Social Security Administration

Performance and Accountability Report

Fiscal Year 2003

Service

Stewardship

Solvency

Staff

A Message from the Commissioner

I am pleased to present the Social Security Administration's (SSA) Performance and Accountability Report (PAR) for Fiscal Year (FY) 2003. The report shows how SSA performed in administering our programs during the past year and demonstrates our commitment to providing the kind of service the American people deserve.

SSA made great strides during FY 2003 in meeting the challenges we face: Giving the American people the service they deserve; improving program integrity through sound financial stewardship; ensuring the program's financial solvency for future generations; and maintaining the quality staff SSA needs to provide service and stewardship. Financial management was the cornerstone of our efforts and among our most noteworthy accomplishments during FY 2003 in this area are:

- Upgrading to "green" status for the President's Management Agenda (PMA) Improved Financial Performance category. SSA was also rated "green" in all five PMA "progress" categories;
- Removing the Supplemental Security Income (SSI) program from the General Accounting Office's (GAO) "High Risk" list;
- Receiving the Certificate of Excellence in Accountability Reporting for the fifth consecutive year. SSA is the only Federal agency to receive this prestigious award each year it has been awarded; and
- Obtaining an unqualified audit opinion on our consolidated financial statements for the tenth consecutive year.

We are committed to providing data that is complete and reliable to those who use it for decision-making. We believe the performance and financial data presented in this report are complete and reliable as outlined by the guidance available from the Office of Management and Budget (OMB). We have identified no material inadequacies and this report describes our continuing efforts to provide timely and useful performance information to SSA managers, OMB and Congress.

In addition, SSA has evaluated its management controls and financial management systems as required by the Federal Managers' Financial Integrity Act of 1982. On the basis of our comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA is in compliance with the provisions of this Act.

In accordance with the requirements of the Improper Payments Act of 2002, this year's PAR includes a new section reporting on our performance in this area. The report details the amount of improper payment made by the Agency, the causes behind those mispayments, and the actions underway to reduce them. On this subject, we were very gratified earlier this year when, in recognition of our efforts to improve the management of the SSI program, GAO removed the SSI program from its "High Risk list." In some respects, the most important step in that plan was the identification of the accountable party for every initiative included. That accountability starts with me.

I also have an excellent team pursuing this issue, under the leadership of the SSA Deputy Commissioner who meets regularly with the accountable executives. I am unwavering in my commitment to the President's initiative in this area and to the congressional support reflected in the new law. That commitment goes beyond the SSI program to all of the programs that we administer. Our responsibility as stewards of the public trust demands no less. Evidence of that commitment is reflected in my designation of "Stewardship" as one of the Agency's top four strategic goals.

For nearly 70 years, SSA has remained steadfast in our mission to advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs. As we look to the future, today's results are the foundation for tomorrow's achievements.

I am proud to head an Agency with so many talented and innovative employees. It is through their dedicated efforts on a daily basis that SSA is able to provide quality service to the American people.

Jo Anne B. Barnhart
November 10, 2003


Performance and
Accountability Report
Fiscal Year 2002
SOCIAL SECURITY
USA
ADMINISTRATION
AGA.
CERTIFICATE OF
EXCELLENCE IN
ACCOUNTABILITY
REPORTING®
Presented to the
Social Security
Administration
In recognition of your outstanding efforts
in preparing SSA's Performance and
Accountability Report for the fiscal
year ended September 30, 2002.
A Certificate of Excellence in Accountability Reporting is presented
by the Association of Government Accountants to federal government
agencies whose annual Performance and Accountability Reports
achieve the highest standards in presenting
their programs and financial affairs.
CORPORATE
SEAL
John H. Hummel, CGFM
Chair, Certificate of Excellence
in Accountability Reporting Board
Julin Renthrope, CGFM
2003-2004 National President

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SSA's FY 2003 Performance and Accountability Report is available on the Internet at: www.socialsecurity.gov/finance

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 Agency. It provides a description of who we are, what we do and how well we meet the goals we have set. The Message from the Commissioner is part of the MD&A.

The Overview of SSA section highlights SSA's mission as set forth in the Agency's Strategic Plan (ASP). This section also discusses the major programs we administer: the Old Age and Survivors Insurance and the Disability Insurance programs (commonly known as Social Security) as well as the Supplemental Security Income program and provides a discussion of the Agency organization.

Following the Overview of SSA section is a discussion of the challenges that SSA will be facing in the future. Our Performance and Accountability Report (PAR) would not be complete without providing a summary of the issues we face now and over the next five years, as well as the activities and strategies we have in place to deal with them. These challenges are based on the strategic objectives we outlined in our new ASP and include improving service to the American people, ensuring Social Security programs meet the needs of current and future generations, strengthening the integrity of the Social Security number (SSN), and improving Agency management among others. We have developed a strategy to address these challenges.

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in our current ASP. In May 2003, we provided Congress with our FY 2004 Annual Performance Plan (APP) and Revised Final FY 2003 APP, which brought our strategic goals, objectives and performance measures in line with our new ASP. The Performance Goals and Results section provides a discussion of SSA's Government Performance and Results Act (GPRA) strategy and includes a summary of FY 2003 performance. It also includes selected key indicators from the APP, targeted performance for FY 2003 and actual performance achieved. The key indicators were selected because they represent a high level overview of our performance and cut across our strategic goals. The remaining FY 2003 GPRA performance indicators and their targeted performance and results may be found in the Performance Section of the report under GPRA Performance Results.

In addition to discussing program performance, the MD&A also addresses our financial performance. The major sources and uses of SSA's funds, as well as the use of these resources in terms of both program and function, are explained. A summary of our progress in reducing improper payments is also included.

Finally, the Systems and Controls section of the MD&A provides a discussion of the actions SSA has taken to address our management control responsibilities and of the determination of the Agency's compliance with the Federal Financial Management Improvement Act and the Federal Information Security Management Act.

Management's Discussion and Analysis

Overview of SSA

Mission

To advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

The Social Security Programs

Few government agencies touch the lives of as many people as the Social Security Administration (SSA). More than 51 million Americans—one out of every six—receive monthly cash benefits from Social Security or Supplemental Security Income (SSI), the major programs that we administer. Through their payroll taxes, almost all workers are earning valuable Social Security coverage for themselves and their families. The following table provides the number of beneficiaries for the Social Security Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), SSI programs and the combined programs. Over the last 10 years, the number of OASI beneficiaries has grown by 6 percent, DI by 36 percent and SSI by 11 percent.

Number of Beneficiaries by Fiscal Year (In Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
OASI	37.2	37.5	37.6	37.8	37.9	38.0	38.7	38.9	39.2	39.4
DI	5.5	5.8	6.0	6.1	6.3	6.5	6.6	6.8	7.1	7.5
SSI/OASDI[1]	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5
SSI only	3.7	4.0	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.4

1. Includes individuals receiving benefits from more than one program.

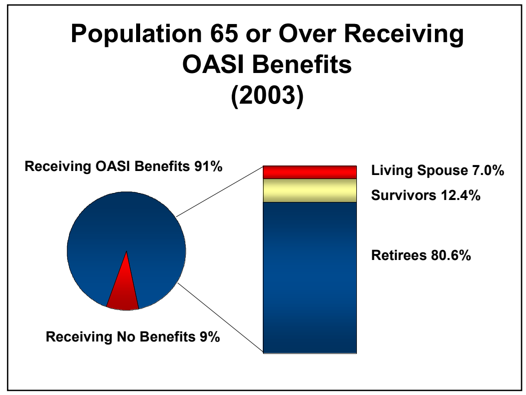
The Social Security programs provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people. Social Security is intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments and other insurance.

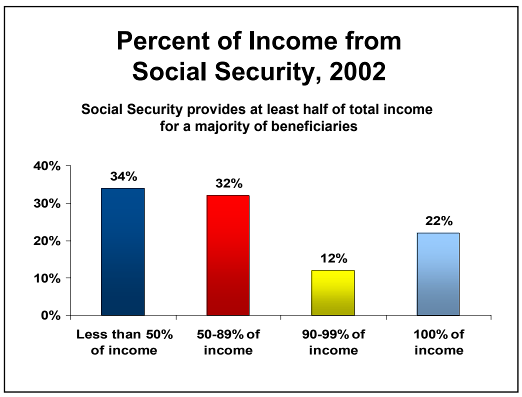
The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 2002 was $84,900 and increased to $87,000 in 2003.

OASI Program: The OASI program is financed by the OASI trust fund. To qualify for OASI benefits, a worker must have paid Social Security taxes (Federal Income Contributions Act and/or Self-Employment Contributions Act) for at least 10 years (or 40 credits) over the course of his/her lifetime. Individuals born before 1929 need fewer credits to qualify. Nine out of 10 working Americans can count on benefits when they retire, with reduced benefits payable as early as age 62. Benefits are also paid to certain members of retired workers' families and to survivors.

As shown in the chart to the right, 91 percent of people age 65 or over in calendar year 2003 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 98 percent of children under 18 and their mothers or fathers with children in their care under 16 can count on monthly cash benefits if a working parent dies.

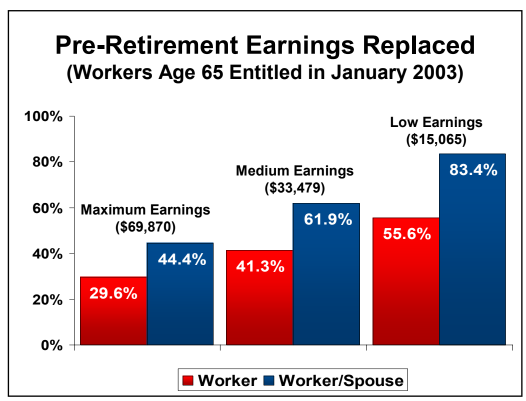
In 2002, Social Security benefits comprised 39 percent of the aggregate share of all income to the aged population 65 and over. Other sources of income include assets (14 percent), earnings (25 percent), and pensions (19 percent) both Government and private.





While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For a third of beneficiaries, it contributes all or almost all of the income; and for almost two thirds of the beneficiaries, it is the major income source (see chart on left).

The level of preretirement (career-average) earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted in favor of workers with low levels of earnings. The chart on the right shows the replacement rate in 2003 for individuals and couples (i.e., worker with a spouse who is not insured) at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed to 2002.

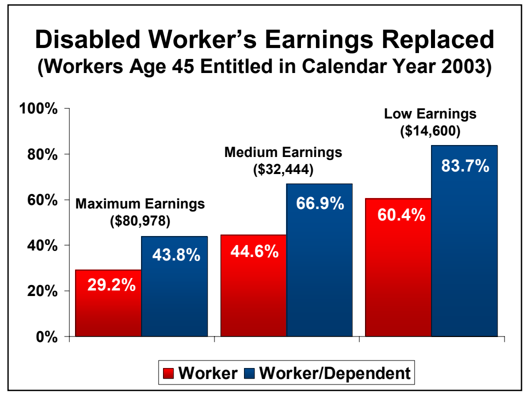


DI Program: To qualify for DI benefits, an individual must meet a test of substantial recent covered work before becoming disabled. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. About 9 out of 10 persons age 21 through 64 who worked in covered employment in 2002 will receive benefits if they become disabled. Workers are considered disabled if they have a medically determinable physical or mental impairment that prevents them from engaging in substantial gainful activity. The disability must be expected to last for a continuous period of at least 12 months or to result in death.

Once benefits begin, they continue for as long as the worker is disabled and does not perform substantial gainful work. There are provisions that provide incentives for work. Disability cases are reviewed periodically through continuing disability reviews to determine if the worker continues to be disabled.

The chart to the right shows the replacement rate in 2003 for disabled workers and their dependents at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed to 2002.

The table below presents a historical perspective on medium earnings replacement for both the OASI and DI programs.



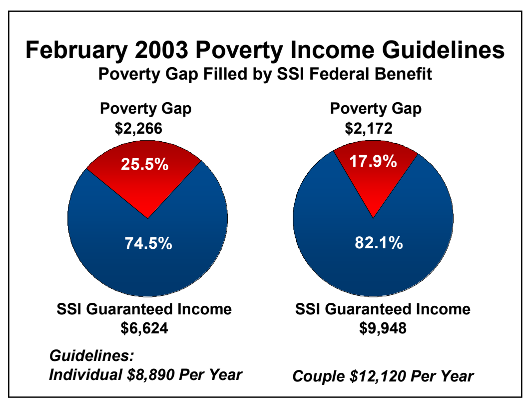
Medium Earnings Replaced Historical Perspective						
	1953	1963	1973	1983	1993	2003
Disabled Worker[1]	NA	33.2%	40.9%	43.1%	43.2%	44.6%
Retired Worker	26.4%	27.1%	37.1%	46.4%	42.8%	41.3%

1. Based on 45-year old disabled worker. Data not available for disability benefit payments for 1953 as program began in 1957.

SSI Program: SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Qualified recipients receive monthly cash payments from SSA sufficient to raise their income to the level guaranteed by the Federal SSI program. Children, as well as adults, can receive payments because of disability or blindness.

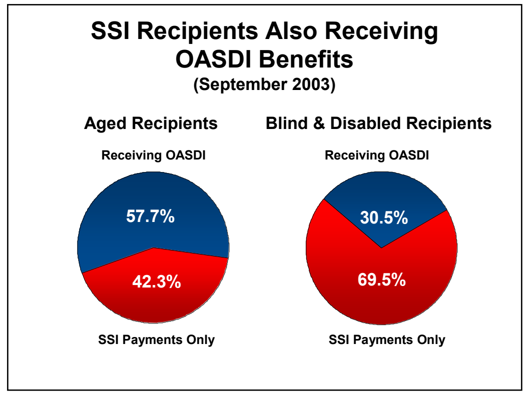
The definitions of disability for adults used in the SSI program, as well as continuing disability review procedures, are the same as those used in the DI program. There is a separate definition of disability for children seeking SSI benefits. There are general provisions to encourage working and special incentives to those beneficiaries who have disabilities or are blind. The Federal benefit rate and eligibility requirements are uniform nationwide. However, those with other income receive less since benefits may be reduced by the income they receive from other sources.

As shown in the chart to the right, SSI recipients with no other income receive the full SSI Federal benefit which is 74.5 percent of the poverty level for an individual and 82.1 percent for a couple.



The portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplementation payments. Also, SSI recipients may be eligible for food stamps, Medicaid and social services.

