2084)	0.33 Percent	0.79 Percent	1.32 Percent
Present Value of Estimated Excess (In billions)	-$6,076	-$7,947	-$9,991

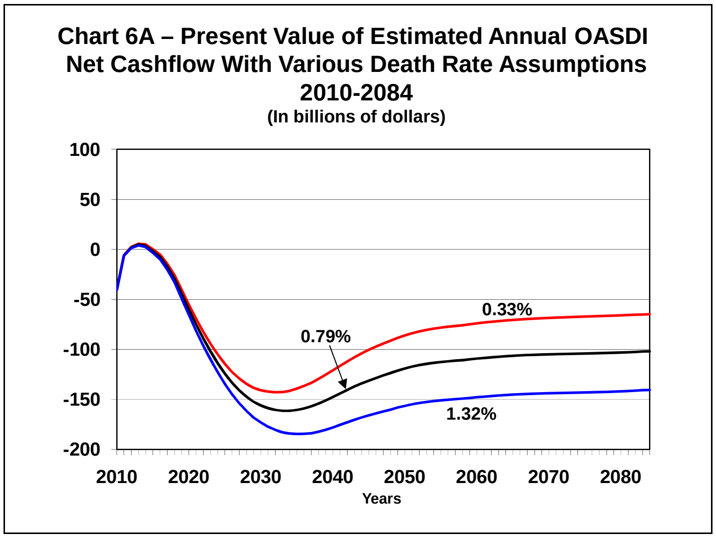
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing in years 2011-13, the net cashflow estimates decrease steadily through 2084. The annual net cashflow estimates for all three sets of assumptions are negative in 2010 and 2011, positive in 2012-14, and increasingly negative thereafter. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher cost, cost increases more than income. For any given year, reductions in death rates at the earliest retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). At young ages, death rates are so low that even substantial reductions do not result in significant increases in either the number of covered workers or beneficiaries.

Chart 6A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 6A are similar. After increasing in years 2011-13, the present values decrease rapidly until around 2030. Under all three sets of assumptions the net cashflow estimates are negative in years 2010-11 and positive in years 2012-14. The net cashflow estimates remain positive in 2015 only for projected reductions of 0.33 percent. Present values based on all three sets of assumptions begin to increase (become less negative) in the 2030's (2033, 2034, and 2036 for projected reductions of 0.33, 0.79, and 1.32 percent per year, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time, and continues to increase through 2084.

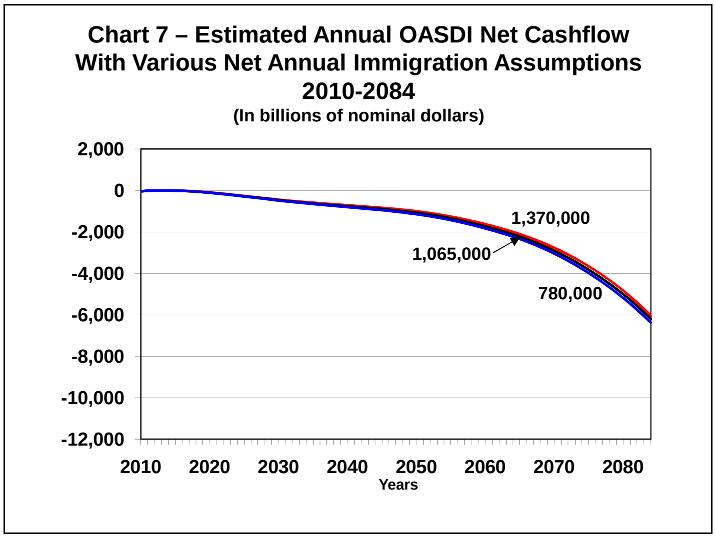
Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. Assumptions are made about the levels of legal immigration, legal emigration, other immigration, and other emigration. Based on these levels, it is projected that net annual immigration (legal and other) will average 780,000 persons, 1,065,000 persons, and 1,370,000 persons over the 75-year valuation period, where 1,065,000 persons is the average value based on the intermediate assumptions in the 2010 Trustees Report.

Table 3 demonstrates that, if the Trustees' intermediate immigration assumptions were changed so that the average level for the 75-year period decreased from 1,065,000 persons to 780,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $8,394 billion, from $7,947 billion. If instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,370,000 persons, the present value of the shortfall would decrease to $7,475 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2010-2084

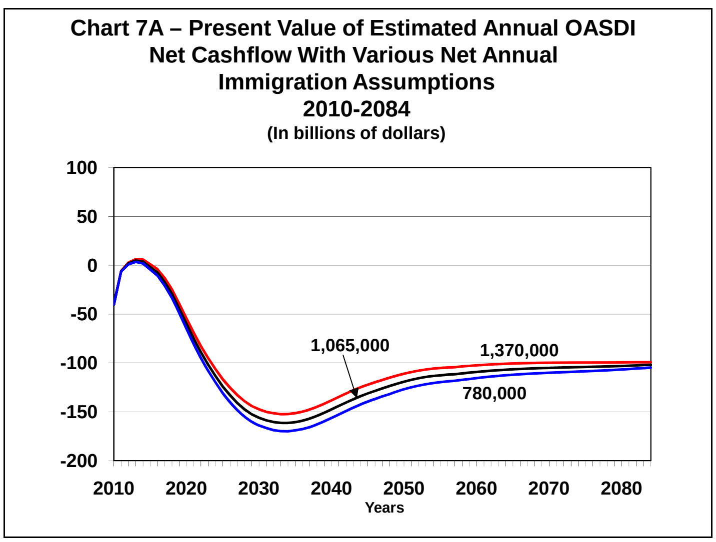
75-Year Average Net Annual Immigration	780,000 Persons	1,065,000 Persons	1,370,000 Persons
Present Value of Estimated Excess (In billions)	-$8,394	-$7,947	-$7,475

Charts 7 and 7A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 7 are similar. After increasing in years 2011-13, the net cashflow estimates decrease steadily through 2084. The net cashflow estimates for all three sets of assumptions are negative in 2010 and 2011 and positive in years 2012-14. Only the net cashflow estimates corresponding to a net annual immigration level of 1,370,000 remain positive in 2015. A consistent, but slight, difference is discernible after the first few years of the projection period among the estimates of net cashflow based on the three assumptions about average annual immigration.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7A are similar. After increasing in years 2011-13, the net cashflow estimates decrease steadily through 2033 for an average net annual immigration level of 1,065,000 and 1,370,000, and through 2034 for an average net annual immigration level of 780,000. The net cashflow estimates corresponding to all three sets of assumptions are negative in 2010 and 2011 and positive in years 2012-14. Only the net cashflow estimates corresponding to a net annual immigration level of 1,370,000 remain positive in 2015. Present values based on all three assumptions about net annual immigration increase (are less negative) from 2035 through the end of the projection period.

Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three sets of assumptions about annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are generally higher (less negative in later years) for higher net annual immigration. However, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Thus, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

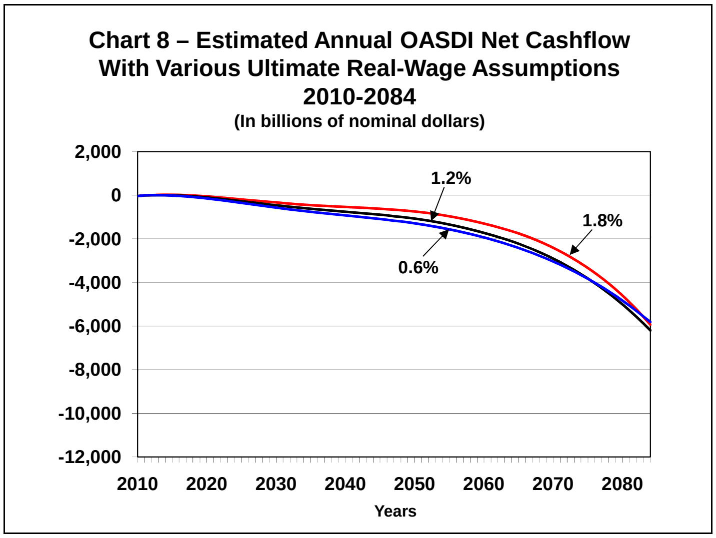
Real-Wage Differential - The annual real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). The ultimate real-wage differential is the average of the annual real-wage differential for the last 65 years of the 75-year projection period. Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.6, 1.2, and 1.8 percentage points, where 1.2 percentage point is the intermediate assumption in the 2010 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.8 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.4, 4.0, and 4.6 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.2 percentage point, the Trustees' intermediate assumption, to 0.6 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $9,312 billion from $7,947 billion; if the ultimate real-wage differential were changed from 1.2 to 1.8 percentage points, the shortfall would decrease to $5,893 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2010-2084

Ultimate Annual Increase in Wages, CPI; **Real Wage Differential**	3.4% , 2.8%; **0.6%**	4.0% , 2.8%; **1.2%**	4.6% , 2.8%; **1.8%**
Present Value of Estimated Excess (In billions)	-$9,312	-$7,947	-$5,893

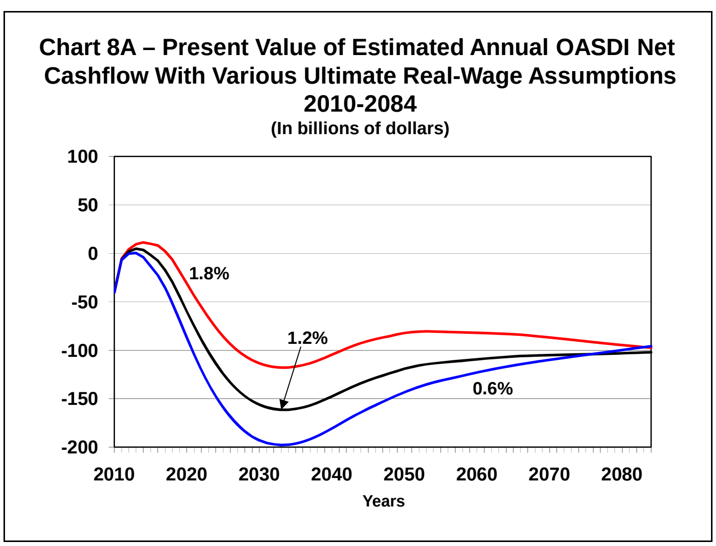
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 8 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 increase in the first three years, and then generally decrease steadily thereafter. Estimated net cashflows are positive in years 2012-17, and 2012-14 for assumed ultimate real-wage differentials of 1.8, and 1.2 percentage points, respectively, and are negative thereafter. Estimated net cashflows are negative for all years for an assumed ultimate real-wage differential of 0.6 percentage point.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, toward the end of projection period, annual net cashflow becomes lower (more negative) for higher assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds income excluding interest. These effects are depicted by the patterns in Chart 8A crossing during the later years of the projection period.

Chart 8A shows the present value of the estimated annual OASDI net cashflow.



After increasing in years 2011-13, the present values shown in Chart 8A decrease through 2033. Estimated net cashflows are positive in years 2012-17, and 2012-14 for assumed ultimate real-wage differentials of 1.8, and 1.2 percentage points, respectively, and are negative thereafter. Estimated net cashflows are negative for all years for an assumed ultimate real-wage differential of 0.6 percentage points. Present values based on all three assumptions begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.8 percentage points, the present values continue increasing until 2055 when decreases begin again. The present values for the other two assumptions continue increasing throughout the remaining projection period. The crossover of the patterns that occurs during the later years of the projection period in Chart 8 is also evident in the present value patterns.

Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.8, 2.8, and 3.8 percent, where 2.8 percent is the intermediate assumption in the 2010 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.2 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.0, 4.0, and 5.0 percent, respectively.

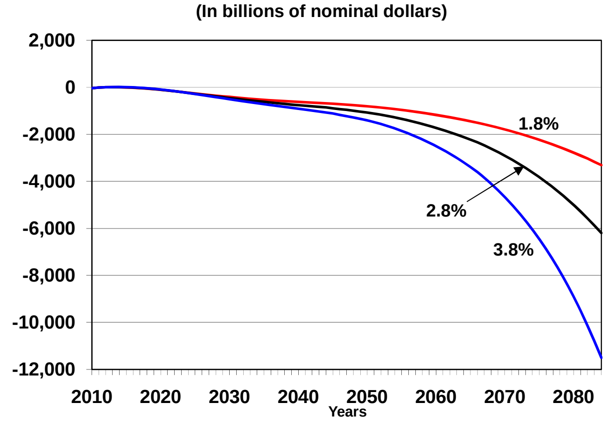
Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 2.8 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $8,444 billion, from $7,947 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to $7,400 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--is explained below.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate CPI-Increase Assumptions
Valuation Period: 2010-2084

Ultimate Annual Increase in Wages, **CPI**; Real Wage Differential	3.0% , **1.8%**; 1.2%	4.0% , **2.8%**; 1.2%	5.0% , **3.8%**; 1.2%
Present Value of Estimated Excess (In billions)	-$8,444	-$7,947	-$7,400

Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 9 shows the estimated annual OASDI net cashflow.

Chart 9 – Estimated Annual OASDI Net Cashflow With Various Ultimate CPI-Increase Assumptions 2010-2084
(In billions of nominal dollars)

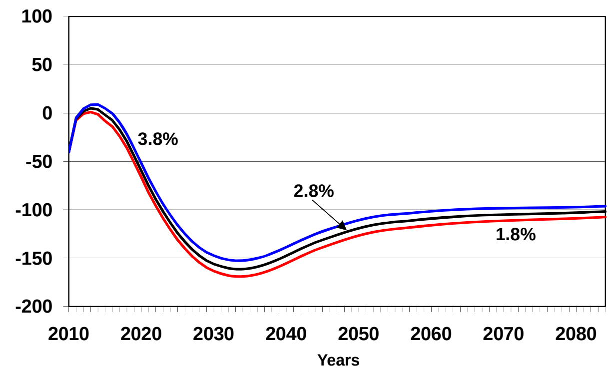


The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are similar. After increasing in the first three years, the net cashflow estimates generally decrease steadily through 2084. Annual net cashflow is positive for years 2013, 2012-14, and 2012-15 for assumed ultimate annual increases in the CPI of 1.8 percent, 2.8 percent, and 3.8 percent respectively. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher benefits based on these higher wages. Larger increases in the CPI also produce higher benefits directly, by increasing the cost-of-living adjustments to benefits. Thus, larger increases in the CPI result in both higher income and higher cost in nominal dollars.

Larger increases in the CPI cause earnings and income to increase sooner, and thus by more in each year, than benefits and cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Initially (through 2021) the larger percentage increase in CPI results in a larger nominal-dollar increase in income, so net cashflow is increased for higher inflation in Chart 9. However, shortly after 2021, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because program income begins to fall well below program cost, and thus the larger percentage increases in CPI eventually produce smaller nominal-dollar increases in income than in program cost.

Chart 9A shows the present value of the estimated annual OASDI net cashflow.

Chart 9A – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate CPI-Increase Assumptions 2010-2084
(In billions of dollars)



The three patterns of the present values shown in Chart 9A are similar. After increasing in the first three years, the net cashflow estimates generally decrease through 2033. Annual net cashflow is positive for years 2013, 2012-14, and 2012-15 for assumed ultimate annual increases in the CPI of 1.8 percent, 2.8 percent, and 3.8 percent respectively. Present values begin to increase (become less negative) in 2034 for all three assumptions. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time, and continue to increase through 2084.

The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 9.

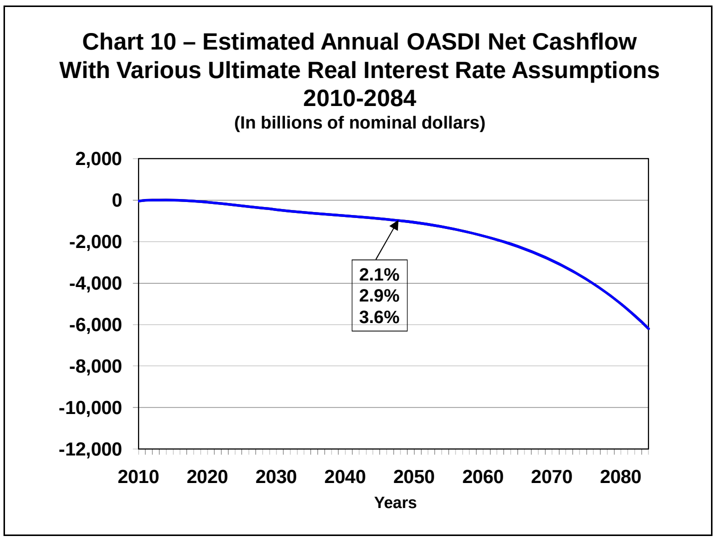
Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.1, 2.9, and 3.6 percent, where 2.9 percent is the intermediate assumption in the 2010 Trustees Report. Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change.

Table 6 demonstrates that, if the ultimate real interest rate is changed from 2.9 percent, the Trustees' intermediate assumption, to 2.1 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to $10,579 billion, from $7,947 billion; if the ultimate annual real interest rate were changed to 3.6 percent, the present-value shortfall would decrease to $6,303 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real-Interest Assumptions
Valuation Period: 2010-2084

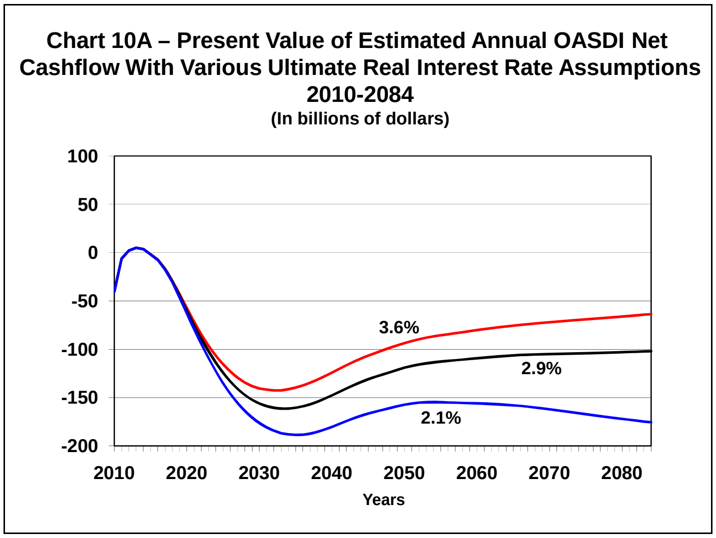
Ultimate Annual Real Interest Rate	2.1 Percent	2.9 Percent	3.6 Percent
Present Value of Estimated Excess (In billions)	-$10,579	-$7,947	-$6,303

Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 10 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow (which does not include interest) shown in Chart 10 are identical, because interest rates do not affect cashflow. After increasing in years 2011-13, the present values decrease steadily through 2084. Annual cashflows are only positive in years 2012-14.

Chart 10A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 10A are similar. After increasing in years 2011-13, the present values decrease rapidly until around 2030. Annual cashflows are only positive in years 2012-14. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2036, 2034, and 2033 for assumed ultimate real interest rates of 2.1, 2.9, and 3.6 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real interest rate of 2.1 percent, the present values continue increasing through 2054, then decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

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AUDITOR'S REPORTS

SOCIAL SECURITY

November 8, 2010

The Honorable Michael J. Astrue
Commissioner

The *Chief Financial Officers (CFO) Act of 1990* (P.L. 101-576), as amended, requires that the Social Security Administration's (SSA) Inspector General (IG) or an independent external auditor, as determined by the IG, audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), Grant Thornton, LLP, an independent certified public accounting firm, audited SSA's Fiscal Year (FY) 2010 financial statements. This letter transmits Grant Thornton's *Independent Auditor's Report* on the audit of SSA's FY 2010 financial statements. Grant Thornton's Report includes the following:

- Opinion on Financial Statements;
- Opinion on Management's Assertion about the Effectiveness of Internal Control; and
- Report on Compliance and Other Matters.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

Grant Thornton's audit was conducted in accordance with auditing standards generally accepted in the United States; Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements. The audit included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as considered necessary under the circumstances. Because of inherent limitations in any internal control, misstatements because of error or fraud may occur and not be detected. The risk of fraud is inherent to many of SSA's programs and operations, especially within the Supplemental Security Income program. In our opinion, people outside the organization perpetrate most of the fraud against SSA.

Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations

OIG audited SSA's FY 2009 financial statements and issued an unqualified opinion on the statements. In its audit of the FY 2010 financial statements, Grant Thornton issued an unqualified opinion. Grant Thornton also reported that SSA had effective internal control over financial reporting based on criteria under OMB Circular A-123, *Management's Responsibility for Internal Control* and SSA's financial management systems substantially complied with the requirements of the *Federal Financial Management Improvement Act of 1996*.

However, Grant Thornton did identify three deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to a weakness in controls over information security. Specifically, Grant Thornton testing:

1. Disclosed that policies and procedures to reassess periodically the content of security access profiles had not been complied with consistently throughout the Agency.
2. Disclosed evidence that security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities.
3. Identified configurations that increased the risk of unauthorized access to key financial data and programs during our testing of the mainframe operating system

Grant Thornton identified no reportable instances of noncompliance with the laws, regulations, or other matters tested.

OIG Evaluation of GT Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of SSA's FY 2010 financial statements by

- reviewing Grant Thornton's approach and planning of the audit;
- evaluating the qualifications and independence of its auditors;
- monitoring the progress of the audit at key points;
- examining its workpapers related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Grant Thornton's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 07-04;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Grant Thornton is responsible for the auditor's report, dated November 8, 2010, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Grant Thornton's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting, or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where Grant Thornton did not comply with applicable auditing standards.

Patrick P. O'Carroll, Jr.
Inspector General

Grant Thornton

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To the Honorable Michael J. Astrue
Commissioner
Social Security Administration

Independent Auditor's Report

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

- The consolidated balance sheet of SSA as of September 30, 2010, and the related consolidated statement of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended and the statement of social insurance as of January 1, 2010 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- Management fairly stated that SSA's internal control over financial reporting was operating effectively as of September 30, 2010;
- No reportable instances of noncompliance with laws, regulations or other matters tested.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheet of the SSA as of September 30, 2010, and the related consolidated statement of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended, and the statement of social insurance as of January 1, 2010. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The consolidated balance sheet of SSA as of September 30, 2009, and the related consolidated statement of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended were audited by other auditors whose report dated November 9, 2009 expressed an unqualified opinion on those statements. The statements of social insurance as of January 1, 2009, 2008, 2007, and 2006 were also audited by other auditors whose reports dated November 9, 2009 and November 7, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above and presented on pages 100 through 130 of this *Performance and Accountability Report* (PAR), present fairly, in all material respects, the financial position of SSA as of September 30, 2010, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, and the financial condition of its social insurance program as of January 1, 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements taken as a whole. The Additional Information presented on the statement of social insurance as of January 1, 2010 is presented for purposes of additional analysis and is not a required part of the consolidated and combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated and combined financial statements taken as a whole.

As discussed in Note 17 to the financial statements, the statement of social insurance presents the actuarial present value of the SSA's estimated future income to be received from or on behalf of the participants and estimated future expenditures to be paid to or on behalf of participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statement of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statement of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statement of social insurance and the actual results, and those differences may be material.

OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have also audited management's assertion, included in the accompanying *Federal Managers' Financial Integrity Act* (FMFIA) Assurance Statement on page 43 of this PAR that SSA's internal control over financial reporting was operating effectively as of September 30, 2010 based on criteria established under OMB Circular No. A-123, *Management's Responsibility for Internal Control.* We did not test all internal controls, relevant to the operating objectives broadly, defined by the *Federal Managers' Financial Integrity Act of 1982*. SSA's management is responsible for maintaining effective internal control over financial reporting and for its assertion of the operating effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An agency's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with generally accepted accounting principles. An agency's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the agency;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the agency are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the agency's assets that could have a material effect on the financial statements.

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

In our opinion, management's assertion that SSA's internal control over financial reporting was operating effectively as of September 30, 2010, is fairly stated, in all material respects based on criteria established under OMB Circular No. A-123.

Other Internal Control Matters

Our work identified the need to improve certain internal controls, as described below and in a separate, limited-distribution management letter. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our audit was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. We identified the following deficiencies that we consider, in combination, to be a significant deficiency in SSA's internal control over financial reporting.

Significant Deficiency

Weakness in Controls Over Information Security

Our testing disclosed that policies and procedures to periodically reassess the content of security access profiles had not been complied with consistently throughout the Agency. Our testing also disclosed evidence that security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Additionally, we identified configurations that increased the risk of unauthorized access to key financial data and programs during our testing of the mainframe operating system.

Specific disclosure of detailed information about these exposures might further compromise controls and are therefore not provided within this report. Rather, the specific details of weaknesses noted are presented in a separate, limited-distribution management letter.

Recommendations

We recommend that SSA management implement policies and procedures that require a periodic review of the content of all security profiles. These policies and procedures should enforce a consistent approach for profile review and should require auditable artifacts to evidence the completion of these reviews. If designed appropriately and implemented effectively, management should be able to decrease the risk of personnel and contractors maintaining excessive access to transactions and data.

We also recommend that management implement controls to test and monitor configurations on the mainframe to identify and address inherent security risks. This should include a comprehensive procedure to test new software and updates to existing software on the mainframe prior to implementation. Management must also implement procedures that require on-going monitoring of implemented mainframe configurations to identify and address security risks.

More specific recommendations focused on the individual exposures we identified are included in a separate limited-distribution management letter, which also includes management's response and their planned corrective actions.

REPORT ON COMPLIANCE AND OTHER MATTERS

The management of SSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the compliance with laws and regulations, including laws governing the use of budgetary authority, government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, and other laws and regulations, noncompliance with which could have a direct and material effect on the financial statements. Under the *Federal Financial Management Improvement Act of 1996* (FFMIA), we are required to report whether the SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

We did not test compliance with all laws and regulations applicable to SSA. We limited our tests of compliance to the provisions of laws and regulations cited in the preceding paragraph of this report. Providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04 and no instances of substantial noncompliance that are required to be reported under FFMIA.

OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 5 through 46 and the Required Supplementary Information (RSI) included on pages 136 through 151 of this PAR are not a required part of the consolidated and combined financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular No. A-136, *Financial Reporting Requirements.* We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements taken as a whole. The Schedule of Budgetary Resources included on page 135 of this PAR is not a required part of the consolidated and combined financial statements but is supplementary information required by OMB Circular No. A-136. This schedule and the consolidating and combining information included on pages 131 to 134 of this PAR are not a required part of the consolidated and combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated and combined financial statements taken as a whole.

Grant Thornton

The Commissioner's Message on page 1 and the other accompanying information included on pages 2 through 4, 47 through 96 and 163 to the end of this PAR is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements, and accordingly, we express no opinion on it.

Our report is intended solely for the information and use of management of SSA, the Office of the Inspector General, the OMB, the Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Alexandria, Virginia
November 8, 2010

SOCIAL SECURITY
The Commissioner

November 1, 2010

Grant Thornton LLP
333 John Carlyle
Alexandria, VA 22314

Ladies and Gentlemen:

We have reviewed the draft Independent Auditor's Report concerning your audit of our fiscal year 2010 financial statements. We are extremely pleased that we received our 17th consecutive unqualified opinion on our financial statements, an unqualified opinion on management's assertion that our internal controls were operating effectively, and that there were no reportable instances of noncompliance with laws or regulations.

Your report did identify a significant deficiency regarding the need to improve certain internal controls. We concur with this finding and will implement the necessary corrective actions to strengthen our internal controls. We have enclosed a more detailed explanation of our plans.

If you have questions, please do not hesitate to contact me or have your staff contact Carla Krabbe at (410) 965-0759.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

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Comments of the Social Security Administration (SSA) on Grant Thornton LLP's Draft Independent Auditor's Report

General Comments

Thank you for the opportunity to comment on the draft Independent Auditor's Report concerning our fiscal year (FY) 2010 financial statements.

We are pleased that your report indicates our internal control over financial reporting is operating effectively. However, the report did note the need for additional improvements over certain internal controls and contained related recommendations.

The agency continues to strengthen our already robust security program. We utilize a layered approach to securing our information and systems. Access controls, including mainframe security profiles, limit access based upon the security principles of "least privileged access" and "need to know." We also capture audit and integrity review information to detect inappropriate or suspicious activity, and train our security officers to monitor security violation reports. Additionally, we provide security awareness training and warnings to employees reminding them of their obligation not to access unauthorized information.

We will continue to work to improve the overall effectiveness of our security controls. We agree with your recommendations and offer the following comments.

Recommendation 1

We recommend that SSA management implement policies and procedures that require a periodic review of the content of all security profiles. These policies and procedures should enforce a consistent approach for profile review and should require auditable artifacts to evidence the completion of these reviews. If designed appropriately and implemented effectively, management should be able to decrease the risk of personnel and contractors maintaining excessive access to transactions and data.

Comment

We agree with the recommendation. In January 2010, an agency workgroup convened to develop new policies and procedures for conducting periodic reviews of the content of our security profiles. We plan to implement these new policies and procedures in FY 2011. We also initiated a project to develop and implement a commercial off-the-shelf (COTS) based software solution to automate the process of reviewing security profile content. The Office of the Chief Information Officer is working with the Office of Systems to define the functional and technical requirements for this automated solution. This solution will provide improved tools to assist security officers with reviewing security profile content and provide auditable evidence of the completion of these reviews. This solution helps ensure that both agency-wide and locally managed

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security profiles are reviewed consistently throughout the agency and will provide management information for monitoring the progress of profile reviews. We will base the automated COTS solution on the procedures drafted by the agency workgroup. Additionally, the COTS solution will improve our Triennial Certification program by providing meaningful information to managers needed for conducting reviews of access granted to employees and contractors.