In September 2003, 35.4 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.1 percent of the recipients, earnings were a source of additional income.

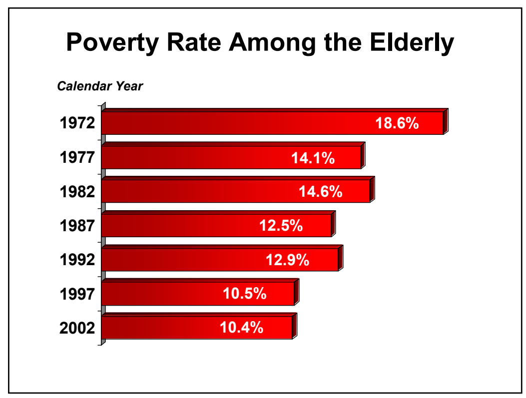


OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 35.4 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (57.7 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.5 percent).

How SSA Benefits the Public

Social Security is widely considered the nation's most successful domestic federal program. By design, it is a universal program that provides a basic level of protection to all covered workers based on their past earnings. SSI provides a backstop to Social Security by guaranteeing a minimum level of income to needy elderly persons and persons with disabilities, including children.

It is clear that Social Security and SSI have had a significant role in the improved economic well being of the nation. Poverty among the elderly has been reduced by 44 percent over the past 30 years, decreasing from 18.6 percent in 1972 to 10.4 percent in 2002. In 1936, when Social Security numbers were first assigned to workers, most of the nation's elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of elderly Americans and millions more who are protected in case of death or disability.



The portion of the population that is insured for Social Security benefits has grown steadily over the years. The percentage of people aged 20 and over who are fully insured increased from 77 percent in 1970 to 88 percent in 2003. Although men are more likely than women to be insured, the gender gap is shrinking. The proportion of men who are insured has remained essentially stable, with 92 percent fully insured. By contrast, the proportion of women who are fully insured has increased from 63 percent in 1970 to 82 percent today.

Rates of poverty and program coverage are important outcome measures that provide an indication of how Social Security and SSI are improving the lives of the American people. These and other outcome indicators of SSA's performance are discussed in more detail under Outcome Indicators in the Performance Section of this report. But the agency's programs are far from the only factors that affect the economic status of the aged and survivor populations and persons with disabilities. Personal choices, savings, private and other public sector coverages, social institutions, and the state of the economy also play important roles. Moreover, most of the important features of SSA's programs are established by law and cannot be altered by our agency. Thus, SSA can not establish numerical goals for such outcome measures as levels of income or rates of poverty.

SSA has developed a communications program to educate the public about financing challenges facing the Social Security programs. As debate continues on how best to strengthen Social Security for the future, SSA's goal is to ensure that the public has the information needed to understand the proposals related to reform and plan for their future. One such effort is the national Save For Your Future education campaign, presented by SSA and the American Savings Education Council (ASEC) which began in the spring of 2003. This campaign was designed to educate and motivate Americans of all ages and backgrounds to take charge of their financial future. Developed in partnership by ASEC and its many coalition members-including SSA, Departments of Labor, Treasury, Health and Human Services and Defense, and State Farm-the annual Save For Your Future campaign included events and activities throughout the country devoted to educating and motivating Americans to take charge of the financial future.

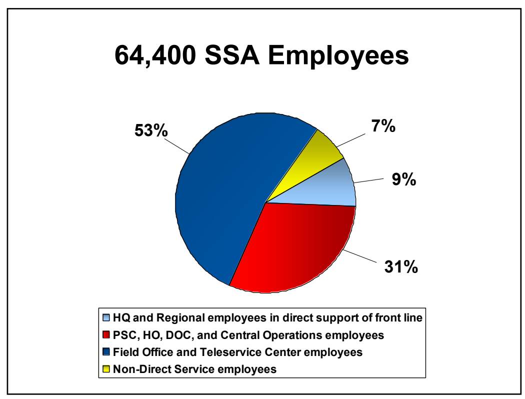
Agency Organization

As the Agency charged with managing and delivering all of these important programs, for over 60 years, SSA has ranked among the premier agencies in government service. In many communities across the country and to many people, SSA has been the primary face of the federal government, and Americans have generally viewed the Agency's performance and service favorably. The nation's citizens expect SSA's employees to be respectful, responsive and reliable.

SSA's organization is centrally managed with a decentralized nationwide network of over 1,500 Field Offices (FO), Regional Offices, Teleservice Centers (800-Number), Program Service Centers (PSC) and Hearings Offices (HO). SSA's organizational structure is designed to provide timely, accurate and responsive service to the American public. By integrating support services for all of its programs, SSA enhances efficiency, avoids duplication of effort and increases opportunities to provide one-stop service to the public.

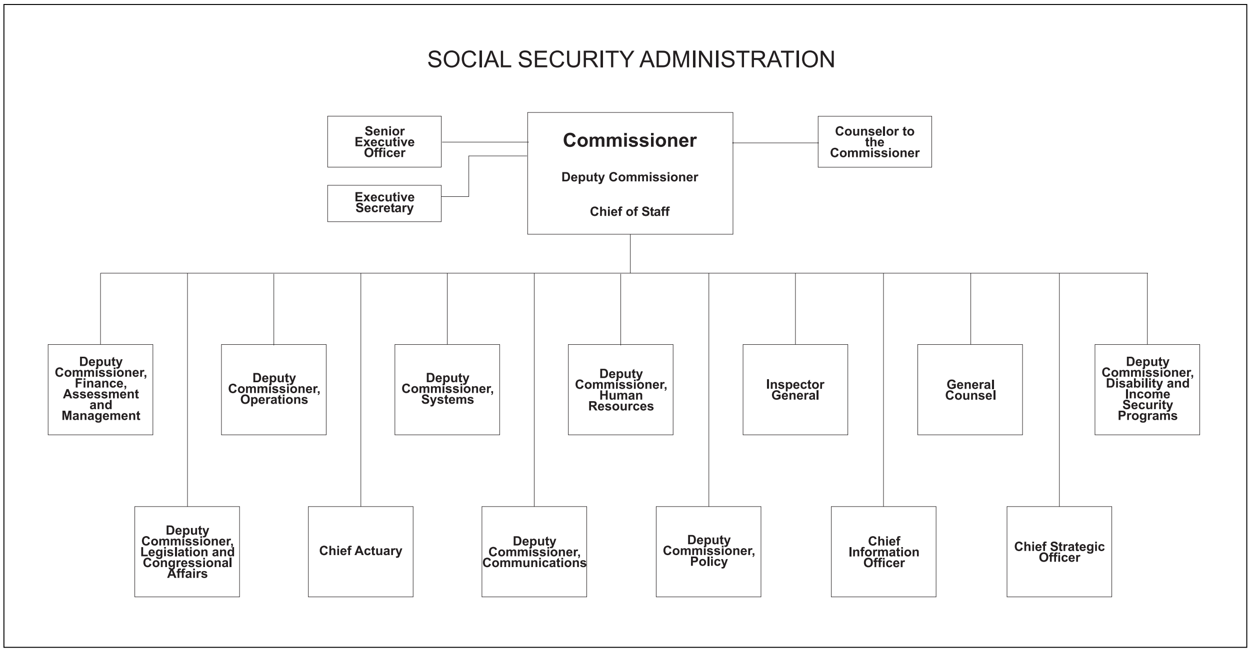
Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service (1-800-772-1213). The PSCs process a wide variety of workloads, as well as take 800-Number calls. The Office of Central Operations, which includes the Data Operations Center (DOC), processes a wide variety of workloads involving disability, international and earnings operations and also has an expanding role in taking 800-Number calls. The HOs and Appeals Council (AC) adjudicate appeals of SSA determinations in claims for benefits.

About 60,000 of Social Security's 64,400 employees deliver direct service to the public or directly support the services provided by our front-line workers. The public is most familiar with the 34,300 employees in SSA's 1,336 FOs and 36 Teleservice Centers. They are also served by 19,800 employees in the PSCs, HOs, AC and Office of Central Operations. Another 6,000 employees in headquarters and regional offices directly support the services delivered by SSA's front-line workers. These include the employees who build and maintain the expanding Internet services. Additionally, the disability programs depend on the work of about 15,000 employees in state Disability Determination Services (DDS).



SSA's remaining employees perform equally important functions in developing other information technology and public information products, ensuring sound fiscal stewardship, developing and implementing uniform program policy and procedures, and supporting the workforce by providing, maintaining and safeguarding the work spaces. Whether in SSA or a DDS, each and every employee in front-line and staff positions plays an important role in the success of the nation's Social Security programs

SSA's organizational structure as shown below is designed to provide responsive, swift and high-quality service to the public. By integrating services for all programs it administers, SSA is able to enhance efficiency, avoid duplication of effort and increase opportunities to provide one-stop service.



Agency Challenges

Early in 2003, SSA published a new Agency Strategic Plan (ASP) for Fiscal Years (FY) 2003-2008. The new Plan reflects the priorities and direction of SSA's Commissioner and the Administration. It sets SSA's course (through FY 2008) for achieving measurable results that improve American lives. SSA's ASP is comprised of four strategic goals, which provide the framework for the Agency's efforts:

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

The Service, Stewardship, Solvency and Staff goals are comprehensive. They link to SSA's total resource needs and provide employees direction in all major areas of their work. The new ASP also outlines nine supporting strategic objectives that focus on key areas of importance or those needing improvement. These objectives address the major issues facing SSA over the next 5 years and are used as the framework for this section.

SSA's strategic goals are consistent with the themes expressed in the President's Management Agenda (PMA) initiatives. The PMA initiatives, which are listed below, are focused on more efficient use of taxpayer dollars.

- Expanded Electronic Government — makes it simpler for people to receive high-quality service from the federal government, while reducing the cost of delivering those services;

- Competitive Sourcing — seeks to achieve greater efficiencies in program administration, effective competition between public and private sources, and promotion of innovation;

- Improved Financial Performance — focuses on reducing improper payments and ensuring that federal financial systems produce accurate and timely information to support operating, budget and policy decisions;

- Budget and Performance Integration — calls for linking resources to performance, using program evaluation in planning and budget decisionmaking, and improving accountability for performance; and

- Strategic Management of Human Capital — calls for reducing the distance between citizens and decision-makers by streamlining the organization and reducing the time it takes to make decisions.

SSA recently received the highest rating for the PMA initiatives by achieving green for overall current status in financial management as well as green for progress in all five categories. SSA is proud of these scores and committed to doing even better.

The table that follows displays the major management challenges currently designated by the General Accounting Office (GAO) and the Office of the Inspector General (OIG). Specifically, the table crosswalks the major management challenges to SSA's strategic goals and objectives and to the PMA items. Following the table is a discussion of each of the major issues facing SSA and the strategies the Agency has in place at this time to meet these challenges. This discussion is organized according to the Agency's strategic goals and objectives.

MAJOR MANAGEMENT CHALLENGES And Relationship to the President's Management Agenda (PMA) and SSA's Strategic Goals		
SSA's Strategic Goals and Objectives	**PMA Items**	**GAO and IG Designated SSA Major Management Challenges**
A. SERVICE 1. Make the right decision in the disability process as early as possible 2. Increase employment for people with disabilities 3. Improve service through technology	Expanded Electronic Government	• Management of the Disability Process (OIG) • Better Position SSA for Future Service Delivery Challenges, Including Information Technology (GAO) • Electronic Government/Service Delivery (OIG) • Improve Programs that Provide Support for Individuals with Disabilities (GAO)
B. STEWARDSHIP 4. Prevent fraudulent and erroneous payments and improve debt management 5. Strengthen integrity of Social Security Number (SSN) 6. Increase the accuracy of earnings records 7. Efficiently manage Agency finances and assets and effectively link resources to performance outcomes	Competitive Sourcing Improved Financial Performance Budget and Performance Integration (including Program Assessment Rating Tool (PART) requirements)	• Homeland Security, Social Security Number Integrity and Misuse (OIG) • Fraud Risk (OIG) • Continue to Strengthen the Integrity of the SSI Program (GAO)/Improper Payments (OIG) • Integrity of the Earnings Process (OIG) • Disability High Risk (GAO) • Strengthen Controls to Protect the Personal Information SSA Develops and Maintains (GAO) • Critical Infrastructure Protection/Systems Security (OIG) • Budget and Performance Integration (OIG) • Integrity of Representative Payee Process (OIG)
C. SOLVENCY 8. Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs		
D. STAFF 9. Recruit, develop, retain a high-performing workforce	Strategic Management of Human Capital	• Human Capital (GAO and OIG)

Service

Make the right decision in the disability process as early as possible

One of SSA's highest priorities is to improve service to the public in the disability programs from the initial claim through the final administrative appeal. Each Social Security and Supplemental Security Income (SSI) disability claim represents a person and often a family. According to SSA's service delivery assessment of the disability process completed in 2002, persons pursuing their disability claims through all levels of Agency appeal wait an average of 1,153 days for that final decision. Due to backlogs, cases that go through all levels of appeal spend nearly 50 percent of the time (525 days) in "queue" waiting for SSA action. The length of time it takes to process these claims is unacceptable. It places a significant financial and emotional burden on applicants and their families. It also leads to re-contacts and re-handling by SSA employees, placing an enormous drain on Agency resources.

The most significant external factor that may affect SSA's ability to improve service to disability applicants is the potential for substantial growth of workloads. Applications are expected to rise as the baby boomers enter their disability-prone and then retirement years. With Disability Insurance (DI) rolls projected to grow 35 percent in the 10-year period ending 2012, SSA cannot keep doing things the same way.

Responding to these challenges, SSA will improve economic security by:

- Improving service to disability claimants and making accurate decisions on their claims faster; and
- Helping disability beneficiaries with timely financial, medical and vocational support that helps them maximize their economic and physical well-being.

The following is a discussion of SSA's strategies and activities to address disability service.

Eliminating Backlogs — To reduce processing time, SSA must reduce and eventually eliminate disability backlogs. The Agency's long-term goal is to eliminate backlogs for initial disability claims, hearings and appeals by 2008. In 2003, process times were reduced by more than 100 days at the Appeals Council (AC) stage.

Disability Process Improvement — SSA has engaged in efforts to redesign and improve the disability determination process by testing a number of initiatives over the past several years. SSA carefully reviewed the results of these initiatives to identify the elements that show promise. Based on this review, SSA's short-term plan is to:

- Encourage early and frequent contacts with claimants during the development process;
- Eliminate the claimant conference at the end of the process; and
- Temporarily extend the "elimination of reconsideration step" feature in the ten prototype states that are currently doing this, while SSA develops an alternate approach.