Recommendation 2

We also recommend that management implement controls to test and monitor configurations on the mainframe to identify and address inherent security risks. This should include a comprehensive procedure to test new software and updates to existing software on the mainframe prior to implementation. Management must also implement procedures that require ongoing monitoring of implemented mainframe configurations to identify and address security risks.

Comment

We agree with the recommendation. While the mainframe configuration increased the risk of unauthorized access, the likelihood of this happening was extremely low. As soon as we became aware of the weakness, we took remedial action that addressed the weakness. We implemented specific controls to identify and address security risks of this nature, and we are expanding current procedures to identify and address mainframe security risks.

OTHER ACCOMPANYING INFORMATION

IG Statement on SSA's Major Management and Performance Challenges

Social Security

November 8, 2010

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual *Performance and Accountability Report*.

In Fiscal Year (FY) 2010, we continued our focus on the management and performance challenges from the previous year. Those challenges are listed below.

- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

My office will continue to focus on these issues in FY 2011. We will also continue to assess SSA's operations and the environment in which it operates to ensure that our reviews focus on the most salient issues facing the Agency.

I congratulate you on the progress made in FY 2010 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2010 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

November 2010

Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently

On February 17, 2009, the President signed into law the *American Recovery and Reinvestment Act of 2009* (ARRA) (Pub. L. No. 111-5). The Social Security Administration (SSA) was provided funds under ARRA to address three major efforts.

- $500 million to replace SSA's National Computer Center (NCC).
- $500 million to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.
- $90 million to reimburse costs for processing a one-time economic recovery payment (ERP) of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments. (On August 10th, section 318 of Pub. L. No. 111-226 rescinded $47 million of the funds SSA received to administer the $250 ERPs.)

We believe the timely replacement of the NCC and the capacity of SSA's computer systems continue to be major challenges for the Agency. SSA's NCC houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. In Fiscal Year (FY) 2010, we issued multiple reports on SSA's efforts to replace the NCC with a new data center. In our April 2010 Congressional Response Report, *The Social Security Administration's Data Center Alternatives*, we evaluated the elements and the assessment techniques SSA's contractors used to determine the best location for the new data center. We questioned the costs and risks that had been assigned to the different options for building the data center. We asked the Agency to reexamine the timeframe required for on-campus property readiness (zoning/property acquisitions). We also asked SSA to reassess the foundation for many of its decisions when comparing the on- and off-site options. We made several recommendations related to costs and risks. SSA agreed with our recommendations.

The purchase of the site where the new data center will be built has been delayed. SSA planned to purchase the required land in FY 2010. Now, SSA does not expect to purchase the site until FY 2011, thus delaying the start of construction. The timely completion of the new data center is critical to SSA's ability to continue to provide the level of service the American public expects and needs.

The Agency used ARRA funds to hire staff and fund overtime work to address critical workloads. SSA's challenge was to hire and train sufficient personnel in a short period of time to enhance the Agency's ability to eliminate the hearings backlog and prevent its recurrence, improve the speed and quality of its disability process, improve retiree and other core services, and preserve the public's trust in its programs.

SSA's Office of Operations planned to use its $251 million in ARRA funds to hire employees and for overtime work by employees. The Office of Disability Adjudication and Review (ODAR) was allocated $30 million in FY 2009 and another $93 million in FY 2010 to hire administrative law judges (ALJ) and support staff. SSA allocated $87 million of ARRA funds for FY 2009 and 2010 labor costs of disability determination services (DDS) employees and additional overtime, including indirect costs. The labor costs included hiring 300 new DDS employees.

SSA also had a challenge to ensure its contractors paid with ARRA funds reported accurate information to FederalReporting.gov. Contract recipients were required to report, among other things, (1) the total amount of recovery funds invoiced and (2) a narrative description of the employment effect of work funded by ARRA, including an estimate of the number of jobs created and the number of jobs retained by the prime contractor in the United States and outlying areas. In our report, *Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars*, we determined eight of the nine contractors who received ARRA funds reviewed

reported jobs created or retained in a manner inconsistent with the Office of Management and Budget's (OMB) guidance. The contractor's errors resulted from their misinterpretation of OMB's guidance.
Finally, SSA's assistance in providing one-time ERPs of $250 to certain adult Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and SSI recipients continues to be a challenge. SSA had to ensure the beneficiaries met a number of criteria, including that they resided in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands. In addition, to be eligible for the one-time payments, the beneficiaries had to be eligible for benefits for any of the 3 months before the month of enactment (that is, November 2008, December 2008, and January 2009). If individuals received both OASDI and SSI, they would receive only one $250 payment. In addition, SSA had to process each payment, prepare payment files for the Department of the Treasury (Treasury), annotate payments to its program files, and prepare associated beneficiary notices. Also, SSA was responsible for handling post-certification actions (for example, non-receipt reports, returned payments, and stop-payment actions) for the ERPs issued to its beneficiaries.

In our September 2010 report, *Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries*, we found 71,688 beneficiaries were deceased before the payment certification date and received an estimated $18 million in ERPs. However, in 86 percent of these cases, SSA had no knowledge before the payment certification date that the beneficiaries were deceased. Also, ARRA did not provide SSA the authority to reclaim erroneous ERPs issued to deceased beneficiaries. An additional 17,348 beneficiaries were incarcerated and received about $4.3 million in ERPs. Most of these beneficiaries were eligible for ERPs because ARRA did not prohibit incarcerated beneficiaries from receiving ERPs if they were otherwise eligible for benefits.

SSA Has Taken Steps to Address This Challenge

In response to ARRA and OMB guidance, SSA developed an ARRA Risk Management Plan. The Plan outlined the major challenges and risk mitigation activities facing SSA in implementing the requirements of ARRA. The challenges fell into five major categories: Overall Recovery Act Implementation, One-Time ERP Administrative Expenses, One-Time ERP Payments, Disability and Retirement Workloads, and Replacement of the NCC. The major areas were further defined by challenges specific to each category. SSA developed risk mitigation activities to address each identified challenge and continues to implement them.

To meet its challenge to replace the NCC and increase systems capacity, SSA continues to make progress. In FY 2010, SSA, in coordination with the General Services Administration (GSA), completed an IT growth study that included projections of SSA's future needs for space, power, and cooling. Further, SSA and GSA began to identify potential sites and develop the Program of Requirements for the new data center.

To meet its challenge to hire thousands of employees and train them, SSA developed appropriate staffing plans based on OMB guidance. For example, the plans provided the required information on how the Agency would spend ARRA funds. However, SSA's cost allocation methodology will most likely overstate actual ARRA costs. Further, the ARRA performance measures did not identify all anticipated benefits.

In reference to SSA's challenge to ensure its ARRA fund recipients properly reported accurate information to FederalReporting.gov, the Agency implemented procedures requiring that contracting officers review contractor reports at FederalReporting.gov for consistency with award information, significant errors, and material omissions. Contracting officers review data posted to *FederalReporting.gov* for data that do not appear to be accurate.

In reference to SSA's continued challenge to provide ERPs to certain beneficiaries, the Agency has made considerable progress. It facilitated the issuance of ERPs to more than 50 million eligible individuals in May 2009, which injected about $13 billion into the economy. SSA certified these payments to facilitate Treasury's disbursement within 120 days after the legislation was enacted on February 17, 2009. However, should another ERP be enacted into law, we recommend SSA (1) review its records to identify deceased and incarcerated beneficiaries before certifying their eligibility to receive an ERP, (2) work with Treasury to obtain the authority to reclaim ERPs issued to deceased beneficiaries, and (3) ensure ERPs are not issued to beneficiaries who are incarcerated at the time of payment.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level has increased over the years—from 293 days at the end of FY 2001 to 426 days at the end of FY 2010. Additionally, the pending hearings workload grew to approximately 705,000 by the end of FY 2010—up from about 392,000 cases at the end of FY 2001. SSA also faces an increasing workload due to a rise in the number of initial disability applications, which eventually leads to an increase in the number of hearing requests.

Since May 2007, the Agency has been implementing the Commissioner's plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focuses on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes. SSA has realized some success over the last few years. For example, average processing time at the hearings level was 514 days in FY 2008, 491 days in FY 2009, and 426 days in FY 2010. Similarly, the pending hearings workload was about 761,000 cases in FY 2008, about 723,000 cases in FY 2009, and about 705,000 cases at the end of FY 2010. The Agency's goal is to eliminate the hearings backlog by 2013 and improve average processing time to 270 days. Achieving these goals will depend on a number of factors, including available resources and expected workloads.

Compassionate Allowances - The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where the disease or condition is so consistently devastating that SSA can presume the claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process with 50 conditions—25 rare diseases and 25 cancers. SSA added another 38 conditions to this list on May 1, 2010.

Improve Hearing Office Procedures - SSA has two initiatives in place to improve hearing office procedures—reducing aged cases and adjudication of cases by senior attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, 900 days or older in FY 2008, 850 days or older in FY 2009, and 825 days or older in FY 2010. This initiative has refocused the hearings process to ensure hearing offices are processing the oldest cases first. Under the Senior Attorney program, senior attorneys issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. SSA reported senior attorneys had issued approximately 54,000 decisions in FY 2010.

Increase Adjudicatory Capacity - SSA has six initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, ARRA provided SSA $500 million to assist with increases in retirement and disability workloads, of which $123 million was allocated to ODAR. Using these funds, ODAR hired 35 new ALJs and 550 additional support staff in FY 2009. In FY 2010, ODAR hired 229 ALJs and approximately 1,200 support staff. ODAR also continued to build new hearing offices around the country, with 13 new offices opened in FY 2010. In addition, ODAR is now operating five National Hearing Centers. ODAR opened a National Case Assistance Center in McLean, Virginia, on May 28, 2010, along with a fifth National Hearing Center and National Case Assistance Center in St. Louis, Missouri, on July 6, 2010.

Increase Efficiency with Automation and Improved Business Process - SSA has more than two dozen initiatives related to automation and business processes. Such initiatives include shared access to electronic files, improved management training, enhanced electronic business processes, and a new quality assurance program. One initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative also includes a Representative Video Project, which allows claimant representatives to use their video equipment to participate in hearings from their own offices.

SSA Has Taken Steps to Address This Challenge

In March 2010, the Commissioner announced that the number of pending hearings at the Agency was at its lowest level since June 2005. In a July 2010 review, we reported SSA should be able to achieve its FY 2013 pending hearings backlog goal if it has reliably projected the key factors, such as hearing level receipts, ALJ availability levels, ALJ productivity levels, and senior attorney adjudicator decisions through 2013. We also acknowledged that the Agency has varying control over these factors, and a small variance in these projections could cause SSA to exceed the targeted number of cases in its 2013 pending hearings backlog. As a result, we noted that continued assessment of the factors, appropriate adjustments, and communication of Agency needs to other parties, including the Congress and the Office of Personnel Management, will be essential to keep this endeavor on track.

We will continue to work with SSA as it proceeds with its initiatives. For example, in our June 2010 review of hearing office staffing and performance, we found that ODAR’s staffing ratio was 5.1, exceeding the Agency’s national goal of 4.5 staff per ALJ. We also found most hearing offices exceeded the decision writer-per-ALJ goal. However, we identified a number of offices that still needed attention to meet the Agency’s goals, and found the staffing ratio methodology needed to be updated. We also found that centralized units were assisting hearing offices with staffing shortages and recommended their expansion.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

SSA is facing a considerable increase in initial and reconsideration claims. At the end of FY 2008, there were over 565,000 initial claims pending. In FY 2010, initial claims pending had grown to over 842,000, an increase of 51 percent over the FY 2008 year-end pending level. In addition, reconsideration claim receipts at the end of 2010 were 12 percent higher than the same period in FY 2009.

In addition to the increased receipts, some DDSs are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process the disability workload. In our November 2009 review on the effect of State budget issues on SSA's disability programs, we reported that State furloughs affected the number of disability determinations some DDSs will make during FY 2010. As a result of the furloughs, approximately 69,000 cases were delayed in processing, resulting in about $126 million in benefit payments being delayed to newly disabled claimants. In July 2010, the Agency submitted legislation to Congress to end furloughs of federally paid State disability workers. That legislation would prohibit States, without the Commissioner's prior authorization, from reducing the number of State personnel who make disability determinations for Social Security or the hours they work below the amount the Agency authorizes.

The increase in initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting full medical continuing disability reviews (CDR). In our March 2010 review on CDRs, we reported that a backlog of over 1.5 million full medical CDRs would exist at the end of FY 2010. As a result, we estimated SSA will have made benefit payments of between $1.3 and $2.6 billion from Calendar Years 2005 through 2010 that could have potentially been avoided if DDSs had conducted full medical CDRs in the backlog when they became due.

SSA Has Taken Steps to Address This Challenge

In April 2010, the Commissioner testified about SSA's plan to reduce the initial claims backlog by FY 2014. To do so, SSA developed a multi-year strategy that includes

- increasing staffing in the DDS and Federal disability processing components,
- improving efficiency through automation,
- expanding the use of screening tools to assist in identifying claims likely to be allowed, and
- refining policies and business processes to expedite case completion.

As part of the strategy, SSA hired additional DDS employees and plans to maintain higher DDS staffing levels over the next several years. In addition, SSA is maximizing the use of overtime in the DDSs. SSA also created centralized units, called Extended Service Teams (EST), in Arkansas, Mississippi, Virginia, and Oklahoma. The ESTs will assist and take claims from the States with the highest pending levels. In FY 2010, SSA placed 280 new employees at the 4 EST sites. SSA also increased staffing levels in the Federal disability processing components, which provide support to DDSs – hiring about 237 additional employees. As of November 2010, we are reviewing SSA's strategy for reducing the initial claims backlog to an optimum pending level.

We will continue to work with SSA as it improves the disability process and addresses its workload backlogs. We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed in a cooperative effort between SSA's Offices of Operations, the Inspector General, and Disability Programs. Since the program's inception in FY 1998 to the end of FY 2010, SSA reports that the 22 CDI units, operating in 19 States, have resulted in $1.6 billion in projected savings to SSA's Title II and XVI disability programs and over $967 million in projected savings to non-SSA programs.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

SSA is responsible for issuing over $700 billion in benefit payments annually to about 60 million people. Given the large amount of dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. For example, according to SSA, in FY 2009,

- SSI overpayments were $4 billion (8.4 percent of outlays), and underpayments were $787 million (1.6 percent of outlays); and
- OASDI overpayments were $2.5 billion (0.37 percent of outlays), and underpayments were $619 million (0.09 percent of outlays).

For FYs 2009 to 2012, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for over- and underpayments; whereas for SSI, the Agency's goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96 percent.

In November 2009, the President issued Executive Order 13520 on reducing improper payments, and in March 2010, OMB issued implementing guidance. As a result, SSA was required to prepare a report on its high-priority programs by May 19, 2010 containing the Agency's plans for identifying and measuring improper payments, meeting improper payment reduction targets, and ensuring that initiatives undertaken did not unduly burden program access and participation by eligible beneficiaries. SSA met this deadline.

SSA was also required by May 19, 2010, and every quarter thereafter, to prepare and make available to the public a report on any high-dollar improper payments identified by the Agency, subject to Federal privacy policies and to the extent permitted by law. SSA issued its first quarterly report on July 30, 2010 for the quarter ending June 30, 2010. It issued its second report on October 29, 2010 for the quarter ending September 30, 2010.

Additionally, in July 2010, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204) was enacted. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment errors. SSA has a recovery audit program in place for payments to contractors, but it does not have a similar program for benefit payments. The reduction of improper payments is one of SSA's key strategic objectives. Two powerful tools for reducing improper payments are CDRs and redeterminations. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments. Although no overpayments or underpayments are incurred as the result of a medical cessation due to a medical CDR, disability benefits could be terminated earlier if more medical CDRs were scheduled. Available data indicate that SSA saves about $10 for every $1 spent on medical CDRs. However, the Agency has scaled back on this workload over the past several years. Similarly, SSA decreased the number of SSI redeterminations conducted between FYs 2003 and 2009 by more than 40 percent. We estimated in a July 2009 report, *Supplemental Security Income Redeterminations*, that SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA Has Taken Steps to Address This Challenge

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA developed automated tools to address the more troublesome computation issues. A major cause of improper payments in the SSI program is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. In response, SSA developed a large-scale monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also uses the Access to Financial Institutions process to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA plans to expand the use of this process in the future.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2009, SSA recovered $3.06 billion in overpayments at an administrative cost of $0.06 for every dollar collected. According to SSA, the Agency will continue to improve its debt collection program through the expansion of current debt collection initiatives as well as the implementation of several debt collection tools.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in June 2010, we issued a report, *Manual Computations of Supplemental Security Income Payments*, which identified about $4.4 million in overpayments and about $3.7 million in underpayments for the period July 2008 through June 2009. SSA agreed with the recommendations we made to improve this area and had already initiated actions to correct the payment errors identified.

We also issued a report in July 2010, *Retroactive Title II Payments to Released Prisoners*, where we estimated SSA issued approximately $3.8 million in retroactive payments that released prisoners were not entitled to receive. SSA agreed with our recommendations. The Agency plans to develop and implement additional procedural controls for retroactive payments to released prisoners.

IMPROVE CUSTOMER SERVICE

SSA touches the lives of virtually all Americans. SSA provides benefits when there is the loss of a loved one, at the onset of disability, or during the transition from work to retirement. Therefore, we agree with SSA that a high level of customer service is essential to meet the public's needs and expectations.

SSA acknowledges that it has struggled to maintain the level of service the American people deserve. Many factors challenge SSA, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is receiving increasing numbers of retirement and disability claims. Also, SSA is finding that the public expects it to provide services in new ways made possible by technology. Further, the projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that 50 percent of its employees, including 66 percent of its supervisors, will be eligible to retire by FY 2018. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints a representative payee to receive and manage the benefits of beneficiaries who are incapable of managing or directing the management of their finances because of their youth or mental or physical impairment. Our reviews continue to identify problems with SSA's representative payment program. Specifically, (1) SSA did not identify aged beneficiaries who became incapable of managing their benefits after their initial entitlement; (2) children in foster care had their benefits managed by representative payees who were not the foster care agency or foster care parent; (3) representative payees did not disclose previous incarcerations on their applications to serve as payees; and (4) certain individual and organizational representative payees had not complied with SSA's policies and procedures.

SSA Has Taken Steps to Address This Challenge

SSA reported it has implemented various strategies to improve customer service, such as increasing staffing, expanding the use of online and automated services, improving telephone and field office services, reorganizing its components, and improving the representative payment program.

Staffing - SSA reported it hired about 8,600 new employees in FY 2009—the largest hiring effort since the creation of the SSI program over 35 years ago. In FY 2010, SSA again hired approximately 8,600 new employees. In addition, our review of SSA's hiring and training of IT specialists found that SSA uses a multitude of activities to attract, hire, train, and retain IT specialists.

Online and Automated Services - One of SSA's priorities is to provide the public with more service options through a wide range of online and automated services. In FY 2010, SSA introduced an online Medicare-only application. Also, SSA released a simplified electronic version of the Adult Disability Report, which has increased completion rates and cut the average completion time in half. Additionally, as part of SSA's Multilanguage Gateway, which provides access to information in 15 different languages, it is implementing its first non-English interactive application—the Retirement Estimator in Spanish. In response to the President's Securing Americans' Value and Efficiency Award, SSA plans to implement an employee suggestion that would allow individuals to schedule appointments for service online.

Telephone Services - SSA is replacing its 800-number infrastructure with a new system that will help improve service and increase efficiency. SSA's national 800-number, which handles about 65 million calls a year, now offers speech recognition that allows callers to speak their request to reduce time spent navigating through menu prompts and error-prone, touch-tone commands. In addition, SSA is using technology to forecast call volumes, anticipate staffing needs, and better distribute calls across the network. As a result, SSA reported it reduced waiting times by 17 percent in FY 2010. SSA achieved the lowest busy rate for the 800-number in FY 2010 since it began reporting it in FY 2005. Over that 5-year period, SSA halved its busy rate from 10 percent in FY 2005 to 5 percent in FY 2010.

Field Offices and Processing Centers - To position itself for the future, SSA is working with GSA on a new teleservice center in Jackson, Tennessee—the first to be opened in more than a decade. In addition, SSA is implementing the *Space Modernization and Reception Transformation*—an initiative to upgrade SSA's field offices to offer improved services such as (1) videoconferencing for individuals living in rural areas, (2) televisions in field office reception areas to broadcast information about SSA programs, (3) offering self-help personal computers, and (4) redesigning the reception and interview areas to improve privacy.

Reorganization - SSA restructured existing, and established new, components to improve the speed and quality of its processes and services. Further, SSA is realigning several components and combining applications to address the changing needs of its customers and to balance workloads and resources.

Representative Payee Program - SSA reported it revised the Representative Payee Monitoring Application to capture better management information about the problems it found and the outcomes of its reviews of representative payees. Additionally, SSA reported it developed a new model for the representative payee accounting form, misuse, and monitoring processes. Finally, SSA took action to increase its oversight of representative payees who employ beneficiaries in their care by awarding a contract for 350 site reviews of employer-payees.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Managing its current and future workloads will not be possible for SSA without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. Today, SSA faces the challenge of how to best use technology to meet its increasing workloads. Congress, SSA's Advisory Board, the Office of the Inspector General (OIG) and others have concerns regarding the Agency's IT infrastructure, systems continuity and availability, system modernization efforts, IT strategic planning, and IT service delivery.

IT Physical Infrastructure - SSA's NCC, built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. SSA's primary IT investment over the next few years is the replacement of the NCC. Increased workloads and growing telecommunication services have severely strained the NCC's ability to support the Agency's business. SSA estimates that by 2012, the NCC as a stand-alone data center will no longer be able to support the expanding workloads. Additionally, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. However, the Agency has projected that its new facility cannot be operational before 2015.

Disaster Recovery Capabilities - The design and age of the NCC, as well as the increasing workload due to the retirement of the baby boom generation, has raised concerns about SSA's ability to address future processing requirements. Because of the critical systems SSA supports, an NCC outage would have a devastating effect on both the Agency and the people it serves. In FY 2008, Lockheed Martin completed a study of the NCC that identified infrastructure and data processing capacity issues. These issues pose a significant risk to SSA's continuity of operations.

Systems Modernization - Another major challenge facing SSA is the modernization of its systems and applications. SSA's systems modernization is constrained by multiple underlying problems. The first problem is that the foundation of SSA's IT infrastructure is an outdated database management system called the Master Data Access Method (MADAM). SSA developed MADAM in the 1980s. There is a concern that future operating system changes may render MADAM unusable, and the technical knowledge and skills needed to timely remedy the situation may not be available. Consequently, future operating system changes could lead to prolonged outages. Further, the Agency's continued reliance on MADAM exposes it to significant risks, including delays in its ability to improve its systems functionality.

Further, some of SSA's legacy applications are programmed in Common Business Oriented Language (COBOL). The use of COBOL adds additional constraints to SSA's modernization efforts. Studies of SSA's use of COBOL have identified challenges including cumbersome maintenance, lengthy redevelopment time, and the potential loss of institutional knowledge as experienced COBOL programmers retire. In addition, COBOL restricts SSA from developing more sophisticated web services to enable the Agency to meet the growing needs of its customers and reduce customer wait times on the telephone and in field offices.

Simple and Secure Electronic Services - Finally, SSA must provide additional electronic services to meet the growing needs of its customers. Because of the economic times and baby boom generation retirements, more individuals are filing for retirement and disability benefits. SSA's telephone services and field offices are overwhelmed by increased workloads. Telephone and field office customer wait times are long. Between March 1, 2009 and April 30, 2010, about 3.1 million visitors waited more than 1 hour for service, and of those visitors, over 330,000 waited longer than 2 hours. SSA must find alternative ways of providing its customers easy to use and secure services.

Currently, 37 percent of all retirement applications and 27 percent of initial disability applications are filed online. In December 2009, Commissioner Astrue testified that to keep field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filing to 50 percent by 2013.

SSA Has Taken Steps to Address This Challenge

IT Physical Infrastructure - SSA has taken steps to address its IT physical infrastructure challenge. The Agency has taken or planned actions to address the NCC's sustainability through 2014. Moreover, in February 2009, SSA received $500 million in ARRA funding to replace its NCC. The Agency is working with GSA to select and purchase a site, develop a Program of Requirements, construct, and acquire IT equipment for its new data center. SSA's plans are to build a new data center that will meet the Agency's expansion needs for the long-term.

Disaster Recovery Capabilities - To help address its disaster recovery capability challenge, SSA built a Second Support Center (SSC). The SSC is a co-processing center for the NCC in the event of inoperability due to catastrophic events and processes a portion of SSA's critical and noncritical workloads. Further, SSA initiated the Accelerated Disaster Recovery Environment (ADRE) project. In June 2010, SSA conducted the ADRE exercise to test the Agency's ability to recover completely from an NCC disaster. The exercise used tapes for recovery purposes. The ADRE exercise was designed to determine whether the critical systems would be available at the SSC if the NCC is not available. However, until the ADRE exercise is validated and the Agency's disaster recovery plans are met, there is a risk of diminished service during the recovery period should the NCC become unavailable.

Also, before October 2012, an extended disruption of service would limit the Agency's ability to provide service to the public within the first 7 days of a disaster. Furthermore, until SSA tests and validates the critical NCC applications restored at the SSC at a level of processing that represents the Agency's daily workload levels, there is a risk that the systems will not fully function if the NCC is unavailable. In 2011, SSA plans to conduct disaster recovery tests to determine the Agency's ability to recover should the SSC become unavailable.

Systems Modernization - The Agency's strategy to address its systems modernization challenge is to develop new IT applications with more modern programming languages. SSA plans to modernize its old applications in the future.

SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete. To date, SSA has successfully completed the conversion of its Numident/Alphident and Master Earnings Files. SSA plans to convert the Supplemental Security and Master Beneficiary Records by the end of FY 2013.

Moreover, the Agency has initiated a project to modernize its Disability Case Processing System (DCPS). The objective of the DCPS project is to develop a single case processing system to replace the 54 different existing systems that support the DDSs. DCPS will integrate case analysis tools and health information technology. Also, having a common case processing system will help to rapidly distribute policy changes and have a positive effect on processing times and the accuracy of disability decisions.

The conversion of the Agency's systems is not a single conversion of lines of code from COBOL to Java. Instead, SSA is redesigning its systems to support improved service to the American public. Further, SSA plans to transition some of its other COBOL applications to a more modernized programming language by FY 2017.

Simple and Secure Electronic Services - To address this challenge and relieve overburdened field offices, SSA offers over 30 electronic services. Further, SSA researched Internet authentication solutions to secure such online initiatives as Ready Retirement, replacement Social Security number (SSN) cards, and other automated services.

SSA is developing Registration of Most Everyone (ROME) to register and authenticate users and provide controlled, single sign-on access. SSA plans to use ROME to enable members of the public to access SSA’s electronic and interactive voice response telephone applications. ROME will position SSA to meet its strategic goals of expanding electronic government and increasing the use of electronic services. By increasing the functionality and scope of SSA's electronic applications and providing strong, secure, and robust authentication protocols, the Agency hopes to channel more members of the public toward doing business electronically.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

In FY 2010, SSA issued approximately 17 million SSN cards and received approximately $647 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

Since its inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers and, as such, valuable as illegal commodities. Over the last decade, SSA has made significant strides to strengthen controls in the enumeration process. Additionally, SSA has worked to better protect SSNs in its records. However, once an SSN is assigned, SSA has little control over the collection, use, and disclosure of this number by external entities. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs. To better protect SSNs and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

We commend the Agency for the numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority to curb the unnecessary collection and use of SSNs. Our audit and investigative work has taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We believe SSA should support legislation to limit public and private entities' collection and use of SSNs, and to improve the protection of this information when obtained. We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life. Further, we believe controls over the issuance of SSN Verification Printouts are not sufficient to prevent improper attainment of these sensitive documents and disclosure of personally identifiable information (PII). As such, SSA should continue its efforts to safeguard and protect PII.

Finally, SSA is devoting resources to develop an online system for issuing replacement SSN cards. While we support the Agency's decision to offer more services online to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative until proper authentication controls are in place.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2009, the ESF had accumulated approximately 296 million wage items for Tax Years (TY) 1937 through 2007, representing about $836 billion in wages. Our review of ESF data compared to the total wages reported by employers showed the ESF continued to grow in both real and relative terms. For instance, in TY 2000, the ESF represented about 3.8 percent of total reported wage items and grew to 4.3 percent by TY 2007.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

SSA Has Taken Steps to Address This Challenge

Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include (1) establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards; (2) requiring field office personnel processing SSN applications to use a Web-based Intranet application known as the SSN Application Process, which combines the functionality of the *SS-5 Assistant* and the Modernized Enumeration System; and (3) strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has issued annual Social Security Statements, increased its electronic wage reporting, expanded the use of its Social Security Number Verification Service (SSNVS) program, and continued to support DHS in administering the E-Verify program.

Issued Annual Social Security Statements - The Agency issues annual Social Security Statements to individuals so they can review their earnings records for accuracy and completeness. SSA mails the Statements to all workers age 25 and older who are not yet receiving Social Security benefits. In FY 2010, SSA issued about 152 million Social Security Statements.