In September 2003, the Commissioner announced a new approach for disability determinations to make longer-term improvements to the disability process. This proposal includes the following.

- Implementing a quick decision step to handle disability claims for people who are clearly disabled. These claims would be adjudicated in Regional Expert Review Units across the country. The Review Units would also provide medical expertise to disability decisionmakers in the State Disability Determination Services (DDS) and the Office of Hearings and Appeals (OHA).

- Requiring DDSs to more fully document decisions and establish a new in-line quality review process. This would help ensure consistent policy application, as well as more uniform decisions and documentation.
- Eliminating the reconsideration and AC stages of the process.
- Establishing a new position to evaluate all requests for review of disability claims that are denied at the initial level. This review would take place prior to a claim being sent to an Administrative Law Judge (ALJ).
- Establishing an oversight panel to conduct an end-of-line review of ALJ decisions.

The new approach is predicated on successful roll-out and full implementation of Accelerated e-Dib (see following section), as well as new regulations. To develop the final plan for the new approach, SSA will engage in a collaborative process involving the Administration, Congress, DDSs, and interested organizations and advocacy groups.

Accelerated electronic-Disability (AeDib Initiative) — To reduce delays inherent in mailing, locating and organizing paper folders, SSA is accelerating its transition to an electronic disability folder through the AeDib initiative. Rollout begins in January 2004, with full implementation to be completed within 18 months. See page 32 for additional discussion of the Agency's efforts on implementing the AeDib initiative.

Updating Medical Listings — SSA has a sequential process for evaluating disability and one of those steps is the consideration of medical listings. If an individual has an impairment which meets the statutory duration requirement and either meets or medically equals the severity of an impairment contained in the listings, SSA will find the individual disabled. The listings are categorized by body system and contain criteria for various impairments. Congress, GAO, OIG and the SSA Advisory Board have all called for the complete update of these listings. Most of the listings will be updated by the end of FY 2004, although some body systems will require more formal outreach to update the criteria consistent with usual and customary medical practices. Once the criteria in the listings are updated, SSA will keep them current by making changes on individual sections.

Improvements to the Hearings and Appeals Process —SSA's near-term efforts for improving the disability process will include:

- Involving ALJs in early case screening to more quickly identify cases for dismissal and on-the-record decisions;
- Ending the requirement that cases be certified "ready-to-hear";
- Expanding the use of technology in OHA, including video teleconferencing, speech recognition and digital recording of hearings; and
- Implementing differential case management (DCM), a process where incoming cases are reviewed, and those ready to work are immediately processed.
- Focusing the necessary resources to ensure the timely processing of certified court cases and continuing to evaluate process improvements.

Homeless Outreach — SSA's FY 2003 SSI appropriation included $8 million for outreach to "homeless and other underserved populations". SSI is often the critical financial foundation for a homeless person to be reintegrated into society. In support of the President's initiative to end chronic homelessness in America within 10 years, SSA plans to use these funds to award approximately 30 cooperative agreements to medical and social service providers. Grantees will offer direct help to claimants in completing SSA's disability application, obtaining medical evidence and maintaining contact with SSA while a decision is pending. SSA expects this to result in reduced claims processing time as well as a reduction in the number of claims denied due to the failure of the claimant to provide the information and evidence required under SSA's eligibility rules. An announcement of the availability of cooperative agreement funding was published in the Federal Register on September 26, 2003 and SSA anticipates making awards early in the second quarter of FY 2004.

Quality Initiative — To emphasize the importance of quality throughout the Agency, the Commissioner created the Office of Quality Management and adopted an agency definition of Quality for SSA. An independent contractor is conducting a review of SSA's entire quality process, beginning with the disability program. The review includes documenting SSA's current process and developing short- and long-term recommendations for the future.

Increase employment for people with disabilities

Currently, only a small percentage of all disability beneficiaries work and earn enough to leave the disability rolls permanently, while an even smaller percentage work and earn enough to leave the rolls temporarily. SSA is dedicated to significantly increasing the number of DI and SSI disability beneficiaries who achieve employment.

SSA's success in this area will increase the number of people with disabilities who are working and making an important contribution to the American economy with their talents and earnings.

The following is a discussion of SSA's strategies and activities to address employment for people with disabilities. These initiatives also address the GAO-designated Major Management Challenge, "Improve programs that provide support for individuals with disabilities," and the concerns they raised when they added federal disability programs to their High Risk list.

Ticket-to-Work Program and Work Incentives — Through the Ticket-to-Work and Self-Sufficiency Program, which has been implemented in 33 states, SSA is providing beneficiaries with more choices and expanded opportunities to help them go to work. The Ticket-to-Work program allows beneficiaries to select the service providers of their choice, including vocational rehabilitation, job training and other community-based support services. As of November 2003, the Ticket-to-Work program will be available nationwide. Other work incentives offered include expanded health care coverage — a critical feature since the loss of coverage has been a significant disincentive for people with disabilities to return to work.

Early Intervention — Many experts believe that providing intervention methods to individuals with disabilities, as close to the disability onset as possible, significantly improves their chance of returning to work. SSA, in collaboration with the Disability Research Institute, is developing a demonstration project that will test a variety of interventions for DI beneficiaries, such as early medical insurance, employment supports, etc. The goal of the project is to assist persons with disabilities to return to work as soon as possible, rather than transitioning to long-term dependency on the DI rolls. The demonstration project is slated to begin in the spring of 2004.

Youth Employment — Many children receiving SSI stay on the rolls for life, while many others lose benefits after completion of the required medical redetermination at age 18 without receiving the support they need to become self-sufficient. In addition, a significant number of young adults come onto the SSI rolls at age 18 when their parents' income no longer counts toward eligibility. SSA's youth demonstration project tests interventions to support the transition of young SSI beneficiaries to adulthood through higher education and employment support to help SSI youth maximize their economic self-sufficiency. The demonstration project began in October 2003 with the award of 7 cooperative agreements to sites in Colorado, California, Iowa, Maryland, Mississippi and two in New York.

Mental Health — Most forms of mental illness are treatable. However, there is evidence that many beneficiaries with mental impairments do not receive treatment and rehabilitation services that could help them recover and enjoy a more productive life. SSA is developing a mental health treatment study (for DI beneficiaries for whom a mental health disorder is the primary diagnosis) that will pay for the costs of outpatient treatments (pharmaceutical and psychotherapeutic) and/or vocational rehabilitation that are not covered by other insurance. The goal of the project is to encourage medical recovery and employment. SSA has just awarded a predesign contract for the demonstration project.

Benefit Offset — *Section 234* of the *Social Security Act* allows the Commissioner to test the impact and cost of a sliding-scale benefit offset for DI beneficiaries. SSA plans to test such offset structures, including a $1-for-$2 benefit offset. Under such benefit formulas, disability benefits would be reduced by a certain amount for each dollar a DI beneficiary earns above a given threshold, e.g., the Substantial Gainful Activity (SGA) amount. Under the current benefit formula, a DI beneficiary who completes a Trial-Work-Period and has earnings exceeding the SGA amount is in danger of losing the entire DI benefit 3 months later. This potential loss of benefits, and eventually the corresponding loss of Medicare benefits, may keep many beneficiaries from attempting to work. Congress gave SSA the authority to test sliding-scale benefit formulas as a means of mitigating the impact of earnings on benefit levels. This would be done by phasing out benefits while allowing a beneficiary's net income to rise. Over time, benefits would gradually be reduced and eventually be phased out altogether. SSA has issued a Request for Information to assist the Agency in refining a Statement of Work for this demonstration project.

Improve service through technology

Improved productivity is essential to meeting the challenges ahead. The Social Security Advisory Board has noted that the combination of dramatic workload growth and SSA's employee retirement wave "will place extraordinary pressures on the Agency to meet the public's need for service". In the face of these challenges, technology is essential to achieving efficiencies and enabling employees to deliver the kind of service that every claimant, beneficiary and citizen needs and deserves.

Improving SSA service through technology will:

- Provide Americans with easy and efficient access to SSA services without leaving their home or workplace, ultimately saving time and resources; and
- Improve Agency productivity and, therefore, improve service and preserve trust fund and general revenue monies.

The following is a list of SSA's strategies and activities to improve service through technology, which also addresses the GAO identified Major Management Challenge to "better position SSA for future service delivery challenges, including information technology," and the PMA and OIG identified challenge with respect to "Electronic Government/Service Delivery".

Expanded Electronic Government — SSA will continue to give high priority to projects that promise large productivity increases and support the President's government-wide e-Government initiative. To this end the Agency has:

- *E-Government-to-citizen:*
  - Relaunched SSA's website to improve the ease of use by the public, which includes a marketing plan announcing the change in the Internet address, the redesigned website, and the availability of online services, including the retirement application;
  - Expanded electronic self-service options with secure, friendly and knowledge-based authentication and real-time claimant, beneficiary and citizen support;
  - Participated actively with General Services Administration's e-Authentication initiative to explore alternative authentication processes;
  - Integrated access to SSA's services through the Internet and telephone so that the public can switch from one "channel" to another;
  - Used speech technology to increase access;
  - Expanded the number of automated telephone services that the public can access 24 hours a day, 7 days a week, including fully automating manual processes that currently require agent handling or human intervention, and exploring the feasibility of cross-agency applications and transactions;
  - Used a portfolio management approach to achieve cost-effective e-Service delivery, by adding new services and enhancing existing ones based on sound business case justifications;

- Expanded video teleconferencing of hearings to reduce travel for claimants and ALJs, saving time and money;
- Used technology to improve SSA's notices; and
- Developed and implemented AeDib to reduce delays inherent in mailing, locating and organizing paper disability folders.

- *E-Government-to-business:*
  - Increased electronic wage reporting to make it easier for businesses to comply with reporting responsibilities and reduce earnings discrepancies;
  - Expanded electronic verification of employees' name/social security number (SSN); and
  - Built a web presence that supports e-Procurement and e-Grants.

- *E-Government-to-government:*
  - Implemented "e-Vital" to provide timely electronic access/transmittal of birth and death records among state and federal workers;
  - Collaborated actively with other federal agencies serving SSA's beneficiary population (such as Center for Medicare and Medicaid Services (CMS) and the Railroad Retirement Board) to promote electronic services; and
  - Provided other trusted third parties with legitimate needs, such as state motor vehicle agencies and voter registration offices, also utilize electronic SSN verification.

Stewardship

Prevent fraudulent and erroneous payments and improve debt management

The PMA initiative on Improved Financial Management directs agencies to set goals to reduce improper payments[1] for each of their programs. SSA's own analyses, as well as assessments by the OIG, the Social Security Advisory Board and the GAO, have identified several major areas susceptible to erroneous or fraudulent payments.

> Preventing fraudulent/erroneous payments and improving debt management will:
> - Ensure that Americans receive the benefits they are due; and
> - Assure taxpayers that trust fund money and general revenue funds are spent correctly.

The following is a discussion of these areas and the activities SSA is engaged in to prevent, detect and collect erroneous payments, including the Major Management Challenges, "Fraud Risk" (OIG), "Continue to Strengthen the Integrity of the SSI program" (GAO), "Improper Payments" (OIG), "Integrity of the Representative Payee Process" (OIG), and "Improved Financial Performance" (PMA).

SSI Corrective Action Plan — Because of SSA's progress in addressing SSI payment accuracy problems, GAO removed the SSI program from its high-risk list of government programs vulnerable to waste in January of 2003. The Agency developed a Corrective Action Plan and implemented many initiatives over the last few years to prevent and detect SSI overpayments. SSA will continue to process substantial numbers of eligibility reviews and implement additional initiatives designed to improve accuracy even further. These activities will also address the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) evaluation of the SSI Aged

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[1] The Agency uses the terminology "improper payments" and "erroneous payments" interchangeably. For consistency, the term "improper payments" will be used throughout the document except when referencing the strategic objective to "prevent fraudulent and erroneous payments and improve debt management".

program that requires SSA to address payment accuracy issues by aggressively pursuing strategies outlined in its SSI Corrective Action Plan.

Special Disability Cases and Workers' Compensation Cases — Despite the high level of accuracy with respect to Old Age, Survivors and Disability Insurance (OASDI) payments (99.8 percent free of error), SSA has pinpointed two areas causing errors:

- SSA identified a number of SSI beneficiaries who earned sufficient work credits to qualify for benefits under the DI program, but for whom an application was never completed. The Agency has already taken the appropriate steps to prevent this from occurring in the future. SSA is also in the process of reviewing approximately 476,000 complex Special Disability Workload cases for potential DI entitlement. At the end of the fiscal year, over 62,000 cases had been reviewed. The entire review is expected to be completed by the end of fiscal year 2007.
- SSA also identified a number of DI beneficiaries whose workers' compensation payments changed but whose DI benefits were not adjusted accordingly. To address this problem, SSA instituted a comprehensive action plan that includes:
  - Completing 40,000 workers' compensation cases per year through FY 2008 in addition to having already completed a review of 112,000 cases currently affected by worker's compensation;
  - Updating all instructional material;
  - Retraining the appropriate Operations employees to handle these types of changes;
  - Improving the Agency's computer systems; and
  - Institutionalizing new processes to ensure continued accuracy.

Representative Payees — SSA appoints representative payees for individuals who are incapable of directing or managing their benefits. Based on in-depth agency analysis and increased congressional, media, OIG and advocate concerns, SSA is reexamining representative payee program operations. SSA has made progress on several fronts and continues to work on ways to improve the representative payee program. Refer to page 42 for more details.

Continuing Disability Reviews (CDR) — CDR processes are SSA's first line of defense to ensure that only those people who continue to meet the disability requirements remain on the rolls. SSA's ongoing goal is to initiate CDRs when needed and complete them within prescribed timeframes. By making use of a research and statistical contractor, SSA has steadily made improvements in the CDR profiling process resulting in an increased number of CDRs being processed. SSA met its FY 2003 goal for processing CDRs. Refer to page 44 for more details.

Cooperative Disability Investigations (CDI) — The CDI program is a joint effort by OIG and SSA to improve stewardship responsibilities in the Social Security disability program, with a zero tolerance for fraud and abuse. The CDI units are made up of an OIG team leader and staff from SSA field offices, DDSs and local law enforcement agencies. At the end of FY 2003, SSA had 17 CDI units in full operation, with one more unit preparing to start operation.