Increased Electronic Wage Reporting - SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process because paper wage reports are more error-prone, labor-intensive, and expensive to process. SSA encourages employers to use Business Services Online to file *Wage and Tax Statements* (Forms W-2) for their employees electronically. In FY 2010, SSA processed over 182 million Form W-2s electronically.

Expanded Use of SSNVS - SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantaneously, whether an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps reduce fraud and improves the accuracy of individuals' earnings records. For FY 2010, SSNVS processed over 104 million verifications for approximately 39,500 registered employers.

Collaborated with DHS - SSA has continued to support E-Verify, a DHS program that allows employers to electronically verify whether newly hired employees are authorized to work in the United States under immigration law. With SSA's assistance, DHS has made program improvements. For example, in September 2007, E-Verify's Photo Screening Tool was implemented, which allows employers to check the photograph on the new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process. In addition, in February 2009, DHS began incorporating passport data into E-Verify to help verify citizenship status information in the event of a mismatch with SSA for citizens who present a U.S. passport during the *Employment Eligibility Verification* (Form I-9) process. As of the end of FY 2010, about 227,000 employers, representing about 802,000 locations, were enrolled to use E-Verify. These employers submitted approximately 16.9 million queries during this period.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

There have been a number of efforts to make Federal agencies more transparent and accountable. For example, the *Chief Financial Officers Act of 1990* (Pub. L. No. 101-576) provides for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and Congress in the financing, management, and evaluation of Federal programs. The *Government Performance and Results Act of 1993* (GPRA) (Pub. L. No. 103-62) sought to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. Lastly, the President issued a memorandum on Transparency and Open Government on January 21, 2009. The memorandum instructed OMB to issue an Open Government Directive.

In December 2009, OMB issued instructions on the specific steps Federal agencies needed to take to implement the Open Government Directive. OMB's guidance requires Federal agencies to improve the quality of Government information, publish Government information online, create and institutionalize a culture of open Government, and create an enabling policy framework for open Government.

Transparency - SSA continued to develop GPRA-required Annual Performance Plans (APP), which include the Agency's annual performance measures and goals. Over half of SSA's current performance measures do not measure the Agency's progress on achieving its strategic goals and objectives. Many of these measures were also identified as output-based performance measures rather than being outcome-based measures. Outcome-based performance measures are more effective in measuring an agency's progress in achieving its strategic goals and objectives than output-based performance measures. Also, while SSA defined some very specific long-term outcomes in its strategic plan, it is difficult for the public to understand SSA's progress in achieving those outcomes because performance measures and related goals are not tied to the long-term outcomes.

We also found that some of SSA's key programs and activities were not addressed by performance measures. Neither SSA's *Strategic Plan* nor the APP contained a performance measure to publicly track SSA's progress in constructing a new data center, even though the *Strategic Plan* states that all the Agency's plans depend on a strong 21st century data center to replace the aged NCC. Also, SSA does not have a performance measure to track progress in updating its computer programs even though its *Strategic Plan* notes that its IT infrastructure was resting on a foundation of aging computer programs. The aging computer systems make it difficult to implement new business processes and service delivery models.

Accountability - Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management.

We reported a significant deficiency in SSA's internal control over information security in our FY 2010 *Report on Management's Assertion about the Effectiveness of Internal Control*. Specifically, SSA had not consistently complied with the policies and procedures on periodic reassessments of the content of security access profiles. Additionally, security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Lastly, SSA's mainframe operating system contained configurations that increased the risk of unauthorized access to key financial data and programs.

Accountability includes using budgeted funds efficiently. Each year, SSA transfers a small percentage of its budget not spent during the FY (unobligated administrative funds) to an account that funds its Information Technology Systems (ITS), which is allowable under current law. SSA was unable to provide documentation of the return on investment of the amounts transferred to the ITS account. Instead of transferring the funds to the ITS account, the

Agency could have obligated additional funds to complete more CDRs and/or redeterminations, which have a record of generating tangible program savings. The Agency should have a process in place that ensures the amount available to transfer to ITS is the absolute minimum with a goal to process workloads that have a proven positive return on investment.

SSA must ensure its contractors are held accountable to provide the services for which they were contracted. SSA enters into a number of contracts and provides a number of grants each year that help SSA obtain services and research, such as the development and the implementation of demonstration projects, digital document services, and research on disability and retirement issues. In FY 2010, SSA obligated over $1.4 billion for contracts and grants.

While we found SSA received what it paid for based on the contracts we reviewed, we also found that SSA's oversight of contracts and grants could be improved. For example, in one contract, services provided and costs charged to SSA did not adhere to contract terms and applicable regulations. Noncompliance with internal controls over project funding, contract payments, and use of subcontractors allowed these instances to occur without timely detection. The control weaknesses resulted in an overpayment of fixed fees and travel costs, disbursements to unauthorized subcontractors, and use of employees who did not receive a suitability determination under the contract.

In a review of grantees funded to provide outreach and application assistance to homeless individuals and other under-served populations, we found some of the grantees did not meet project objectives. Also, there was a lack of adequate documentation to support some of the awarded grant funds. SSA did not find the unsupported costs because it did not conduct site visits to ensure grant expenditures were allowed and supported.

SSA Has Taken Steps to Address This Challenge

The Agency took steps to improve its transparency and accountability in FY 2010, in part, by implementing aspects of the Open Government Directive. It released a draft Open Government Plan on its Open Government Website in April 2010 and invited the public to comment on it.

SSA released a final version of its Open Government Plan in June 2010. The Plan commits the Agency to share information the public wants from SSA. To that end, SSA had released 22 different datasets on Data.gov as of the end of September 2010. These datasets are accessible by the public. SSA plans to release more high value datasets on Data.gov in FY 2011. It will also ensure that its FY 2011 APP reflects Open Government initiatives.

SSA developed three Flagship Initiatives in response to the Open Government Directive – the Spanish Language Retirement Estimator, Online Service Enhancement, and Online Life Expectancy Calculator. The Online Life Expectancy Calculator was implemented in FY 2010. The other two initiatives are planned for release in FY 2011.

SSA continued to meet the requirements of GPRA, which include the development of strategic plans, APPs, and annual performance reports. SSA has a strategic plan in place for FYs 2008-2013 and is developing the next version of the Plan, which will be released in FY 2011.

The Agency continued its tradition of publicly reporting on its performance in FY 2010. SSA has continually revised its performance measures and goals to provide the public an indication of its performance. Continued refinements in FY 2011 would further improve the Agency's transparency and public accountability.

In terms of internal controls, SSA created a working group comprised of Systems, Finance, and Operations personnel to analyze the root cause of the control failures that resulted in the significant deficiency. This working group is developing detailed remediation plans to address the risks caused by the control deficiencies. Senior level management personnel will review the plans for sufficiency, timing of implementation, and the effect on resources.

Other Reporting Requirements

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

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

Anti-Fraud Activities

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Achieving Our Mission* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the agency:

Disability Quality Assurance Reviews

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

Quality Assurance Reviews					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	96.9%	97.7%	98.3%	98.6%
No. of cases reviewed	35,433	33,329	32,292	34,378	32,451
No. of cases returned to the DDSs due to error or inadequate documentation	1,326	1,028	729	601	445

Title II Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.0%	96.3%	97.3%	97.9%	97.8%
No. of cases reviewed	305,233	307,884	338,440	356,956	378,712
No. of cases returned to the DDSs due to error or inadequate documentation	12,118	11,225	9,203	7,481	8,506

Title XVI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
% of State DDS decisions to allow not returned to the DDSs for correction	N/A	97.4%	98.1%	98.3%	98.4%
No. of cases reviewed	N/A	80,784	105,203	114,645	124,045
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	2,117	2,018	1,900	2,023

Continuing Disability Reviews

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Overall Accuracy	93.5%	95.6%	96.6%	97.7%	97.8%
Continuance Accuracy	93.8%	96.4%	97.6%	98.6%	98.4%
Cessation Accuracy	92.4%	93.5%	93.2%	94.8%	96.0%

OASI and SSI Quality Assurance Reviews

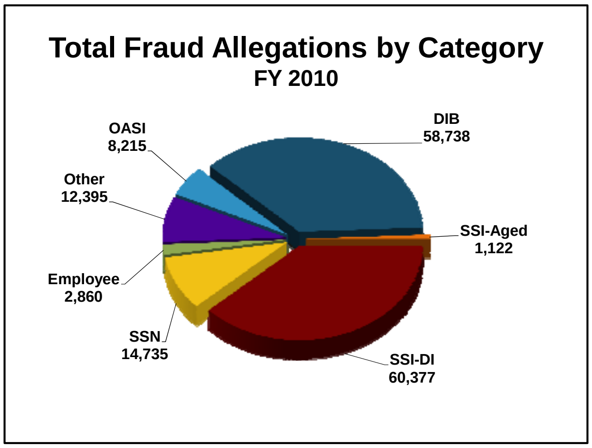
One of our four *Government Performance and Results Act* strategic goals is 'preserve the public's trust in our programs.' One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 71–74.

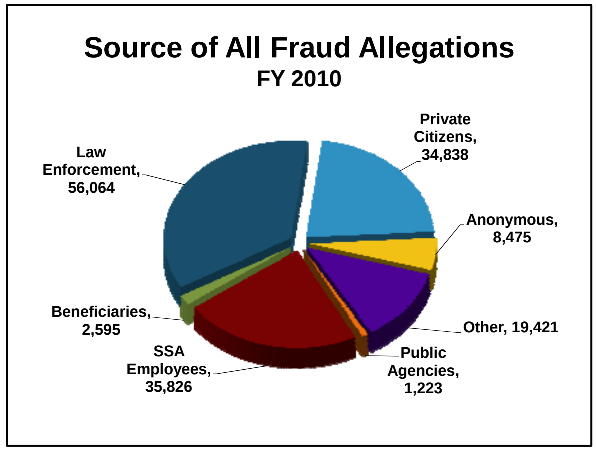
SSI Redeterminations

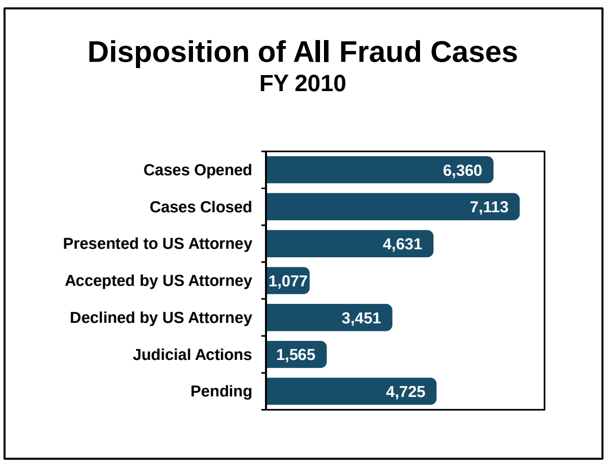
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in his or her circumstances may affect the amount or continuation of their benefits and thus must be reflected in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2010. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on pages 69–70.

The Office of the Inspector General's Anti-Fraud Activities

In FY 2010, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse. The following charts summarize the OIG's involvement in fraud activities throughout the fiscal year.







Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of $413 and $368 million in FY 2009 and FY 2010, respectively, accounted for less than 1 percent of our total financing sources. Over 75 percent of user fee revenues are derived from agreements with 23 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2010, we charged a fee of $10.45 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $10.56 for FY 2011. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our review of fees during FY 2010, we identified changes in costs, which could affect current fees and agency activities for which new fees need to be assessed. A review of these changes should result in a uniform fee structure for non-programmatic workloads. We are developing time studies to assist with determining the proper fee. We are planning to perform another review of these fees during FY 2012.

Debt Management

During FY 2010, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods, which in some cases make use of external entities. In FY 2010, we collected $3.14 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the *Improper Payments Information Act of 2002 Detailed Report* immediately following this section.

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

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations. Collection data shown in the *Performance Section* and the *Improper Payments Information Act of 2002 Detailed Report* include only legally defined overpayments concerning which beneficiaries have certain due process rights.

FY 2010 Quarterly Debt Management Activities (dollars in millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$14,377.7	$15,163.6	$14,790.2	$15,213.2
Total collections (cumulative)	-1,061.3	-1,719.6	-2,641.4	-3,550.9
Total write-offs (cumulative)	-231.9	-456.8	-707.6	-985.7
TOP collections (cumulative)	-3.3	-52.8	-80.6	-85.0
Aging schedule of delinquent debts:				
- 180 days or less	1,235.2	1,063.7	1,102.3	1,130.8
- 181 days to 10 years	2,850.7	2,855.4	2,822.5	2,837.8
- Over 10 years	145.6	156.6	171.4	188.5
- Total delinquent debt	$4,231.5	$4,075.7	$4,096.2	$4,157.1

Debt Management Activities					
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Total debt outstanding end of FY (millions)	$13,662.3	$14,253.4	$14,912.3	$14,999.6	$15,213.2
% of outstanding debt					
- Delinquent	23.9%	24.6%	25.1%	26.5%	27.3%
- Estimated to be uncollectible	24.4%	27.4%	27.1%	27.5%	27.7%
New debt as a % of benefit outlays	0.9%	0.8%	0.9%	0.8%	0.8%
% of debt collected	20.2%	20.1%	21.3%	23.4%	23.0%
Cost to collect $1	$0.08	$0.07	$0.07	$0.06	$0.07
% change in collections from prior FY	13.4%	3.5%	11.1%	10.4%	-0.3%
% change in delinquencies from prior FY	13.9%	7.6%	6.5%	6.3%	4.7%
Collections & write-offs as a % of Total Debt	21.2%	20.6%	21.1%	22.1%	21.7%
Collections as a % of clearances	71.1%	74.4%	75.9%	76.5%	78.0%
Total write-offs of debt (in millions)	$1,123.6	$986.1	$1,010.2	$1,076.7	$985.0
Average number of months to clear receivables:					
- OASI	18	18	18	18	16
- DI	29	39	40	42	45
- SSI	43	42	36	34	35

Improper Payments Information Act of 2002 Detailed Report

Background

We take our responsibility to reduce improper payments seriously; curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. Each year, we report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of the Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. In addition, we perform recovery audits of our administrative payments. In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that result from:

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

We also work to satisfy the requirements of *Executive Order 13520: Reducing Improper Payments and Eliminating Waste in Federal Programs*, issued November 20, 2009. Our improper payments website, www.socialsecurity.gov/improperpayments, features additional information about our efforts to identify and eliminate root causes of error.

Additionally, on July 22, 2010, President Obama signed the *Improper Payments Elimination and Recovery Act* (IPERA) into law. IPERA amends the *Improper Payments Information Act of 2002*, and reinforces many of the initiatives we are currently implementing to address improper payments. IPERA further increases our transparency, accountability, and reporting concerning improper payments from the existing requirements of the IPIA and Executive Order 13520. We strongly support this legislation and will begin reporting on the IPERA legislative requirements in the IPIA section of the *Fiscal Year (FY) 2011 Performance and Accountability Report*.

Accountability for Improper Payments

Executive Order 13520 focuses on reducing improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As our Accountable Official, Commissioner Michael J. Astrue is responsible for overseeing agency efforts to meet the targets established by the Executive Order.

Due to the strategic importance of this effort, we have taken steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments. Our Chief Financial Officer (CFO) now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the CFO provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones in coordination with other agency executives. We monitor our progress in monthly meetings and hold agency executives accountable for achieving plan milestones.

Statistical Sampling

Our Annual Performance Plan includes Old-Age, Survivors, and Disability Insurance (OASDI) and SSI payment accuracy performance measures. We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review a sample of OASI cases, DI cases, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We then input the findings into a national database for analysis and report preparation.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay either more or less than what we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year average for each type of deficiency to rank and identify trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as other reports to monitoring authorities. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to current OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for the current and previous reporting periods.

RISK-SUSCEPTIBLE PROGRAM

We identified the SSI program as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million (see Table 4). We report estimated improper payments in the SSI program in terms of overpayments and underpayments. For FY 2009, improper payments resulting in overpayments were $4.04 billion, or 8.4 percent of outlays, and improper payments resulting in underpayments totaled $787 million, or 1.6 percent of total outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11, including the OASI and DI programs.

OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer. For the seventh consecutive year, we performed a review of our administrative payments, including payroll disbursements, vendor payments, etc. These payments prove not to be susceptible to significant improper payments, and further information on this risk assessment of our administrative payments is available on page 204.

CATEGORIES OF IMPROPER PAYMENTS

Beginning in 2009, OMB required us to categorize improper payments into one of three categories as defined below:

- **Administrative and Documentation Errors** are errors due to the lack of all supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** are errors due to being unable to authenticate criteria such as living arrangements or qualifying child through third-party sources, or incorrectly assessing the necessity of a medical procedure.
- **Verification and Local Administration Errors** are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting, classifying, or processing applications or payments incorrectly by a State agency or third party who is not the beneficiary.

IMPROPER PAYMENTS IN THE OASI AND DI PROGRAMS

Table 1 features the improper payment rates for the OASI and DI programs for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 1: OASDI Improper Payments Experience
FY 2007 – FY 2009
(dollars in millions)

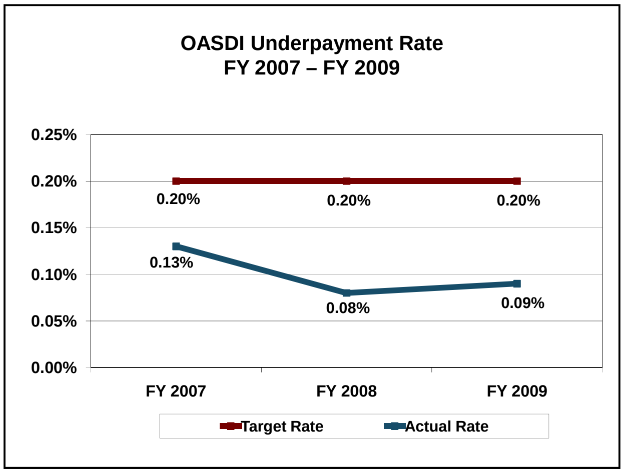
	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	$576,800	$607,210	$659,565
Underpayments			
Dollars	$754	$495	$619
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.13%	0.08%	0.09%
Overpayments			
Dollars	$1,209	$2,041	$2,547
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.21%	0.34%	0.37%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments; and for FY 2009, ±0.05% for underpayments and +0.15% and -0.17% for overpayments.
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments; and for FY 2009, +0.16% and -0.17% for underpayments and ±1.33% for overpayments.

Over the last five years (FYs 2005-2009), we paid over $2.4 trillion to OASI beneficiaries. Of that total, we project $3.2 billion was overpaid, representing 0.13 percent of outlays. We project that underpayments during this same period were $2.1 billion, the equivalent of 0.09 percent of outlays.

Applying the same analysis to the DI program, we project over the last five years, (FYs 2005-2009), we paid $490.6 billion to DI beneficiaries. Of that total, we project $6.7 billion was overpaid, representing 1.4 percent of outlays. We project underpayments during this same period totaled $1.4 billion, the equivalent of 0.3 percent of outlays.



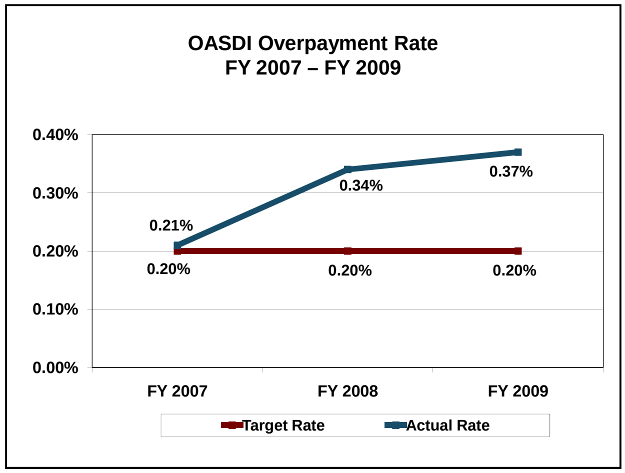


Table 2 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the OASDI programs. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments.

Table 2: OASDI Improper Payments Reduction Outlook FY 2010 – FY 2012 (dollars in millions)

	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Payments	$696,180		$723,491		$755,191	
Underpayments	$1,392	0.2%	$1,447	0.2%	$1,510	0.2%
Overpayments	$1,392	0.2%	$1,447	0.2%	$1,510	0.2%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, we present a combined OASI and DI target.
2. FY 2010 data will not be available until April 2011; therefore, the rates shown are targets (goals).
3. Payment dollars for FYs 2010-2012 are based on projections underlying the Mid-Session Review of the President's FY 2011 Budget.

Major Causes of OASDI Improper Payments

The major causes of overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Wages/Self Employment Income (SEI)

The major causes of underpayments in the OASDI program have been:

- Computations
- Wages/SEI
- Workers' Compensation (WC)

Table 3 lists these major causes of improper payments (overpayments and underpayments) in the OASDI program using OMB's three categories of errors.

Table 3: Major Causes of OASDI Improper Payments in FY 2009

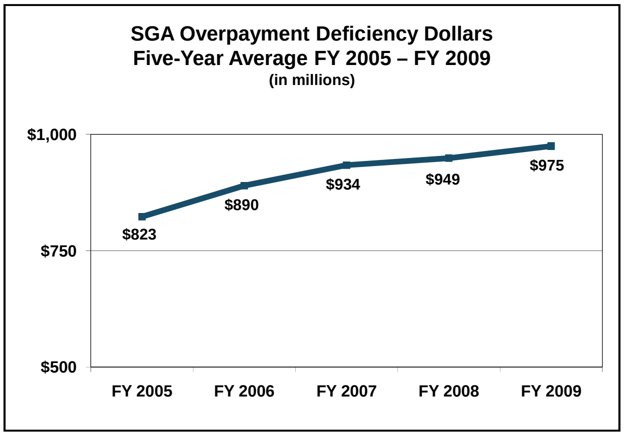
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	32%	Incorrect computations, onset dates, and earnings history
Authentication and Medical Necessity Errors	7%	Relationship/dependency errors and failure to report cessation of full-time attendance for students
Verification and Local Administration Errors	61%	Non-verification of earnings, income, or work status (e.g., in relation to SGA and GPO); inputting, classifying, or processing applications or payments incorrectly

Substantial Gainful Activity

Description:

When a disability beneficiary works, a number of factors determine whether he or she can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely or when we do not withhold monthly benefit payments timely.

Historical Figures:



Corrective Actions:

In FY 2010, we accomplished the following using a multi-prong approach:

- Dedicated staff to target the oldest cases first; initially, we targeted cases over 365 days old, and we will gradually reduce the age threshold;
- Prioritized the systems enforcement alerts we use to identify unreported earnings for DI beneficiaries by the amount of earnings; we then work the cases with highest earnings first to minimize overpayments;
- Improved communication between our field offices (FO) and processing centers (PC) for cases that must be transferred between components (e.g., FO cases that must be manually processed by the PC); and
- Allocated additional staff resources to these workloads.

In addition, we are exploring the following to ensure accurate reporting of beneficiaries' earnings:

- Extending the existing SSI telephone wage reporting process to DI beneficiaries. This initiative will enable beneficiaries to report their earnings by telephone – either by touch-tone or voice recognition. Based on the positive results of electronic reporting in the SSI program, we hope to have similar success in reducing DI overpayments due to late reporting of earnings.
- Establishing a website for DI beneficiaries to report their wages easily and promptly.

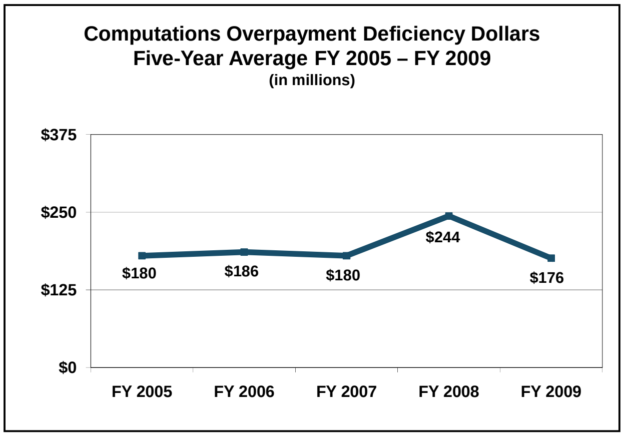
Computations

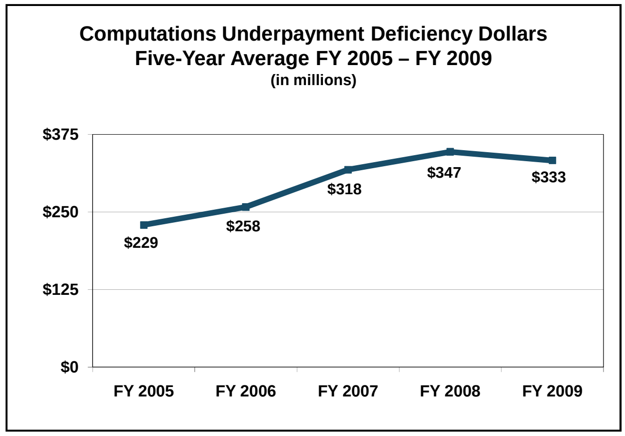
Description:

We base a person's benefit amount on a number of factors including age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits. There is a wide variety of causes for computation errors. For the FY 2005 through FY 2009 period, approximately 65 percent of the computation errors were underpayments, with the leading causes being Windfall Elimination Provision (WEP), re-computations, primary insurance amount, and delayed retirement credits. (Note: A definition of WEP can be found at: www.socialsecurity.gov/pubs/10045.html.) In terms of overpayment dollars for FY 2005 through

FY 2009, errors involving WEP were the leading cause of computational deficiency dollars. This type of error can result when we do not apply WEP appropriately to the beneficiary's record. Overpayments often result when pension information is not provided timely. Nearly 62 percent of the overpayment computational deficiency dollars for the FY 2005 through FY 2009 period involved WEP.

Historical Figures:





Corrective Actions:

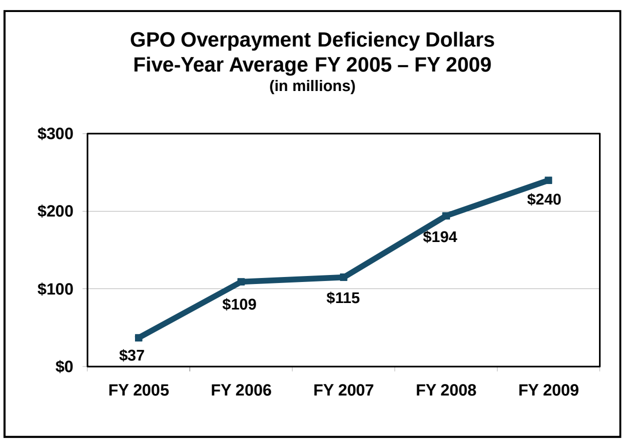
We conduct an ongoing match with the Office of Personnel Management (OPM) to identify Federal retirees receiving a Civil Service Retirement System (CSRS) pension.

Government Pension Offset

Description:

We may offset OASDI benefits for a spouse or surviving spouse if he or she receives a Federal, State, or local government pension based on work on which the spouse did not pay Social Security taxes. Errors occur when receipt of these types of pensions is not reported.

Historical Figures:



Corrective Actions:

We have taken the following steps to reduce improper payments caused by the non-reporting of government pensions:

- Conduct an ongoing match with the OPM to identify Federal retirees receiving a CSRS pension; and
- Included a legislative proposal in the President's FY 2011 budget to mandate State and local governments to report pensions based on non-covered earnings directly to SSA.

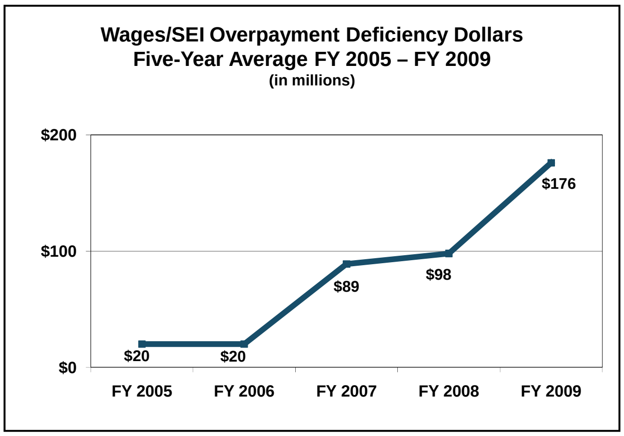
Wages/Self Employment Income

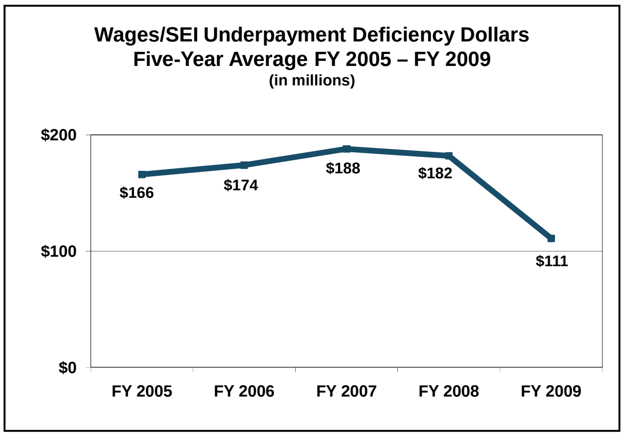
Description:

The earnings reported on a person's work history help determine the amount of monthly benefits that the worker or someone filing on that account will receive. When the earnings record does not accurately reflect the worker's earnings, there may be errors if the mistake goes undetected when the worker applies for benefits. For FY 2005 through FY 2009, errors based on wages/SEI were split almost evenly between underpayments and overpayments.