The units provide investigative support to select DDSs during the initial and continuing disability review process. They help combat fraud by investigating questionable statements and activities of claimants, medical providers, attorneys, interpreters, or other service providers who may be involved in the facilitation or promotion of disability fraud. The investigative evidence is provided to the DDSs to make timely and accurate disability determinations. The evidence is also used by the OIG in determining whether criminal prosecution is warranted.

Overall productivity and program savings from the CDI units continue to increase every year. In FY 1998, when the program began, it accounted for $2.8 million in cumulative savings for SSA. Through September 2003, cumulative SSA program savings had increased to over $278 million, with an additional $152 million in projected savings for non-SSA programs. In addition to these savings, the public's awareness of the CDI program is expected to have a deterrent effect on fraud and provide intangible benefits.

Debt Collection Initiatives — SSA continues to use aggressive debt collection tools to recover delinquent benefit overpayments from former beneficiaries. SSA refers delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments. In addition, SSA withholds SSI overpayments from the benefits of individuals who become entitled to OASDI payments and refers debts to credit bureaus. A project under development is the use of Administrative Wage Garnishment as a means to collect debts through a debtor's employer.

In addition, SSA's strategy for improving the management of debt includes the following initiatives:

- Identifying those SSI debtors whose debts have been determined to be uncollectible and who are now receiving SSI and/or Social Security payments. Once identified, action would be taken to recover as much as 10 percent of the debts each month from ongoing benefit payments. Taking action on these "now" inactive debts will increase the proportion of debt in a collection arrangement. Initiating withholding from benefits also will result in increased recovery of debts.

- Building a scoring system that prioritizes unresolved debts. This supports actions to bring debt workloads into balance with operational resources and ensures that resources are expended on the debt with the best potential for recovery.

- Developing a connection between SSA-level performance goals related to debt resolution and Processing Center, Field Office and Teleservice Center performance measures.

- Providing SSA operating components with a tool that organizes debt information more efficiently for individual case processing and better workload management. This tool, named "OP-WIZ," is now operational.

Strengthen the integrity of the Social Security Number (SSN)

The original purpose of the SSN was to enable SSA to keep an accurate record of earnings covered under Social Security and to pay benefits based on those earnings. Over time, the SSN has become a primary means of identification in both the public and private sectors. As use of the SSN has grown, so has identity fraud. This has led to the GAO and OIG designation of SSN misuse and identity fraud as significant management issues. These issues were the subject of recent Congressional hearings pertaining to Homeland Security and of a Federal Trade Commission report and survey on identity theft.

Most instances of identity fraud result not from any action or failure to act by SSA, but from proliferation of personal information in our society. Many institutions besides SSA have a role in combating identity fraud, including the Federal Trade Commission and the Department of Homeland Security. A unified approach involving intergovernmental collaboration is required to safeguard the SSN when used by government, and particularly when used in public records. SSA's role in this effort is to further strengthen the enumeration process by ensuring that SSNs are issued appropriately and preventing SSN misuse. SSA notes that contrary to what some entities understand the Agency's role to be, SSA does not verify identity. Rather, the Agency verifies if information presented matches information in SSA's records.

Strengthening the integrity of the SSN will:

- Ensure that SSNs are issued appropriately;
- Support efforts to increase domestic safety and the security of our nation's borders;
- Protect Americans from incidents of identity fraud; and
- Improve the economy through reduction of theft facilitated by identity fraud.

The following is a discussion of the activities SSA is engaged in to strengthen the integrity of the SSN and address the OIG identified Major Management Challenge with respect to "Homeland Security, Social Security Number Integrity and Misuse".

Evidentiary Requirements and Methods — SSA is strengthening the SSN application process by:

- Creating a Social Security Card Center in Brooklyn, New York, to test if such centers would improve and expedite the document verification process;
- Eliminating drivers' licenses as a valid reason for issuing a non-work SSN;
- Verifying with the issuing agency the records of any birth certificates submitted by U.S.-born citizens, age one or older who are applying for an original SSN;
- Verifying with the Bureau of Citizenship and Immigration Services (BCIS) all alien documentation submitted by non-citizens in support of applications for an original or replacement SSN card; and
- Decreasing reliance on applicant-submitted evidence by using Enumeration-at-Entry, a process whereby SSA will assign SSNs to new arrivals based on data collected by the Department of State and the BCIS at the time right-of-entry into the U.S. is authorized.

SSN Verification Processes — The Social Security Act provides that the SSN may be used by a number of governmental agencies for designated purposes. Such programs as Food Stamps and such agencies as State Departments of Motor Vehicles depend on the accuracy of the SSN. For a number of years SSA has verified that the SSN, name, and sometimes date of birth provided by authorized SSN users are consistent with information in SSA's records. Similar processes are in place to verify SSN related data provided by an employer to ensure that wages are reported to the correct SSN. While SSA is unable to provide identity verification, the assurance that information provided matches the data in SSA's records will help to ensure the integrity of the SSN. SSA is strengthening its SSN verification processes by:

- Completing a comprehensive review of SSN verification services to identify ways to strengthen processes and systems;
- Identifying and eliminating redundancies;
- Providing SSN verifications that include additional disclosable data such as death information;
- Ensuring consistency of responses for the same user;
- Tightening processes for registering and monitoring users; and
- Developing a more effective process to evaluate SSN verification requests by large volume users.

Increase the accuracy of earnings records

Accuracy of the earnings records that SSA maintains for all working Americans is critical. SSA uses these records to determine whether an individual has earned enough wage credits to be eligible for benefits and the amount that will be paid. Despite the Agency's good record (96.4 percent of earnings are assigned correctly to individual workers' records), the amount of earnings that cannot be assigned to individuals' work records has been growing in recent years and is a major concern.

The OIG has designated the integrity of the earnings reporting process as a significant management issue. Over 250 million earnings wage items are submitted annually by employers. Of those, approximately 10 percent (25 million) initially do not match SSA's records. SSA is able to match about 64 percent (16 million) of these mismatches. Still, about 9 million names and/or SSNs cannot be matched to an individual's record due to an invalid name/SSN combination. SSA maintains the information on these earnings in a "suspense file" for potential future reconciliation.

By increasing the accuracy of earnings records, SSA is:

- Ensuring that Americans receive the full Social Security benefits to which they are entitled;
- Protecting the trust funds by ensuring that benefits are being paid accurately; and
- Increasing the public's confidence in the reliability of the Social Security system.

The following is a discussion of the activities SSA is engaged in to increase the accuracy of the Agency's earnings records and address the OIG identified Major Management Challenge, "Integrity of the Earnings Process".

Earnings Suspense File — SSA's strategies for reducing the size and growth of the suspense file include:

- Employing new software routines that enable matching greater numbers of suspense file items to the correct earnings record;
- Notifying employers who submit a large number of incorrect wage items, name/SSN discrepancies, and/or request corrections, as well as each individual employee who submits incorrect information in these areas; and
- Collaborating with the Internal Revenue Service (IRS) to achieve more accurate wage reporting.

Educating Employers — SSA is undertaking an aggressive educational campaign to inform the wage reporting community of the various verification tools and error detection utilities available to them. For example, SSA is encouraging greater use of SSN verification through the Employee Verification Service that allows employers to verify a valid name/SSN combination. SSA is currently piloting an Internet-based SSN verification service that provides immediate or next business day response to name and SSN verification requests. At this time the pilot is only open to a small number of participating companies. It is anticipated that this option may be open to all employers after evaluation of the pilot.

Electronic Wage Reporting — SSA is working with employers to encourage greater use of electronic filing. To this end, the Agency provides employers with online filing status and error information.

Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

Recognizing the importance of good management to the efficient and economic delivery of desired results, the PMA identifies five government-wide initiatives intended to work together as a mutually reinforcing set of management reforms. The Administration uses a scorecard of red (unsatisfactory), yellow (mixed results, i.e., achieved some but not all the criteria), and green (success) to rate agencies on both the progress and status of each initiative. SSA's current ratings are recognized as among the best for major federal agencies. In a July 2003 announcement from OMB on the PMA scorecard, SSA received the highest rating by getting to green for *progress* in all five categories. SSA's overall current *status* in financial management was also upgraded to green.

SSA's efforts to "get to green" for successfully implementing the PMA initiatives will:

- Improve the efficiency and productivity of SSA operations, thereby, saving taxpayer and trust fund money for use by future generations.

The following is a discussion of the Agency's activities in implementing the PMA initiatives at SSA.

- **Expanded Electronic Government** (Status: **Yellow**; Progress: **Green**) — This is addressed with the discussion of the OIG identified Major Issue "Improving Service through Technology" on page 19.
- **Competitive Sourcing** (Status: **Red**; Progress: **Green**) — SSA is building the infrastructure needed to support public-private competition and improve the efficiency and effectiveness of Agency processes.

  SSA has established a public-private competition process that ensures competitive sourcing is used to improve the efficiency and effectiveness of Agency processes and provide the greatest benefit to the taxpayer. The Agency has established a centralized component called the Office of Competitive Sourcing with contracting, human resource, budget and A-76 (the OMB guidelines that cover the competitive sourcing process) expertise. SSA has developed competitive sourcing procedures, processes, delegations and policies. SSA has a communication plan in place that uses workgroup members, memos and a website to disseminate this information. The Agency uses contractor support with A-76 experience to assist in training and conducting studies. SSA has implemented several steps to ensure that competitions are completed within given timeframes. The steps include:

  – The inclusion of pre-planning in the SSA process which results in personnel being adequately trained on the A-76 process;
  – Project plans for each study; and
  – Carefully monitoring milestone dates.

  The Agency's first OMB Circular A-76 Competitive Sourcing Streamlined Study for the software validation function was decided in favor of SSA.

- **Improved Financial Performance** (Status: **Green**; Progress: **Green**) — SSA received an unqualified audit opinion on its financial statements for FY 2002; the ninth consecutive year. The Agency has submitted timely and accurate financial information, releasing its FY 2002 financial statements in mid-November, thereby achieving the FY 2004 government standard 2 years ahead of time. In addition, for the fifth consecutive year, SSA was awarded the Certificate of Excellence in Accountability Reporting by the Association of Government Accountants for its FY 2002 Performance and Accountability Report (PAR). SSA holds the distinction of being the only federal agency to receive this prestigious award every year since its inception. SSA submitted its FY 2003 second quarter financial statements on April 21, 2003, which included a full set of comparative financial statements as of March 31, 2003 and March 31, 2002, meeting the FY 2004 government standard for quarterly reporting one year ahead of time. SSA's systems allow routine assessment of performance and financial information that managers can use to make day-to-day decisions. SSA will enhance these systems over the next few years with the SSA Unified Measurement System (SUMS) and the Managerial Cost Accountability System (MCAS) initiatives.

  Another important aspect in SSA's effort to reduce improper payments is addressed with the discussion of the Major Issue "Preventing fraudulent and erroneous payments and improving debt management" on page 20.

  SSA's goal is to improve overall productivity by at least 2 percent per year. Advances in automation will be key to SSA's improvement, however, process and regulation change will also be contributing factors.

  Also see page 48 for additional discussion of the Agency's efforts on improving financial performance.

- **Budget and Performance Integration** (Status: **Yellow**; Progress: **Green**) — OMB has indicated that SSA must improve its ability to present a performance budget that permits direct comparisons between incremental budgeted amounts and outcomes in specific activities. SSA presented a fully integrated budget and performance plan to OMB in September 2003. The budget aligns costs and workyears with overarching performance goals, e.g., it identifies resources needed to reduce backlogs and takes into account savings from expected efficiencies.

In the past, SSA's OIG has cited general performance management and budget and performance integration as significant management issues, specifically in relationship to data reliability issues. SSA is further strengthening the linkage between resources and performance by:

– Working with the private sector to continue to improve SSA's budget formulation system by enhancing modeling capabilities that estimate what level of performance to expect for different levels of funding; and
– Ensuring that SSA's budget formulation and execution processes continue to reflect the Agency's strategic and performance plans, with a greater emphasis on aligning outputs and costs to outcomes.

- **Strategic Management of Human Capital** (Status: **Yellow**; Progress: **Green**) **—** This initiative is addressed as a part of the OIG and GAO identified Major Management Challenge regarding "Recruiting, developing and retaining a high-performing workforce" on page 27.

Solvency

Support reforms to ensure sustainable solvency and more responsive retirement and disability programs through education and research efforts

Today about 3.3 people pay into Social Security for every one person receiving benefits. By 2030, this ratio is expected to decline to about 2.2 to 1. Based on actuarial projections, within 15 years, SSA expects to begin paying more in benefits than it collects in taxes. The actuary projects that by 2042, the trust funds will be exhausted and the payroll taxes collected will be insufficient to pay the benefits owed. Based on actuarial projections in the 2003 Trustees Report, without reforms, benefits scheduled to be paid under present law would have to be reduced by 35 percent by the end of the next 75 years.

Ensuring Social Security solvency will ensure economic security for generations to come.

The President, Social Security's Trustees, the Social Security Advisory Board, GAO's Comptroller General and many members of Congress have stated that the sooner reforms happen, the more gradual and less costly the changes will need to be. In his comments on the 2003 report of the Social Security Trustees, the President expressed hope that "Congress will join with the Social Security Administration and other interested parties in a national dialogue about how best to strengthen and protect Social Security".

As the debate moves forward on how best to strengthen Social Security for the future, SSA must work to ensure that policymakers and the public have the information needed to assess the implications of all proposals under consideration.

Public Education — Through SSA's ongoing communications program, the Agency will continue to educate the public about financing challenges facing Social Security programs. Additionally, SSA has changed its yearly survey of public knowledge to help the Agency better understand what the public knows about important Social Security issues, including long-range financing. SSA will use this information to develop a national information campaign with partners that will focus on a variety of activities aimed at increasing the public's knowledge of basic program facts and long-range financing issues.

Research Capability — In the GAO's January 2003 report on *Major Management Challenges and Program Risks*, they acknowledged the steps SSA has taken to strengthen its research, evaluation and policy development activities and eliminated this issue as a management challenge. SSA will continue to:

- Maintain an in-house capacity of policy, actuarial and legislative expertise to respond to decisionmakers' questions about the fiscal, distributional and administrative aspects of proposals to reform the Social Security programs; and
- Work with the Administration and Congress as legislative proposals to achieve sustainable solvency are developed.