Wage discrepancies and scrambled earnings (earnings belonging to one worker post to another workers record) account for the largest percentage of earnings errors. Although earnings-related errors involve small dollars in each month of payment, they can have a substantial impact over the life of the claim.

Historical Figures:





Corrective Actions:

We have taken the following measures in an effort to reduce Wages/SEI-related errors:

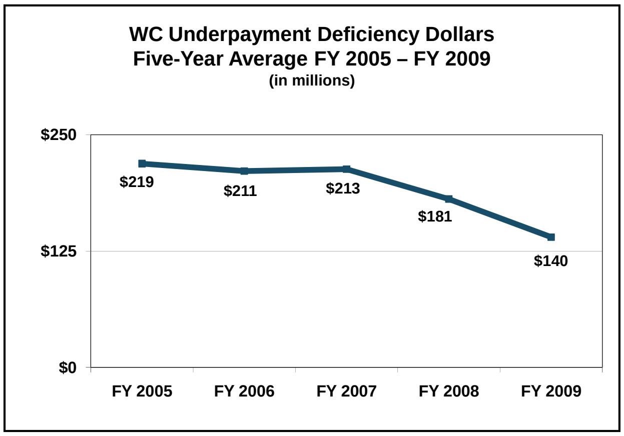
- In FY 2009, we modified our instructions to emphasize evidence needed for correcting earnings and eliminated development that has no effect on the accuracy of the earnings record.
- In FY 2010, we modified the Earnings Alert System to allow adjudicators to identify and develop those irregularities on the earnings record, which, when resolved, will most likely affect the workers benefit payment.

Workers' Compensation (WC)

Description:

If a person receives both WC and Social Security disability benefits, the total amount of these benefits cannot exceed 80 percent of his or her average current earnings before becoming disabled. If it exceeds that amount, we reduce Social Security disability benefits until reaching the 80 percent threshold. Underpayments occur when the receipt of WC decreases or ceases, and we do not raise the disability benefit.

Historical Figures:



Corrective Actions:

We took various actions to reduce improper payments caused by unreported changes in WC, including:

- Established the WC Policy Forum, which is an inter-component workgroup that addresses new WC policy issues to advance improvements needed in the WC workload.
- Updated all procedural instructions with a clear reorganized format, expanded information and guidance for developing WC evidence, incorporated regional instructions where appropriate, and added technical guidance on new software to improve the overall accuracy of the WC workload.
- Developing a computer matching agreement with the Department of Labor to obtain Federal Employee Compensation benefit data. This agreement will provide SSA with Federal WC information necessary to verify the accuracy of OASDI and SSI disability benefits.

IMPROPER PAYMENTS IN THE SSI PROGRAM

Table 4 features the improper payment rates for the SSI program for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid and the underpayment rate by dividing underpayment dollars by dollars paid.

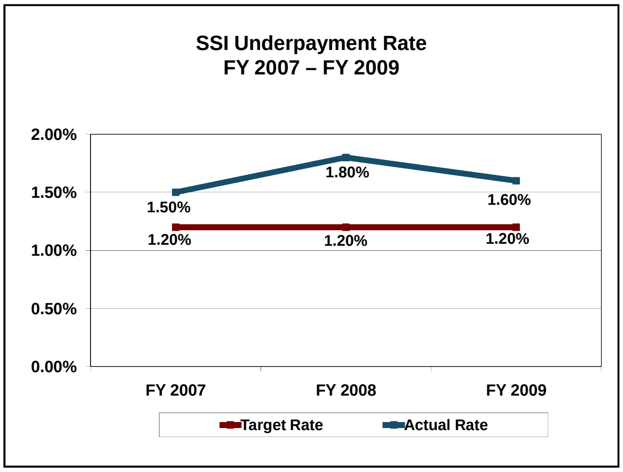
Table 4: SSI Improper Payments Experience FY 2007 – FY 2009
(dollars in millions)

	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	$42,600	$45,045	$48,294
Underpayments			
Dollars	$652	$789	$787
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.50%	1.80%	1.60%
Overpayments			
Dollars	$3,900	$4,648	$4,040
Target Rate	≤4.30%	≤4.00%	≤4.00%
Actual Rate	9.10%	10.30%	8.40%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented in Table 4 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
3. The SSI amount for FY 2007 is adjusted because there were 11 payment months in FY 2007. However, the quality review is not affected by payment months, but rather by entitlement months.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments; and for FY 2009, ±0.03% for underpayments and ±1.5% for overpayments.

Over the last five years (FYs 2005-2009), we paid over $215.3 billion to SSI recipients. Of that total, we project $18.3 billion was overpaid, representing 8.5 percent of outlays. We project that underpayments during this same period were $3.7 billion, the equivalent of 1.7 percent of outlays.



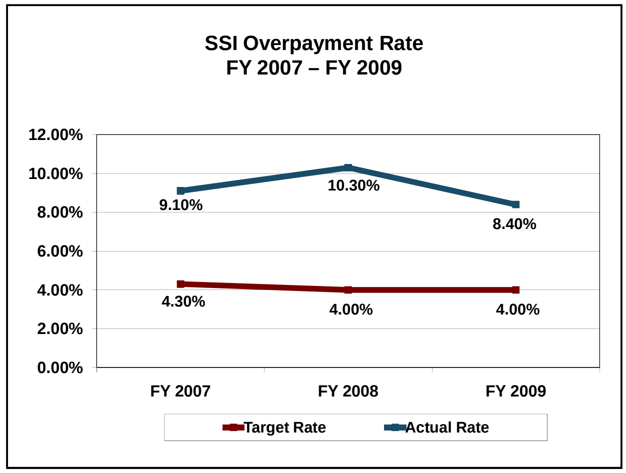


Table 5 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the SSI program.

Table 5: SSI Improper Payments Reduction Outlook
FY 2010 – FY 2012
(dollars in millions)

	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$51,166		$52,367		$55,969	
Underpayments	$614	1.2%	$628	1.2%	$672	1.2%
Overpayments	$4,298	8.4%	$4,189	8.0%	$4,198	7.5%

Notes:

1. Our Annual Performance Plan and Congressional Justification, issued in February 2010, reflect an FY 2010 SSI overpayment target rate of 9.0 percent. Because of the lag in producing actual performance data, we did not receive FY 2009 SSI overpayment accuracy data until June 2010. The increase in our FY 2009 accuracy rate prompted us to revise the FY 2010 SSI overpayment target to 8.4 percent.
2. The FY 2010 and 2011 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2011 Budget. The FY 2012 payment dollars are based on data from the assumptions in the FY 2011 Mid-Session Review. The SSI projection for FY 2011 is adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011. Similarly, the SSI projection for FY 2012 is adjusted (from what was estimated in the 2011 Mid-Session review process) because there are 11 payment days in FY 2012. However, the quality review is not affected by payment days, but rather by entitlement months.

Major Causes of SSI Improper Payments

The major causes of overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of underpayments in the SSI program have been:

- Wages
- Living Arrangement
- In-kind Support and Maintenance (ISM)

Table 6 lists these major causes of improper payments (overpayments and underpayments) in the SSI program using OMB's three categories of errors.

Table 6: Major Causes of SSI Improper Payments in FY 2009

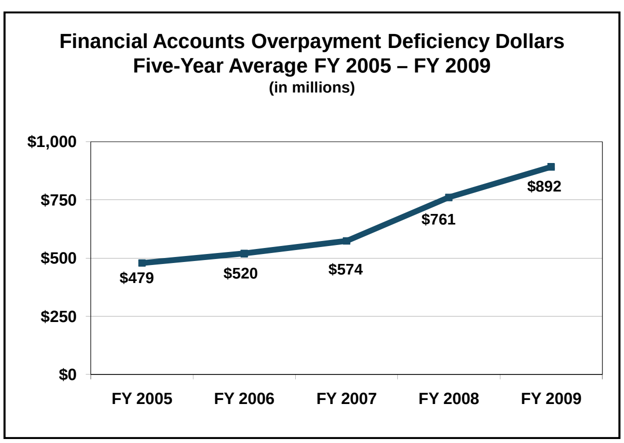
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	12%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change
Authentication and Medical Necessity Errors	29%	Existence or changes to living arrangements and ISM
Verification and Local Administration Errors	59%	Detection of unreported financial accounts and wages

Financial Accounts

Description:

The applicant or recipient (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits ($2,000 individual/$3,000 couple) that may result in periods of SSI program ineligibility.

Historical Figures:



Corrective Actions:

To reduce errors, we examined alternatives to the traditional SSI asset verification practices of beneficiary self-reporting and direct contacts with financial institutions. After considering the available options, the Access to Financial Institutions (AFI) program is one alternative that shows great promise:

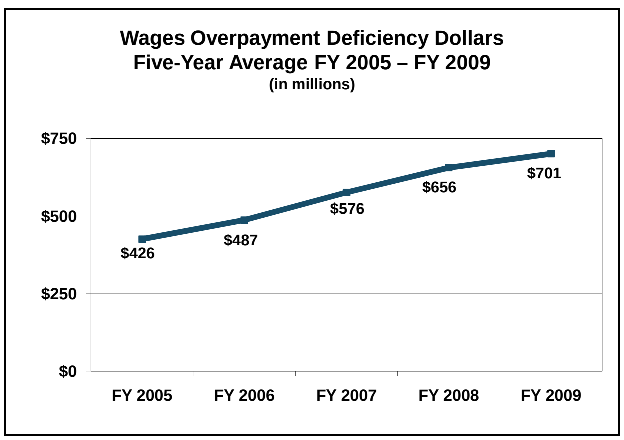
- The AFI program has proven to be very useful in the identification of previously undisclosed bank accounts, achieving an estimated $10 in savings for every $1 spent on the program. By automatically checking an applicant's known bank accounts, and by selectively checking for unknown accounts with financial institutions in a given area, we reduced overpayments in areas where the program is currently active.
- With recently appropriated funds, we are implementing AFI nationwide. In FY 2010, we expanded the AFI program beyond New York, New Jersey, and California to 14 additional States: Alabama, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Montana, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington. These States' SSI beneficiaries comprise about two-thirds of all SSI beneficiaries.
- We expect lifetime program savings of over $100 million in FY 2011 and up to $1 billion in lifetime program savings each year when AFI is fully implemented.

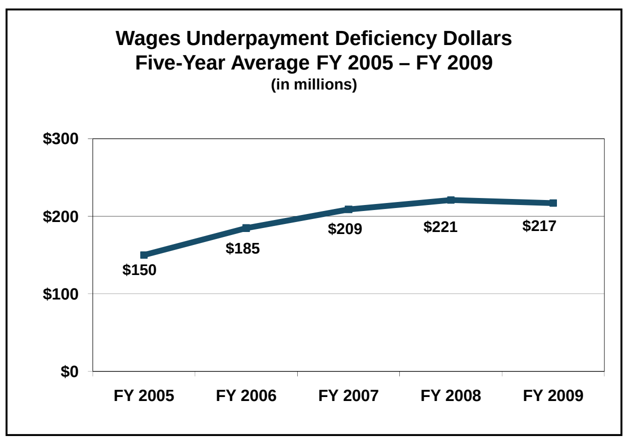
Wages

Description:

The recipient (or his or her parent or spouse) has actual wages that are different from the wage amount used to calculate payment.

Historical Figures:





Corrective Actions:

Our efforts to reduce wage-related errors include:

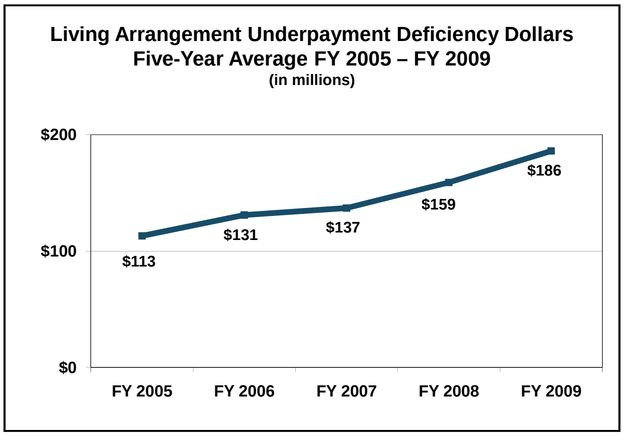
- In FY 2008, we implemented the SSI Automated Telephone Wage Reporting (SSITWR) system. The SSITWR system allows recipients (or their parent, spouse, or representative payee) to report their monthly wage amounts via a completely automated system that ensures the wage amount posts timely. SSITWR processes the report and updates the SSI payment amount prior to issuance of the SSI check.
- In FY 2009, we instituted a new policy that requires our employees to recruit SSI recipients (or their parent or spouse) or the representative payee to report monthly wage amounts using SSITWR. We continue to recruit additional reporters each month and, SSITWR successfully processed over 196,000 wage reports in FY 2010.

Living Arrangement

Description:

We paid the recipient as if he or she were living with someone else when the recipient actually qualified for a higher payment level, such as for those who live alone.

Historical Figures:



Corrective Actions:

The following process enables us to reduce errors stemming from Living Arrangement information:

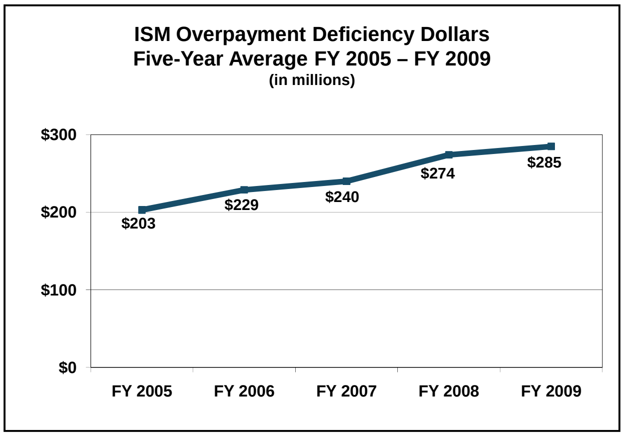
- The Office of Quality Performance (OQP) uses an automated system to identify cases where recipients have reduced benefits based on living with others. OQP then sends those highlighted cases to the Office of Operations, which forwards the information to the respective FOs to schedule redeterminations.
- OQP is in the process of expanding the living arrangement variables in the SSI Redetermination Scoring Model. The addition of these living arrangement variables to the model will reduce errors stemming from living arrangement information, and we expect to save at least $200 million each year in the improved targeting of SSI redeterminations.