Disability High-Risk — The *Americans with Disabilities Act* and medical and technological advances are altering the concept of disability. This and other related concerns led the GAO to add modernizing all federal disability programs to its high-risk list. SSA's and OMB's PART evaluation of the DI program also indicated that the program no longer meets the needs of people with disabilities. The Social Security disability program must respond to these developments.

Staff

Recruit, develop and retain a high-performing workforce

SSA's employee retirement wave will not only affect the Agency's ability to deliver service to the American public, but will also result in a significant drain of institutional knowledge. SSA will be faced with the continuing challenge of hiring and retaining a highly skilled and diverse workforce in what is expected to be a very competitive job market.

SSA was early in recognizing the implications of the retirement wave and in taking actions to address it. Succession planning has led the Agency to implement aggressive employee development programs at all levels and redeployment of positions to direct service. The Agency has also emphasized the recruitment of Presidential Management Interns and outstanding scholars and increased the use of hiring flexibilities.

As SSA deals with significant workload growth and an increased number of retirements, the Agency will strive to maintain a high-performing workforce and enhance productivity through automation, job enrichment opportunities and training, redistribution of staff to direct service positions, succession planning, leadership development, new performance management systems, and other service enhancements. SSA's response to the challenges of recruiting, developing and retaining a high-performing workforce is framed by and addresses the PMA that directs agencies to make government citizen-centered through the strategic management of human capital.

> SSA's strategies to recruit, develop and retain a high-performing workforce will allow the Agency to continue to provide the highest quality, timely service to the American public, and result in productivity increases that will save trust fund and general revenues monies.

SSA strategies include a wide array of tools and activities. These activities address the PMA Initiative's concerns, as well as the Major Management Challenge: "Human Capital" identified by both the OIG and GAO.

Future Workforce Transition Plan — SSA has developed and continues to implement a Future Workforce Transition Plan that is closely aligned with the Agency's strategic plan and supports its four strategic goals of *Service, Stewardship, Solvency* and *Staff.* To facilitate human capital coordination and manage the plan, SSA established a Human Capital Planning Staff (HCPS). The HCPS will be a focal point not only for workforce planning, but also for studies, analyses, benchmarking and evaluation of selected human capital issues.

Recruitment and Retention — SSA will expand the use of personnel hiring flexibilities in strategic areas with above minimum pay for systems analysts, awards and reemployment annuitant waivers. The Agency will continue to maximize the use of flexible work schedules. Also, SSA's workforce will mirror the diversity of the American public it serves. The Agency will increase the number of employees in direct service positions, while maintaining proper technical, policy, systems and administrative support.

Leadership and Employee Development — SSA will ensure ongoing job enrichment opportunities and training. The Agency will do so by developing core competencies, delivering employee competency-based training and providing technology-based skills training critical to ensuring SSA's direct service employees' ability to manage the Agency's increasing workloads. SSA's knowledge management strategies include succession analysis, collection of baseline training data, filling vacancies before the incumbent leaves, and targeting critical positions. SSA will continue to use national, component and regional leadership development programs to ensure ongoing excellence in Agency leadership positions.

Performance Culture — The Agency will improve accountability through new performance management systems for Senior Executive Service (SES) members and for General Schedule (GS) employees. A new SES performance management framework is already in place, as are performance management plans for GS-15 non-bargaining unit employees. Efforts are underway to increase results-oriented performance assessments throughout the rest of the Agency.

Performance Goals and Results

In FY 2003, SSA made major strides toward achieving the long-term goals in the Agency Strategic Plan (ASP) for 2003-2008. The Performance and Accountability Report (PAR) is the Agency's opportunity to describe that progress. The Agency's progress is presented in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires federal agencies to develop and institutionalize processes to plan for and measure mission performance.

Background: The ASP, Annual Performance Plan (APP) and PAR comprise the main elements of SSA's response to the GPRA requirements and support the Agency's budget request. Together, these elements create a recurring cycle of planning, program execution, measurement, and reporting. By forging a strong link between resources and performance, these plans and reports show what is being accomplished, reinforce accountability for the money that is being spent, and demonstrate the effectiveness of programs.

At SSA, Agency officials and staff use these plans and reports to manage and administer Social Security's programs. They are also used by the President and Congress when formulating programmatic and policy decisions and for oversight. The public uses these plans and reports to get information about the purpose and effectiveness of SSA's programs and activities.

The FY 2004 APP and Revised Final FY 2003 APP were published in May 2003. These Agency plans revised the strategic goals, objectives, and performance measures to correspond with SSA's new Strategic Plan. Beginning in FY 2003, SSA significantly reduced the number of indicators used to measure Agency performance and structured the performance indicators to be more outcome-oriented and more meaningful to external audiences than in prior years. The FY 2003 PAR is the Agency's first report on results achieved in the context of the long-term outcomes envisioned in SSA's new ASP.

As the Agency met its day-to-day challenges, it also made considerable progress toward meeting its 5 year ASP goals, achieving its strategic performance commitments for FY 2003, and preparing for the projected workload increases and employee retirements that will occur over the next decade.

During FY 2003, SSA used 45 distinct GPRA performance indicators to manage and track Agency progress. These measures were established in SSA's Revised Final FY 2003 APP and reflect the changes in the Agency's strategic goals and objectives articulated in SSA's new ASP. The number of performance measures was significantly reduced for FY 2003 and FY 2004 to focus on SSA's most critical challenges and areas in need of improvement. SSA's performance for all GPRA measures is reported in the "GPRA Performance Results/Individual Performance Indicator Results" section on page 72, or in this section in the discussion of the Key Performance Indicators (KPI). SSA's 17 KPIs were chosen because the Agency believes they best tell the story of its efforts to address the most critical challenges. They are a sub-set of the 45 performance indicators in SSA's APP.

For a limited number of performance indicators, where actual levels of FY 2002 full year performance data were not available in time for the publication of the FY 2002 PAR, actual performance for FY 2002 is being reported in the "GPRA Performance Results/Individual Performance Indicator Results" section, on page 93 of this document. In turn, where actual levels of FY 2003 full-year performance data were not available in time for this publication, actual performance for FY 2003 will be reported in the FY 2004 PAR.

In addition, the FY 2004 APP and Revised Final FY 2003 APP presented for the first time the Office of Management and Budget's (OMB's) Program Assessment Rating Tool (PART). SSA was asked to identify performance measures and targets for the Disability Income (DI) and Supplemental Security Income (SSI) Aged programs, the two programs evaluated by OMB in the spring of 2002 and summer of 2003. While some of the measures and targets identified in PART were GPRA measures, some of the measures and targets are new.

For your reference, electronic versions of the documents discussed can be viewed at the following Internet addresses:

SSA's 2003-2008 ASP can be found at http://www.socialsecurity.gov/strategicplan.html
SSA's FY 2004 APP/Revised Final FY 2003 APP can be found at http://www.socialsecurity.gov/performance/

For a paper copy of either SSA's ASP or APP write to:
Social Security Administration
Office of Strategic Management
4215 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

President's Management Agenda: SSA made significant progress in FY 2003 in support of the President's Management Agenda (PMA) in the following areas: Expanded Electronic Government, Competitive Sourcing, Improved Financial Performance, Budget and Performance Integration, and Strategic Management of Human Capital. SSA incorporated the PMA initiatives into its strategies for achieving the Agency's mission and strategic goals. Multi-year plans for achieving the goals of all five PMA initiatives were developed. SSA made PMA achievement a KPI in the Performance and Accountability Report. SSA's FY 2003 goal was to receive a "green" for progress on all five PMA initiative plans. The Agency met this goal. For FY 2004, SSA's goal is to receive a "green" for status on four of five PMA initiatives. Refer to pages 24 and 25 for a discussion of SSA's FY 2003 PMA performance.

Program Assessment Rating Tool (PART): The PART is a diagnostic tool used to examine different aspects of program performance to identify the strengths and weaknesses of a given federal program. OMB selected the DI and SSI Aged programs during its initial assessment period in 2002, and the results were published in the FY 2004 President's budget. The same two programs were reevaluated in the summer of 2003 and the results will be published in the FY 2005 President's budget. These two programs account for 50 percent of SSA's programs to be evaluated using PART. The other two programs to be evaluated are the SSI Blind and Disabled (B&D) and the Old Age, Survivors Insurance (OASI program). Next summer (2004), SSA plans to evaluate the SSI B&D program as a part of the FY 2006 budget. Therefore, by the summer of 2004, SSA will have evaluated 75 percent of its programs. The findings from the evaluation of the SSI B&D program will be published in the FY 2006 President's budget. Plans are to evaluate the OASI program in the summer of 2005 as a part of the FY 2007 budget, at which point SSA will have evaluated 100 percent of its programs. Results will be published in the FY 2007 President's budget. Refer to page 91 for a complete narrative regarding the PART reviews and performance measure results.

Major Management Challenges: The Agency also took action to address the major management challenges identified by the General Accounting Office (GAO) and SSA's Office of the Inspector General (OIG). The "Agency Challenges" section of this report, which begins on page 14, outlines these major challenges. GAO has removed the SSI program and SSA's Office of Policy from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA's efforts to improve the management of the program. This section of the PAR looks at SSA's actions around each of the currently identified major management challenges in the context of the Agency's performance on the 17 KPIs.

Workloads: In FY 2003, as in prior years, the largest use of SSA's administrative resources went to processing its substantial day-to-day workloads. These workloads included:

- Paying benefits to more than 51 million people every month;
- Evaluating evidence, and making determinations of eligibility for benefits on more than 5 million new claims;
- Making decisions on almost 1.6 million hearings and appellate actions;
- Issuing over 17.5 million new and replacement Social Security Number (SSN) cards;
- Processing 257 million earnings items for crediting to workers' earnings records;

- Handling 53.7 million calls to SSA's 800-number;
- Issuing 140.6 million Social Security Statements;
- Processing at least 1.37 million continuing disability reviews (CDR); and
- Processing 2.45 million non-disability SSI redeterminations to ensure that SSI eligibility is still met.

FY 2003 Performance by Strategic Goal

This section presents a summary discussion of FY 2003 performance for each of SSA's four strategic goals including:

- The contribution of SSA's FY 2003 performance toward achieving Agency strategic goals and long-term key outcomes;
- The strategies and activities SSA undertook during FY 2003 to accomplish the results;
- The impact of actual FY 2003 performance on expected FY 2004 strategies and performance; and
- The KPI/Workload Measure results and analysis.

Strategic Goal A: To deliver high-quality, citizen-centered service

SSA's *Service* goal encompasses the Agency's traditional and electronic services to applicants for benefits, beneficiaries and the general public, as well as services to and from States, other agencies, third parties, employers and other organizations, such as financial institutions and medical providers.

This goal supports the delivery of citizen-centered service and the expansion of the e-Government element of the PMA. SSA's aim is to deliver quality service. The attributes of service that define quality include accuracy, productivity, cost, timeliness and service satisfaction.

Following is a discussion of SSA's FY 2003 accomplishments and the progress SSA made in the context of its long-term key outcomes and GAO or OIG identified Major Management Challenges for this goal:

Strategic Objective 1: Make the right decision in the Disability Process as early as possible

SSA's key long-term outcomes are to significantly reduce the time it takes for a disability claimant to receive a final Agency decision and to eliminate backlogs for disability claims at the initial hearings and appeals levels.

SSA has engaged in a number of efforts to redesign and improve the disability determination process by testing several initiatives over the past several years. SSA carefully reviewed the results of these initiatives to identify the elements that show promise. Based on this review, SSA decided to:

- Encourage early and frequent contacts with claimants during the development process;
- Eliminate the claimant conference at the end of the process; and
- Temporarily extend the "elimination of the reconsideration step" feature in the ten prototype States that are currently participating in this project, while SSA develops an alternate approach.

SSA is also considering other initiatives to improve the disability process. In fact, in testimony before the House Ways and Means Committee on September 25, 2003, the Commissioner introduced her new approach for disability determination which includes the following:

- People who are obviously disabled will receive quick decisions;
- Adjudicative accountability will be reinforced at every step in the process;
- Processing time will be reduced by at least 25 percent;
- Decisional consistency and accuracy will be increased; and
- Barriers for those who can and want to work would be removed.

Additional information on the Commissioner's approach to improving the disability program may be found on SSA's website at: http://www.socialsecurity.gov/pressoffice/pr/DDPImprovement-pr.htm.

Appeals Council — The primary tool used by SSA's Appeals Council (AC) to improve case processing has been Differential Case Management, a process where all incoming cases are reviewed and placed on different processing tracks according to the factors present in each particular case. The Office of Hearings and Appeals (OHA) also added case tracking improvements, including bar coding at the Mega-Site Folder Storage Facility, for more rapid retrieval of files needed for case processing. As a result, requests for review of pending status have declined and the average fiscal year (FY) processing time for appeals declined by more than 100 days from the prior year. As the AC continues to process the remainder of its aged cases, processing time is expected to decline further.

Accelerated Electronic Disability (AeDib) — In FY 2003 a significant portion of SSA's systems resources was dedicated to the AeDib project, which will eventually replace the current paper disability claims folder with an electronic folder. This will eliminate the need to create, mail and store paper disability files, and will allow staff to process claims by quickly accessing and retrieving information. Initial rollout of AeDib is set to begin in January 2004, with full implementation to be completed within 18 months.

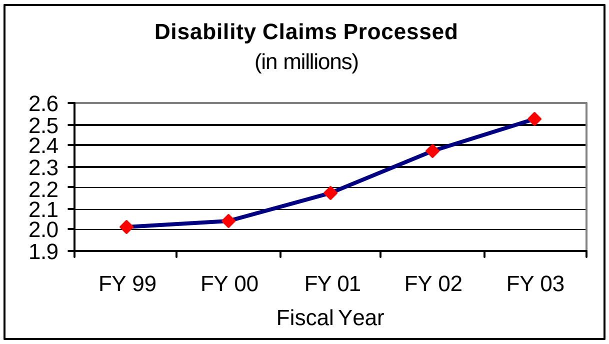
Additional activities that support AeDib are:

- The use of scan-to-print technology to support the creation of electronic records (implemented in FY 2003);
- Expansion of the Electronic Disability Collection System to capture disability claims interview information (implemented in FY 2003);
- Expansion of Internet services for people who want to file for disability benefits (implemented in FY 2003);
- Development of a Case Processing and Management System to interface with the electronic folder (implementation expected in FY 2004);
- Implementation of digital recording of hearings, which will become part of the electronic folder (implementation expected in FY 2004);
- Migration of Disability Determination Services (DDSs) to an Information Technology (IT) platform that will allow them to interface with the electronic folders (ongoing implementation); and
- Development of electronic processes to speed the request and retrieval of evidence from medical and educational sources (implemented in FY 2003).