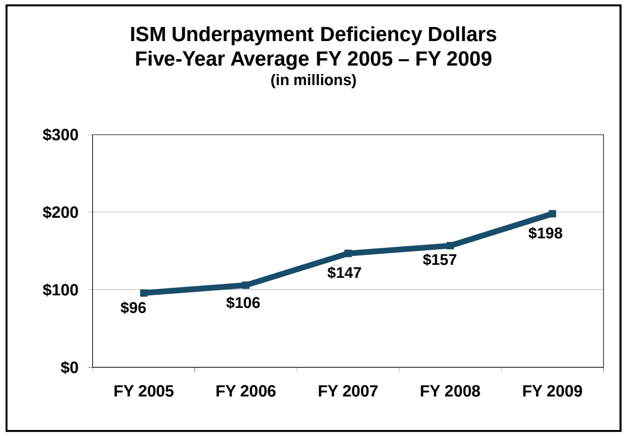
In-kind Support Maintenance (ISM)

Description:

ISM is unearned income in the form of food or shelter received, with underpayments occurring when the recipient's amount of ISM is less than the amount used to calculate payment. Overpayments can also occur when the recipient is receiving ISM that is not reported. Studies show that many of the errors attributed to ISM are due to the complexity of the statutory policies for the program. These policies are difficult for SSI recipients to understand, which makes it problematic for them to report changes to us in a timely manner. This complexity also means that seemingly small changes in a recipient's household can result in an overpayment or an underpayment.

Historical Figures:





Corrective Actions:

Our efforts to reduce ISM-related errors include legislative proposals focused on ISM policy simplification. However, these provisions would typically increase SSI program costs substantially, or likely reduce benefits to SSI recipients for proposals that are cost neutral.

MEDICAL ASPECTS OF THE DI AND SSI PROGRAMS

State agencies are responsible for completing the medical determinations necessary at the initial claim, reconsideration, and continuing disability review stages of the disability process. Table 7 highlights the initial allowance, denial, and overall accuracy rates for FYs 2008 and 2009. We determine these rates by our quality assurance review of a sample of pre-effectuated initial claims. The accuracy rates are based on, not only the number of deficient cases, but also on whether the cited deficiency resulted in a change in the original DDS determination made on the case. For FY 2009, the combined allowance and denial goal for net accuracy was 97 percent.

Table 7: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2008	FY 2009
Allowance	98.9%	99.1%
Denial	95.4%	95.5%
Combined	96.6%	96.8%
Note: The changes from FY 2008 to FY 2009 are not statistically significant.		

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). We use a logistic regression methodology to profile initial and reconsideration allowances, and cases falling within the established cut-off score constitute the PER sample. We review all sampled determinations, and return deficient cases to the adjudicating DDS for correction. For FY 2008, Title II PER was estimated to save $504 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 10:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. We are required to review 50 percent of adult allowances in the SSI program. For FY 2008, SSI PER was estimated to save $89 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 9:1.

Use of Predictive Modeling in the SSI Redetermination Process

Since we do not have the resources to conduct an annual redetermination on every SSI recipient every year, we target annual SSI redeterminations by use of a statistical scoring model. This statistical model, which has been in place for nearly two decades, uses various income, resource, and living arrangement variables obtained from our SSI payments and claims processing systems to predict likely SSI overpayments and underpayments. Each year we identify claims for review based on the likelihood of error and prioritize the reviews based on allocated funds. The SSI redetermination scoring model is a highly effective tool for ensuring that the selection of SSI redeterminations is efficient and cost effective. In FY 2009 alone, completed SSI redeterminations resulted in prevention and recovery of about $2.8 billion in SSI overpayments. SSA would have prevented and recovered only $1.8 billion if random selection were used instead of the model.

Improper Payments for Administrative Expenses

We conducted an evaluation of our FY 2009 administrative expenses and determined that they were not susceptible to significant improper payments as defined by IPIA. In FY 2009, we obligated $11.9 billion to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits and included payments to State agencies for the DDSs and other administrative expenses, such as travel and rents. In FY 2009, we also had administrative expenses from the enactment of the *American Recovery and Reinvestment Act* (ARRA). These obligations include $173 million in administrative expenses attributable to the Economic Recovery Payment (ERP) distributions, the construction and set-up of the National Support Center (NSC), as well as costs related to processing retirement and DI workloads.

Risk Assessment

We segmented administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 8: FY 2009 Administrative Expenses
(dollars in millions)

Payroll and Benefits*	$5,740
State DDS	$2,305
ARRA**	$13,252
Other Administrative Expenses***	$3,826
Total Administrative Payments	$25,123

Notes:

*Excludes $150 million of ARRA Payroll Expenses

**Includes $173 million of expenses related to distributing ERP payments, construction and setup of the NSC, and the retirement and DI workload backlog.

***Other Administrative Expenses includes Travel, Transportation, Rents, Communications and Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land and Structure, Grants, Subsidies and Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest and Dividends, and Insurance Claims and Indemnities.

We conducted a risk assessment on each of the categories in the table above and determined that our administrative payments are not at significant risk of improper payments. As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive controls inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Combining this risk assessment with our strong internal controls, along with a number of financial audits that indicated no weaknesses in our process, we demonstrate that our administrative payments do not meet the criteria for further reporting to Congress or OMB.

Recovery Audit Program

OMB guidance states that agencies must have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that our administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative contractual payments. This program addresses recovery issues related to recovering and limiting improper payments resulting from duplicate payments and overpayments (e.g., payment for goods/services not received, Federal exemption from certain sales and excise taxes, late payment charges, etc.).

Our in-house recovery audit program employs a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount. This helps identify payments that represent a higher risk of being duplicate payments.
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system.
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

Results from the audit program and quality review process continue to confirm that administrative payments are well below the threshold established for reporting improper payments. These results further validate our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

For FY 2009, the recovery audit program included a review of $1,528 million of administrative contractor payments. We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor’s final voucher, all prior interim payments made under the contract were accounted for and reconciled.

We identified total improper payments of $1,531,110, which equates to approximately 0.10 percent of total payments subject to review for current year reporting. Of the improper payments identified, only $7,178 remains uncollected for the current year. These results further validate our existing controls for prevention, detection, and collection of administrative improper payments.

Table 9: FY 2009 Recovery Auditing Results
(dollars in millions)

Agency Component	Amount Subject to Review for Current Year (CY) Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery Prior Years (PY)	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	$1,528	$1,367	$1.531	$1.524	$5.835	$5.835	$7.366	$7.359

Agency Information Systems to Reduce Improper Payments

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to assure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This system enables us to fulfill our obligation to comply with Federal laws such as the *Federal Managers Financial Integrity Act*, which mandates an internal system of controls. In addition to this, CIRP also follows the guidelines contained in our Integrity Review Handbook (IRH). The CIRP system automatically selects potentially fraudulent cases based on pre-defined criteria. Managers then review and certify case selections based on guidance contained in the IRH and their knowledge of programmatic systems. After this, managers certify that the actions taken by the employee were for legitimate business purposes and not for personal or potentially fraudulent gains.

Statutory and Regulatory Barriers to Reducing Improper Payments

We continuously develop legislative proposals to improve administration and integrity of the OASI, DI, and SSI programs. The President's FY 2011 budget includes a proposal that would improve the administration of the GPO and the WEP by requiring pension payers to identify if the pension paid to the person stems, in any part, from work not covered by Social Security. With this information, we could then compare the reports with beneficiary payment records and examine cases that indicate the possibility that GPO or WEP applies. We would be able to obtain data on pensions based on non-covered work in a more timely and consistent manner, and the proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

Agency Efforts to Collect Overpayments in the OASI, DI, and SSI Programs

We collected $3.14 billion in OASDI and SSI benefit overpayments in FY 2010. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

From their inception through September 2010, these initiatives have yielded over $3.404 billion in benefits recovered through a combination of overpayment recovery and prevention improvements. Table 10 provides a description of each of our key debt management initiatives, and a summary of the results since their inception.

We developed a system to handle the Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment. Because the system covers more than TOP, and will be the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

Continued improvement in the agency's debt collection program is also underway. In July 2010, we expanded our use of TOP by implementing Phase I of the ECO Enhancements Project. Phase I enables us to collect delinquent SSI debts from a population of debtors previously excluded from the automated ECO selection process. As systems resources permit, we will continue to enhance ECO by implementing Phases II and III of the ECO Enhancement Project. Phase II will allow us to collect delinquent debts by offsetting Federal payments through TOP beyond the current 10-year statute of limitation, as authorized by Public Law 110-246 and 31 USC 3716. Phase III will allow us to collect delinquent debts by offsetting applicable State payments through TOP.

We will also continue to seek the resources to expand the Non-Entitled Debtor program and implement the remaining debt collection tools authorized by the DCIA. They include interest charging or indexing a debt to reflect its current value, administrative fees, and the use of private collection agencies. Table 10 on the next page lists some examples of our collection techniques.

Table 10: Cumulative Programmatic Debt Recovery Methods Through FY 2010 (dollars in billions)					
Recovery Method	**Inception**	**Description**	**OASDI**	**SSI**	**TOTAL**
TOP	1992	TOP is a debt collection program sponsored by the Department of Treasury that allows us to collect delinquent debt by Tax Refund Offset, Administrative Offset, and Federal Salary Offset. We collected $157.7 million in FY 2010 through these initiatives.	$1.089	$0.726	$1.815
Credit Bureau Reporting	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to Credit Bureaus. Credit Bureau reporting contributed to the recovery of $59.3 million in FY 2010.	$0.332	$0.255	$0.587*
Cross Program Recovery (CPR)	2002	CPR recovers OASDI overpayments from SSI underpayments, and SSI overpayments from monthly OASDI benefit payments.	$0.083	$0.567	$0.650
Non-Entitled Debtors (NED)	2005	NED is an automated system that we use to control recovery activity for debts owed by debtors who are not entitled to benefits, such as representative payees who receive overpayments after the death of a beneficiary. We used the NED system to recover $3.5 million in FY 2010.	$0.019	N/A	$0.019**
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15% of the debtor's private sector disposable pay. We collected $19.1 million through this process during FY 2010.	$0.060	$0.014	$0.074
Automatic Netting – SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $134.9 million in FY 2010.	N/A	$0.865	$0.865
Total			**$1.232**	**$2.172**	**$3.404**

Notes:

*Credit Bureau Reporting is a subset of TOP collections, and thus is not included in the overall total at the bottom of the chart.

**Non-Entitled Debtors is a subset of TOP and AWG collections, and thus is not included in the overall total at the bottom of the chart.

ECONOMIC RECOVERY PAYMENTS

ARRA provided for a one-time ERP of $250 to most adult OASDI, SSI, Railroad Retirement Board (RRB), and Veteran's Affairs (VA) Disability beneficiaries. If an individual was eligible for OASDI and/or SSI benefits in November 2008, December 2008, or January 2009, subject to certain other eligibility criteria set forth in the ARRA, he or she is entitled to receive the one-time payment. If individuals receive benefits from more than one of the eligible programs, they receive a single $250 payment. The ARRA authorizes us to make payments through December 31, 2010. As of September 30, 2010, we have made over 53 million ERPs totaling over $13.2 billion.

We developed a risk management plan to determine the accuracy of the payments and, for the following reasons, the payments were determined to be low risk and not susceptible to improper payments:

- We used our existing Title II and Title XVI programmatic databases and master files to select and certify ERPs.
- We employed a sophisticated matching operation internally with the VA and RRB to select eligible recipients for payment (according to criteria in the ARRA), and guard against duplicate payments.
- ERPs were certified at a fixed rate of $250 for each eligible recipient and did not involve benefit computations. From a payment accuracy perspective, this is highly significant because, historically, computation-related factors are a major cause of payment errors.

To further support our determination that these ERPs were low risk payments and not susceptible to improper payments, we received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations (i.e., cases where the recipient cashed both the original and replacement ERP check) out of over 53 million payments to date.

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APPENDIX

Glossary of Acronyms

A

ACSI	American Customer Satisfaction Index
Act	Social Security Act
ADP	Automated Data Processing
ADRE	Accelerated Disaster Recovery Environment
AFI	Access to Financial Institutions
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ARRA	American Recovery and Reinvestment Act of 2009
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

C

CARE2020	Citizens Access Routing Enterprise through 2020
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CIRP	Comprehensive Integrity Review Process
CMS	Centers for Medicare and Medicaid Services
COBOL	Common Business Oriented Language
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross Program Recovery
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCIA	Debt Collection Improvement Act
DCPS	Disability Case Processing System
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DOL	Department of Labor
DOT	Dictionary of Occupational Titles
DTAP	Disability Transition Assistance Program

E

eCAT	Electronic Claims Analysis Tool
ECO	External Collection Operation
EIC	Executive Internal Control
EMS	Environmental Management System
EN	Employment Network
ERE	Electronic Records Express
ERP	Economic Recovery Payment
ESF	Earnings Suspense File
EST	Extended Service Team
Exchange	Nationwide Health Information Exchange
E/VG/G	Excellent, Very Good, or Good

F

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMLoB	Financial Management Line of Business
FMS	Financial Management Systems
FO	Field Office
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GF	General Fund
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GSA	General Services Administration

H

health IT	Health Information Technology
HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

I

IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act of 2002
IRH	Integrity Review Handbook
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITS	Information Technology System

L

LAE	Limitation on Administrative Expenses

M

MADAM	Master Data Access Method
MD&A	Management's Discussion and Analysis
MSIR	Manual Suspense Items Reinstate

N

NCC	National Computer Center
NED	Non-Entitled Debtors
NPV	Net Present Value
NSC	National Support Center

O

OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OQP	Office of Quality Performance
O/P	Overpayment

P

PAR	Performance and Accountability Report
PC	Processing Center
PDB	Public Disability Benefits
PER	Pre-Effectuation Review
PG	Priority Goal
PII	Personally Identifiable Information
POMS	Program Operations Manual System
PP&E	Property, Plant, and Equipment
PPM	Program Performance Measure
PPWY	Production Per Workyear
PTF	Payments to the Social Security Trust Funds
Pub. L. No.	Public Law Number
PY	Prior Year
P & F	Program and Financing

Q

QDD	Quick Disability Determination

R

RCA	Reports Consolidation Act of 2000
Recovery Act	American Recovery and Reinvestment Act
ROME	Registration of Most Everyone
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSI	Retirement and Survivors Insurance
RSI	Required Supplementary Information

S

SAS	Statement of Auditing Standard
SBR	Statement of Budgetary Resources
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SF-133	Budget Execution Reports
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSC	Second Support Center
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSN	Social Security number
SSNAP	Social Security Number Application Process
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSPP	Standardized Security Profile Project
SSTV	Social Security TV

T

TBD	To Be Determined
Tickets	Tickets to Work
Title II	Social Security
Title VIII	Special Benefits for Certain World War II Veterans
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
Treasury	Department of the Treasury
TSRP	Telephone System Replacement Project
TY	Tax Year

U

USC	United States Code
U/P	Underpayment

V

VA	Veterans Affairs
VoIP	Voice over Internet Protocol

W

W-2s	Wage and Tax Statements
WC	Workers' Compensation
WEP	Windfall Elimination Provision

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