Office of Hearings and Appeals (OHA) Technology— During FY 2003, OHA distributed speech recognition software to decision writers and Administrative Law Judges (ALJs) for producing decisions, instructions and other case-related documents. This software reduces the processing time for cases where the decision was dictated on tape.

Also during FY 2003, SSA finalized plans to implement digital recording in OHA hearing offices, replacing outdated analog cassette recordings. The digital recordings will ultimately become part of electronic folders, eliminating the storage of cassette tapes and all but eliminating the remand of cases due to lost or inaudible tapes. This will free up resources to work on pending cases.

1.1 — Key Performance Indicator: *Initial Disability Claims Processed*



FY 2003 Goal: 2,498,000

Actual FY 2003 Performance: 2,526,020

SSA met its goal. In FY 2003, the DDSs placed increased emphasis on initial claims. Additional funding was provided to maintain the FY 2002 pending level and position the DDSs to eliminate initial claims backlogs in future years. The DDSs also diligently managed medical costs and increased productivity to ensure maximum results.

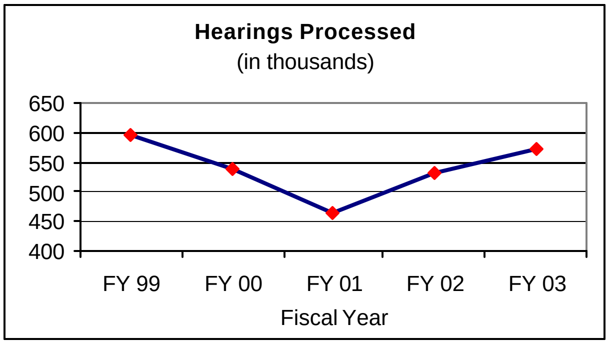
FY 1999: 2,012,047 **FY 2000:** 2,035,627
FY 2001: 2,166,623 **FY 2002:** 2,376,572

Trend: The number of claims processed continues to increase each year.

Data Definition: DDS count of initial disability claims processed, including disabled dependents.

Data Source: National Disability Determination Services System.

1.2 — Key Performance Indicator: *Number of Hearings Processed*



FY 2003 Goal: 602,000

Actual FY 2003 Performance: 571,928

SSA did not meet its goal. SSA came very close to achieving the challenging goal that was set for this year, processing more than 39,000 more hearings than last year. A number of issues played a part in the Agency narrowly missing this goal. First, SSA continued to be unable to hire ALJs because of the *Azdell* litigation. Hiring additional adjudicators is critical in helping the Agency make decisions at the hearings level. Second, an initiative to have adjudicators other than ALJs process fully favorable on-the-record decisions was not implemented. This initiative, called the Senior Attorney Program, should be in place for next year. SSA had record-breaking productivity of 2.26 cases per ALJ per day. We will strive to maintain this level of ALJ productivity in order to meet the FY 2004 target.

FY 1999: 596,999 **FY 2000:** 539,426
FY 2001: 465,228 **FY 2002:** 532,106

Trend: The number of hearings processed by SSA has risen by over 100,000 over the past 2 years.

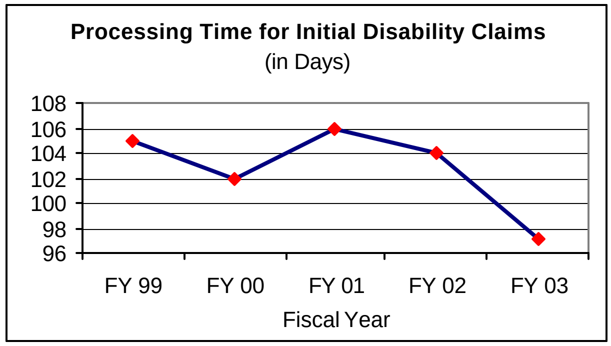
Data Definition: All hearings processed by OHA, which includes hearing requests from all programs.

Data Source: OHA Hearing Office Tracking System.

1.3 — Key Performance Indicator: *Average Processing Time for Initial Disability Claims (Days)*

FY 2003 Goal: 104 days

Actual 2003 Performance: 97 days



SSA met its goal. The Agency provided additional funding to the DDSs to focus on processing initial disability claims. Receipt levels remained high providing a pool of quick turn-around cases that examiners could process while developing the more complex claims.

FY 1999: 105 days	**FY 2000:** 102 days
FY 2001: 106 days	**FY 2002:** 104 days

Trend: Processing time shows improvement over the past 2 years, taking approximately 7 fewer days to complete actions on disability claims.

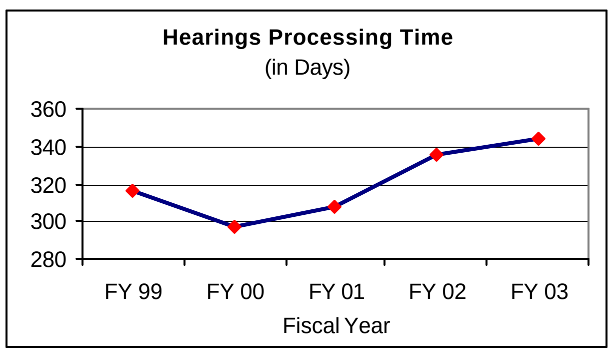
Data Definition: This is the fiscal year average processing time for DI and SSI claims combined. Processing time is measured from the application date (or protective filing date) to either the date of the denial notice or the date the system completes processing of an award.

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

1.4 — Key Performance Indicator: *Average Processing Time for Hearings (Days)*

FY 2003 Goal: 352 days

Actual FY 2003 Performance: 344 days



SSA met its goal. Despite meeting SSA's FY 2003 goal, hearing processing time continues to edge higher. The number of Medicare hearings receipts has been lower than anticipated. Certain types of Medicare cases are much faster and easier to process. Therefore, having fewer Medicare hearings contributed to an increasing average processing time and a lower number of hearings processed per workyear (PPWY). In FY 2004, SSA expects to begin hiring ALJs and support staff, which should help meet the target. The full benefit of this additional staff should be seen in FY 2005 when the new ALJs are fully productive. This year, the Agency's efforts resulted in record-breaking productivity of 2.26 cases per ALJ per day, which helped SSA meet the processing time goal.

FY 1999: 316 days	**FY 2000:** 297 days
FY 2001: 308 days	**FY 2002:** 336 days

Trend: SSA expects a steady rise in the number of cases pending in FY 2004. This, combined with SSA's past inability to hire ALJs because of the *Azdell* litigation, will likely cause the average processing time to continue to increase over the next year. The process for hiring ALJs takes a minimum of 3 months. To staff some of the Agency's most critical needs, SSA plans to hire a limited number of ALJs in FY 2004 from the existing Office of Personnel Management (OPM) register which has not been open to new applicants since 1999. The Agency will then hire a substantial number of ALJs in FY 2005 once the OPM register is updated.

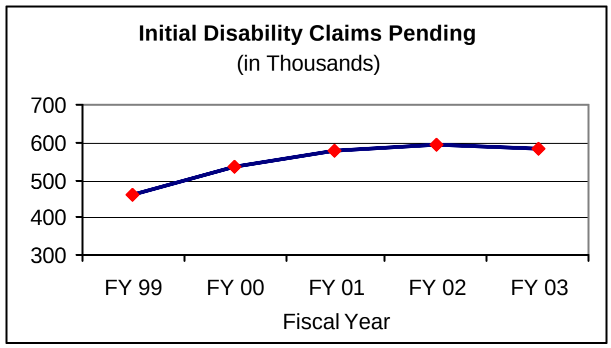
Data Definition: Beginning FY 2000, this indicator was redefined, from the one included in the FY 1999 APP, to represent the average elapsed time (from the hearing request date until the date of the notice of the decision) of all hearing-level cases processed during all months of the fiscal year. The FY 1999 APP measure reflected the average elapsed time of hearing-level cases processed only in the last month of the FY (September).

Data Source: Hearing Office Tracking System (HOTS).

1.5 — Key Performance Indicator: *Number of Initial Disability Claims Pending*

FY 2003 Goal: 593,000

Actual FY 2003 Performance: 581,929



SSA met its goal. The number of initial claims pending had escalated from FY 1998 to FY 2002 due to increasing receipt of cases and the focus on ensuring the medical CDR workload is current. In FY 2003, the DDSs placed increased emphasis on initial claims. Additional funding was provided to maintain the FY 2002 pending level and position the DDSs to eliminate initial claims backlogs in future years. The DDSs also diligently managed medical costs and increased productivity to ensure maximum results.

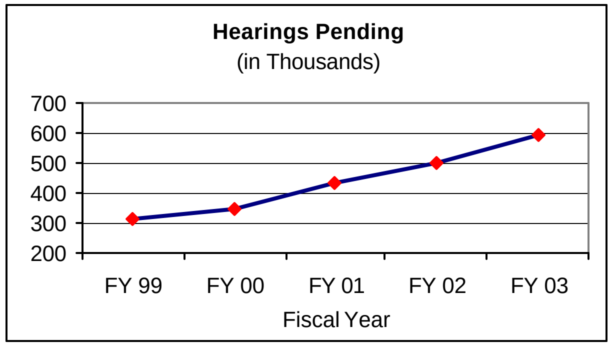
FY 1999: 457,823 **FY 2000:** 535,407
FY 2001: 578,524 **FY 2002:** 592,692

Trend: Pending cases decreased slightly this year in contrast to a rising trend in 1999-2002.

Data Definition: DDS count of initial disability claims pending, including disabled dependents.

Data Source: National Disability Determination Services System.

1.6 — Key Performance Indicator: *Number of Hearings Pending*



FY 2003 Goal: 587,000

Actual FY 2003 Performance: 591,562

SSA did not meet its goal. While the Medicare hearings receipts have been lower this year, the total hearings receipts have been significantly higher than last year as a result of increased DDS processing of claims. Through August, OHA had received almost 62,000 more hearing requests than at the same time last year. This year, SSA continued to be unable to hire ALJs because of the *Azdell* litigation. ALJs are critical in helping the Agency make decisions on hearings. Additionally, an initiative to have adjudicators other than ALJs process fully favorable on-the-record decisions was not implemented. This initiative, called the Senior Attorney Program, should be in place for next year. SSA had record-breaking productivity of 2.26 cases per ALJ per day. The Agency will strive to maintain this level of ALJ productivity, which should help SSA meet the FY 2004 target.

FY 1999: 311,958 **FY 2000:** 346,756
FY 2001: 435,904 **FY 2002:** 500,757

Trend: The level of hearings pending has continued to increase over the past 4 years. SSA is working hard to address this negative trend.

Data Definition: All hearings pending in the OHA, including hearing requests from all programs. The FY 2003 target for the number of hearings pending includes both SSA and Medicare cases. The Administration's plan is to transfer the Medicare hearings function to the Department of Health and Human Services starting with FY 2005. The FY 2003 target, excluding Medicare hearings, is 532,000.

Data Source: OHA Hearings Office Tracking System (HOTS).

Strategic Objective 2: Increase employment for people with disabilities

SSA's key long-term outcome is to increase the number of people with disabilities who achieve employment by 50 percent from 2001 levels. SSA continues to improve Agency programs and resources and to develop a nationwide infrastructure that will help beneficiaries with disabilities achieve self-sufficiency through employment, including:

- Expanding the Ticket-to-Work Program. The Ticket-to-Work Program offers SSA disability beneficiaries greater choice in obtaining the services they need to help them go to work and attain their employment goals. In November 2002, SSA began Phase 2 of the program, sending tickets to approximately 2.5 million beneficiaries in 20 States and the District of Columbia. This rollout was concluded in September 2003. Phase 3 will begin in November 2003.

- Recruiting more Employment Networks (EN) to provide employment, vocational rehabilitation or other support services necessary to help SSA's beneficiaries achieve their vocational goals. To date, SSA has awarded over 800 EN contracts nationwide.

- Providing training about employment support programs and related systems enhancements for field office staff so they may better help SSA's beneficiaries with their vocational goals. A new position called the Area Work

Incentive Coordinator (AWIC) was created in 2003 to support this objective. SSA's 58 AWICs will provide and/or oversee training on SSA's employment support programs for all direct service personnel. The AWICs will also coordinate with the 1335 Work Incentives Liaisons in local offices, Public Affairs Specialists, the Plan for Achieving Self-Support Cadre members and other personnel to facilitate outreach activities, provide improved services and information on SSA's employment support programs to beneficiaries with disabilities who want to start or keep working.

- Continuing to fund, train and manage two grant programs with community-based organizations. These programs provide work incentives planning and assistance to beneficiaries with disabilities, conduct outreach efforts, provide information and advice about receiving vocational rehabilitation and employment services, and provide advocacy services that beneficiaries with disabilities may need to secure or regain employment. Over 70,000 beneficiaries have been served by these programs.
- Initiating a free, national referral service for employers to assist them in hiring qualified workers with disabilities from the Ticket-to-Work Program. This specialized unit of the Department of Labor's Employer Assistance Referral Network is the Ticket-to-Hire Program, which began in October 2002. It seeks to help disabled beneficiaries connect with employer networks, State Vocational Rehabilitation agencies and other employment support groups.

Strategic Objective 3: Improve service with technology

SSA's key long-term outcome is to substantially increase the use of electronic services.

Electronic Access to Service — During FY 2003, SSA focused attention on providing citizens with better access to SSA, improving service and meeting increasing demands for electronic services. During FY 2003, citizens have accessed SSA's informational e-Services 29,628,663 times. Although visits to the website are leveling off, other services, such as Frequently Asked Questions (FAQ), continue to grow. The volume of FAQs viewed in FY 2003 increased by 71 percent over last year. SSA's redesigned website, www.socialsecurity.gov, made it easier for the public to find the information needed and to conduct business. During the most recent SSA public survey, 71 percent of those surveyed rated the site as excellent, very good, or good. Results of an online survey, presented at the completion of several of SSA's Internet applications, showed that 96 percent of users felt the applications were easy to use and would recommend them to others.

While SSA is committed to ensuring privacy and security in the Internet environment, the Agency continues to review the limitations to online transactions. SSA also continues to work with the General Services Administration's (GSA's) e-Authentication initiative to explore other authentication methods, including third party processes. Additionally, SSA has started the steps necessary to implement knowledge-based authentication to augment current Personal Identification Number (PIN)/Password protected e-Services.

Use of e-Service — Much research and analysis has been done to determine ways SSA can increase use of e-Service through changes or enhancements to Agency applications. SSA's citizen-centered approach to providing e-Government services includes thoroughly understanding the wants and needs of the public. SSA conducted research and collaborated with other agencies to determine trends in e-Service usage to better align the Agency's strategic planning efforts. All new applications and the enhancements to existing ones are now tested in SSA's Usability Center to ensure ease of use for citizens.

People must also know that SSA's services exist before they can take advantage of them. SSA's Office of Communications began a national marketing plan in April 2003, to announce the change in the Internet address, the redesigned website, and the availability of online services, including the retirement application. The purpose of the marketing plan is to increase the use of SSA's on-line services. Regional offices have encouraged third parties, such as large employers and the medical community, to help promote e-Service usage throughout their communities.

Measurement of Overall Service Satisfaction — SSA continues to monitor the satisfaction of those who call or visit the Agency. SSA's Office of Quality Assurance and Performance Assessment captures public satisfaction shortly after service contacts, either by telephone or in-person, take place. Refer to the associated KPI on page 40 for more details.

Telephone Service — SSA's national 800-number network provides toll-free telephone access to SSA services, including equal accessibility to citizens with hearing impairments. People in the United States, Puerto Rico, Guam and the Virgin Islands have greater access to filing applications for benefits, reporting changes that impact the accurate payment of benefits and obtaining information and other services. Agent service is available Monday-Friday from 7 a.m. to 7 p.m.; automated services are available 24-hours a day, 7 days a week. Increased network efficiency and additional automated telephone options will further improve the Agency's service to the public.

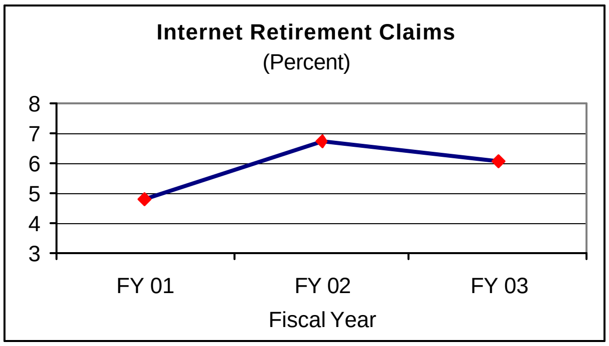
Electronic Service to Employers — SSA's FY 2003 accomplishments include:

- New services for employers were implemented in January 2003. These included the ability to view error information and notices on-line, the ability to request an extension for filing a resubmission, and electronic notification of errors via e-mail.
- SSA worked closely with software vendors to provide guidance on the best method to incorporate electronic filing functionality into their commercial off-the-shelf business and tax software products.
- SSA developed a document entitled "Business Services Online Connection Specifications for Software Developers" to provide the software development community the programming requirements for incorporating SSA's business services online into their software.
- Through participation in the Internal Revenue Service's (IRS) nationwide Tax Forums, SSA is able to annually reach approximately 10,000 tax accountants who represent small businesses. These forums provide the opportunity to disseminate electronic filing marketing material and answer questions from the accounting community.
- SSA's Regional Offices contact organizations and their local chapters to offer electronic filing outreach activities.
- Publications such as the IRS/SSA Report (***http://www.socialsecurity.gov/employer/pub.htm***) encourages electronic filing and promotes the benefits associated with electronic filing.

3.1 — Key Performance Indicator: *Percent of Retirement Claims Initiated via the Internet*

FY 2003 Goal: **7.1% (conservative)**
7.4% (mid-range)
8.1% (optimistic)

Actual FY 2003 Performance: 6.1%



SSA did not meet its goal. When the Internet retirement claims goal was set, SSA expected to be able to make improvements in FY 2003 to the Internet retirement application to make it more user-friendly. Additionally, the Agency's planned media campaign was not implemented due to across-the-board budget reductions. SSA has taken actions to achieve the performance target in FY 2004 through an aggressive campaign to market the new website to the public and promote electronic filing of retirement claims. The Agency plans to use a broader performance goal for FY 2004 that incorporates seven Internet applications, and projects a growth in usage of 50 percent for those applications over the FY 2002 base. Based on a composite of SSA's FY 2003 performance for these seven applications, it is expected that SSA will meet and exceed the FY 2004 goal.

FY 1999: Not Available
FY 2000: Not Available
FY 2001: 4.8%
FY 2002: 6.7%

Trend: After experiencing significant growth last year, the number of Internet Retirement Claims fell somewhat this past year. Depending on the availability of resources, SSA will conduct a media campaign to encourage on-line filing.

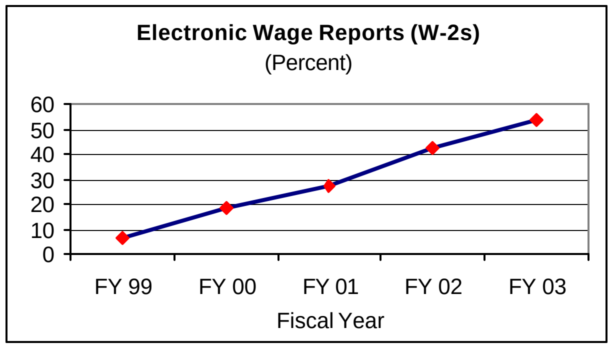
Data Definition: SSA's FY 2003 goal is stated as a range of percentages of retirement claims initiated via the Internet. This range is more appropriate than a specific target since the workload is still new and SSA has a limited baseline to detect trends. The range represents a conservative (5 percent growth rate), mid-range (a 10 percent growth rate), and optimistic (a 20 percent growth rate).

Data Source: Executive and Management Information System (EMIS), Title II Internet claims report provides the universe of retirement claims received and those initiated via the Internet.

3.2 — Key Performance Indicator: *Percent of Employee Reports (W-2s) Filed Electronically*

FY 2003 Goal: 48.0%

Actual FY 2003 Performance: 53.4%



SSA met its goal. SSA has worked with the employer, payroll and software communities to encourage electronic filing during the past several years with continued success. The systems architecture is in place and the Agency has worked hard to acquaint employers and software developers with electronic filing through outreach activities. SSA will continue to market the electronic wage reporting message extensively.

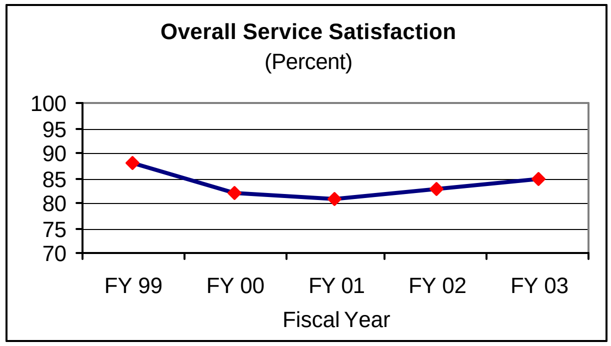
FY 1999: 6.6%
FY 2000: 18.4%
FY 2001: 27.0%
FY 2002: 42.5%

Trend: This is an extremely positive upward trend, exceeding SSA's goal.

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

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

3.3 — Key Performance Indicator: *Percent of People Who Do Business with SSA Rating the Overall Service as "Excellent," "Very Good," or "Good"*



FY 2003 Goal: 83%

Actual FY 2003 Performance: 85%

SSA met its goal. The overall public satisfaction rating increased in FY 2003. Since people who do business with SSA primarily choose to use the telephone, satisfaction with telephone service is a key factor in the overall rating. Perceptions of access by telephone, i.e., ease of "getting through" has been a consistent determinate of overall satisfaction for those calling SSA's 800 number and field offices. In FY 2003, the high degree of satisfaction with 800 number service was influenced by a greatly improved telephone access rating, contributing to a significant increase in satisfaction with SSA service overall.

FY 1999: 88%	**FY 2000:** 82%
FY 2001: 81%	**FY 2002:** 83%

Trend: FY 2003 was the second year in a row that the public's perception of SSA's service reflected a statistically significant improvement.

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

Data Source: For FY 1999 and earlier, the SSA Annual Satisfaction Survey. For FY 2000 and beyond, the Service Satisfaction Surveys that captures satisfaction shortly after service contacts (either by telephone or in-person) take place.

Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

Ensuring program stewardship is an inherent aspect of the Agency's responsibility to provide good service to the public. The people of America who fund the Social Security programs through payroll tax contributions and the SSI program through income tax payments expect and deserve well-managed programs. Taxpayers must be confident that their tax dollars are properly spent. Beneficiaries must know that their benefits are correctly paid.

Good stewardship also demands the effective and efficient use of the resources SSA receives to administer the programs. This goal addresses three PMA areas that are aimed at sound financial management: Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration.

Finally, good stewardship encompasses the responsibility to ensure the security of SSA's information systems and the integrity and privacy of the information that SSA maintains.

The following describes SSA's FY 2003 performance in the context of the Agency's key long-term outcomes, the PMA initiatives and the GAO and OIG major management challenges.

Strategic Objective 4: Prevent fraudulent and erroneous payments and improve debt management

SSA's key long-term goal is to increase SSI payment accuracy to 96 percent (free of preventable error) and to 95 percent (free of error). In FY 2003, SSA continued to build on SSI program management improvements. SSA improved its systems control by automating the "netting" of additional amounts due for some months against excess payments made for other months. The Agency's two performance indicators related to SSI accuracy are discussed beginning on page 79. Other FY 2003 activities that helped improve the integrity of the SSI program were:

- Aggressively using new debt collection tools, i.e., reporting errors to credit bureaus, referring debtors to the Treasury Offset Program, recovering tens of millions of dollars through recovery of SSI overpayments from OASDI benefits (cross-program recovery);
- Referring cases to the Agency's OIG for prosecution or administrative sanctions;
- Piloting electronic verification of vital events, e.g., electronic death verification;
- Conducting a monthly wage reporting pilot;
- Exploring the feasibility of electronic verification of bank accounts;
- Publishing a Notice of Proposed Rulemaking for "administrative wage gamishment"; and
- Increasing the number of high-error profile non-disability redeterminations.

Fraud Risk and Improper Payments — SSA's key long-term goals include:

- Maintaining the OASDI payment accuracy goal of 99.8 percent. Based on the most recent actual data, SSA exceeded its accuracy target with an actual accuracy rate of 99.9 percent in FY 2002:
- SSA completed the backlog of DI and SSI Continuing Disability Reviews (CDR) in FY 2002. In FY 2003, the special CDR funding lapsed and SSA made some difficult spending decisions, placing the focus on initial disability claims rather than CDRs. The result was that the Agency remained current with DI CDRs, because they are more cost effective to process, but not with SSI CDRs of which approximately 121,000 were not processed in FY 2003. SSA anticipates that the backlog from FY 2003 will be fully eliminated in FY 2005, provided that the Agency receives adequate funding;
- Completing work on special disability cases (refer to page 21 for more details);
- Reducing the backlog of workers' compensation cases (refer to page 21 for more details).

Cooperative Disability Investigations (CDI) — The CDI program is a joint effort by the OIG and SSA to improve Agency stewardship responsibilities in the Social Security disability program, with a zero tolerance for fraud and abuse. The CDI units are comprised of an OIG team leader and staff from SSA field offices, DDSs and local law enforcement agencies. At the end of FY 2003, SSA had 17 CDI units in full operation, with one more unit preparing to start operation.

The units provide investigative support to select DDSs during the initial and continuing disability review process. They help combat fraud by investigating questionable statements and activities of claimants, medical providers, attorneys, interpreters, or other service providers who may be involved in the facilitation or promotion of disability fraud. The investigative evidence is provided to the DDSs to make timely and accurate disability determinations. The evidence is also used by the OIG in determining whether criminal prosecution is warranted.

Overall productivity and program savings from the CDI units continues to increase every year. In FY 1998, when the program began, it accounted for $2.8 million in cumulative savings for SSA. Through September 2003, cumulative SSA program savings had increased to over $278 million, with an additional $152 million in projected savings for non-SSA programs. In addition to these savings, the public's awareness of the CDI program is expected to be a deterrent to fraud and provide intangible benefits.

Integrity of the Representative Payee Process —

- *Selection of Representative Payees* — During FY 2003, SSA explored ways to strengthen the representative payee selection process including:
  - SSA wrote a statement of work to secure a contract to conduct focus groups and do criminal background checks on officers and employees of fee-for-service (FFS) payee organizations. The Agency has since decided to do the focus groups in-house, and the contract for criminal checks is pending.
  - SSA awarded a contract in September 2002 for credit and financial background checks on FFS organizations. As a result, the Agency will get background checks for 850 FFS organizations that currently serve as payees and expects to get background checks for the approximately 60 new organizational payees who apply each year.

- *Representative Payee System (RPS) Enhancements and Matching Activities:*
  - SSA has approved plans to improve the Representative Payee System (RPS). The Representative Payee Accountability Improvement Project will include more effective tracking of payee accountings.
  - SSA performed a second match of the Death Master File against RPS in 2003 and found 2,888 cases where there was incorrect or outdated information on one of the databases. These cases were distributed to SSA's field offices for corrective action.
  - Since July 2001, SSA has been imaging paper Representative Payee Reports. The electronic storage and retrieval of these paper accounting documents is a significant improvement over the manual retrieval process. SSA continues to keep the paper forms in case they are needed for payee misuse or fraud investigations.
  - In November 2001, SSA implemented changes to the RPS to prevent the appointment of individuals as payee who themselves have a payee. In addition, SSA performed two match operations to identify existing cases where a current payee has a payee for their own benefits. These cases were distributed to SSA's field offices for corrective action. A final match operation was conducted in August 2003.
  - The I-623 Proof of Concept pilot was launched in March 2003. The pilot, limited to 38 organizational representative payees, will test the feasibility of on-line representative payee accounting forms.
  - SSA performed a match of fugitive felon data against the RPS in 2003 and found 500 cases needing payee suitability investigation. SSA also issued instructions that require adjudicators to review the RPS whenever they receive a new fugitive felon alert.

- *Bonding and Licensing of Representative Payees* — SSA is developing a "notice of proposed rule-making" that sets $3,000 as the minimum bond required for fee-for-service organizations serving five beneficiaries, and an additional minimum coverage of $600 for each additional beneficiary above five. The Agency specified that if an organization is not bonded then it must be licensed (for the appropriate type of service provided) in each State in which it serves as representative payee.

- *Expanded Site Review Monitoring Program* — SSA initiated an expanded site review monitoring program for:
  - All payees receiving a fee for their services;
  - All organizational payees serving over 100 beneficiaries; and
  - All individual payees serving 20 or more beneficiaries.

  This program, now in its 3rd year, has resulted in improved payee performance. SSA conducted 1,391 of these reviews through June 2003. These visits:

  - Improve communication between SSA and the payees;
  - Provide an opportunity to remind payees of their duties and responsibilities; and
  - Discover problems and make sure they are corrected.

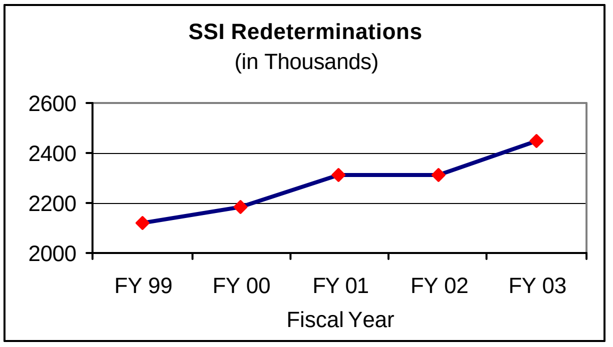
In addition, SSA conducts random reviews of 30 percent of payees subject to the triennial review process. From March 2001 through June 2003, a total of 480 of these reviews were conducted.

Improve Debt Management — SSA's key outcomes are to increase the percent of outstanding debt that is in a collection arrangement and to increase collections. The strategy for improving the management of debt includes a number of debt collection initiatives which are detailed in the "Agency Challenges" section on page 22.

4.1 — Key Performance Indicator: *SSI Non-Disability Redeterminations*

FY 2003 Goal: 2,455,000

Actual FY 2003 Performance: 2,449,674



SSA did not meet its goal. SSA narrowly missed processing the targeted number of non-disability redeterminations in FY 2003. Contractor delays in releasing approximately 100,000 mailings to SSI recipients in August, left the Agency with little time to compensate for the error. Nevertheless, SSA came within 0.2 percent of meeting the ambitious goal. This year, the Agency did process over 138,000 more non-disability redeterminations than in FY 2002. SSA had taken action earlier in the year to increase the number of cases to be worked, to ensure the Agency would meet the targeted number. Barring contractor error, the number would have been more than adequate to meet SSA's purposes. Based on this year's experience, SSA plans an even larger number of releases in FY 2004 to ensure that the Agency meets its goal.

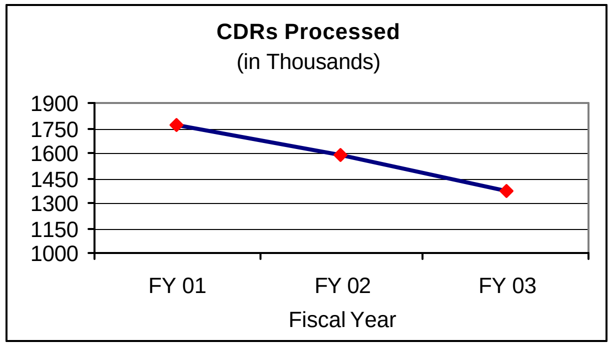
FY 1999: 2,122,279	**FY 2000:** 2,182,027
FY 2001: 2,315,856	**FY 2002:** 2,311,499

Trend: SSA had a 6 percent growth in the number of non-disability redeterminations the Agency processed in FY 2003. The number of redeterminations to be completed is determined by the level of funding SSA receives to address the workload. The goal was missed by such a small percentage in 2003 that it does not represent a change in the trend. SSA fully expects to meet its goal this fiscal year.

Data Definition: All actions involving the redetermination of eligibility of SSI beneficiaries resulting from diary actions (scheduled) and initiated as a result of events reported by beneficiaries. The number of non-disability redeterminations completed includes those cases released to the Regions, as well as to the Wilkes-Barre Data Operations Center (WBDOC).

Data Source: Redeterminations Service Delivery Objective (RZ SDO) Report for PEODS.

4.2 — Key Performance Indicator: *Continuing Disability Reviews (CDRs) Processed*



FY 2003 Goal: 1,129,000

Actual FY 2003 Performance: 1,371,255

SSA met its goal. Through FY 2002, SSA worked steadily toward the objective of becoming current with CDRs. SSA met that objective by the end of FY 2002. This effort was helped considerably by the special funding provided by Congress from FYs 1996-2002. In addition, SSA made improvements in the CDR profiling process, resulting in an increased number of CDRs processed by mailers rather than by more expensive full medical reviews. In FY 2003, the special CDR funding lapsed and due to the across-the-board resource reduction, SSA was forced to make some difficult spending decisions, placing the focus on initial disability claims rather than on CDRs. As a result, although SSA remained current with its OASDI CDRs, approximately 130,000 SSI CDRs were not released for processing in FY 2003. After the Agency developed its budget for FY 2003, operational components proceeded accordingly to meet this year's targeted goal. This included processing full medical review CDRs and mailers by both the Wilkes-Barre Data Operations Center (WBDOC) and the Program Service Centers (PSCs).

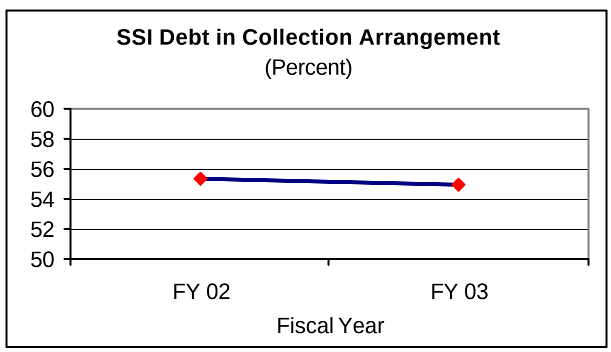
FY 1999: 1,703,414 **FY 2000:** 1,836,510
FY 2001: 1,762,517 **FY 2002:** 1,586,091

Trend: With special funding from Congress, SSA successfully completed its 7-year plan to eliminate the CDR backlog last year. This year, without special funding from Congress, the Agency achieved its new targeted number of CDRs.

Data Definition: Count combines periodic reviews and other CDRs processed by the DDSs, and mailers not requiring medical reviews.

Data Source: Disability Operational Data Store (DIODS) and CDR Tracking File.

4.3 — Key Performance Indicator: *Percent Outstanding SSI Debt in a Collection Arrangement*



FY 2003 Goal: 55%

Actual FY 2003 Performance: 55.0%

SSA met its goal. While SSA's objective in managing the SSI program is to achieve the highest accuracy rate possible, it is inevitable that some debt will be created because of the dynamics of the program. SSA's stewardship responsibilities require that the Agency recover as much of this debt as possible. In FY 2003, SSA's recovery of a substantial amount of SSI debt was due to effective use of available debt recovery tools.

In FY 2004, the Agency's objective is to increase the percent of outstanding debt that is in a collection arrangement. In order to accomplish this objective, SSA will continue to use the aggressive debt collection tools available:

mandatory cross-program recovery, Treasury Offset Program for collection by administrative offset from other federal payments and tax refunds, and reporting delinquent SSI debtors to credit bureaus.

FY 1999: Not Available **FY 2000:** Not Available
FY 2001: Not Available **FY 2002:** 55.4%

Trend: Trend data is not available as this is a new indicator beginning in FY 2003.

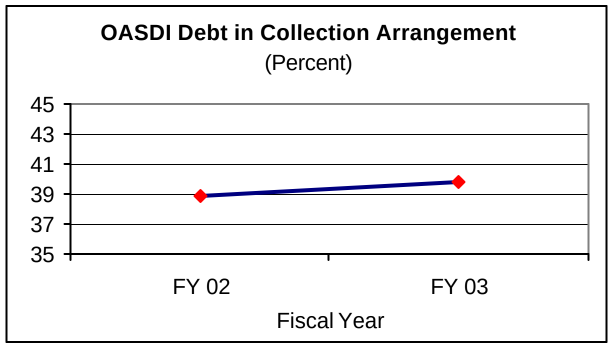
Data Definition: This new measure for FY 2003 is the percent of outstanding SSI debt that is scheduled for collection by benefit withholding or installment payment. The rate is expressed as the average for the year. Outstanding SSI debt is grouped into four main categories: newly established debt; debt that involves a current due process request such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories.

Data Source: Supplemental Security Record (SSR).

4.4 — Key Performance Indicator: *Percent Outstanding OASDI Debt in a Collection Arrangement*

FY 2003 Goal: 38%

Actual FY 2003 Performance: 39.8%



SSA met its goal. While SSA's objective in managing the OASDI program is to achieve the highest accuracy rate possible, it is inevitable that some debt will be created because of the dynamics of the program. SSA's stewardship responsibilities require that the Agency recover as much of this debt as possible. In FY 2003, SSA's recovery of a substantial amount of OASDI debt was due to effective use of available debt recovery tools.

In FY 2004, SSA plans to move toward a more ambitious goal. The Agency's objective is to increase the percent of outstanding debt that is in a collection arrangement. In order to accomplish this objective, SSA will continue to use the aggressive debt collection tools available: Treasury Offset Program for collection by administrative offset from other federal payments and tax refunds, and reporting delinquent debtors to credit bureaus.

FY 1999: Not Available **FY 2000:** Not Available
FY 2001: Not Available **FY 2002:** 38.9%

Trend: Trend data is not available as this is a new indicator beginning in FY 2003.

Data Definition: This is the percent of outstanding OASDI debt that is scheduled for collection by benefit withholding or installment payment. The rate is expressed as the average for the year. Outstanding OASDI debt is grouped into four main categories: newly established debt; debt that involves a current "due process" request, such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories.

Data Source: The Recovery of Overpayments, Accounting and Reporting (ROAR) system.

Strategic Objective 5: Strengthen the integrity of the Social Security Number (SSN)

SSA's key long-term goal is to ensure that SSNs are only issued based on verified documents.

Enumeration at Entry— In June 2003, SSA completed implementation of the Enumeration-at-Entry Process designed to issue SSN cards based on data collected by the Bureau of Citizenship and Immigration Services (BCIS) as part of the immigration process.

Publication of Regulation — SSA expedited publication of a regulation which will:

- Reduce the age requiring a mandatory in-person interview for an original Social Security Number (SSN) from age 18 to age 12;
- Eliminate the waiver of evidence of identity for children under the age of 7 applying for an original SSN card; and
- Clarify Agency rules regarding when SSA assigns an SSN to an alien legally in the U.S., but without authorization to work.

Review of SSN Verification Processes — During FY 2003, SSA conducted a comprehensive review of its SSN verification processes. A team of technical experts reviewed SSN disclosure policy and various systems routines, and is making recommendations for ways to enhance verification services.

Strategic Objective 6: Increase the accuracy of earnings records

SSA's key long-term goal is to remove earnings items from the suspense file and post them to the correct earnings record.

Implementation of the Social Security Number Verification Service (SSNVS) Pilot —

- SSA annually processes 250 million W-2 forms. Ten percent of all W-2s have names and/or Social Security Numbers (SSNs) that do not match SSA's Numident files. Without a correct name and SSN, SSA is unable to post the earnings from the W-2 form to the proper earnings record.
- SSA provides tools to employers to help them ensure that they have the correct name and SSN to use on their employees' W-2s. We allow employers to call our toll free Employer Reporting Service Center and the SSA 800# to verify up to five names and SSNs. Employers may also mail a paper listing of up to 50 names and SSNs to their local Field Office or the Wilkes-Barre Data Operations Center. They may also send a tape or diskette to the Office of Central Operations to verify up to 250,000 names and SSNs.
- SSA is now piloting the use of the Internet for Employers to verify the accuracy of the names and SSNs of their employees. The pilot is named the Social Security Number Verification Service (SSNVS). In the first year of the pilot, April 2002 thru March 2003, six employers used SSNVS 500 times to verify 50,000 names and SSNs. The pilot was expanded in April 2003. As of September 30, 2003, 53 employers have used the SSNVS system over 11,000 times to verify over 2 million SSNs.

Strategic Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

SSA has set a goal of achieving an average of at least 2 percent per year improvement in productivity. Advances in automation are key to SSA's productivity improvement; however process changes have also made positive contributions. In FY 2002, SSA achieved a 5 percent productivity improvement over the prior year, enabling the Agency to process thousands more claims than expected. The Agency continued to improve its productivity at a rate of 2.1 percent this year. It is critical that the Agency improve productivity in the disability process. Therefore, SSA has included DDS productivity as a KPI. Additional information on SSA's overall productivity measure can be found on page 85. Some major initiatives to improve Agency productivity include:

- AeDib will capture and store all essential material from the disability folder electronically, allowing all components in the disability claims process immediate access to the file. The file will contain more data and reduce the need for re-contacting the claimant. SSA expects that in the long term, folder handling and mail time will be eliminated with the electronic folder.

- The following details ongoing projects that use technology to improve SSA's wage reporting system, the claims process and the postentitlement (PE) reporting process:

  - SSA implemented full Internet wage reporting capability, including completion of W-2 forms, a variety of responsive help desk services, a facility for employers to download wage reporting software and online error notice capability. The Agency's ability to receive electronically filed wage reports through the Internet provides the business community with an easy-to-use, cost-effective filing process and helps SSA lower costs, capture data quicker and transmit information to the IRS faster.
  - SSA continues to expand its Internet service to provide public access to several claims and PE options. The Title II Redesign project improves the claims application and PE processes by providing a single system for handling all initial claims and client-initiated PE actions in an online, interactive mode.
  - The SSI system is being enhanced to further improve productivity by reducing internal work hand-offs and multiple contacts with recipients. The upcoming release will automate windfall offset, create a database to control SSI alerts, integrate the modernized SSI claims system with other SSA systems and automate several other SSI actions not currently supported by automation.

- Improved automation in OHA:

  - Implementation plans for digital recording of hearings that reduces the volume of remands caused by the loss of audio cassettes or faulty recordings are already in place;
  - Speech recognition software that saves time in drafting decisions has been deployed to hearing offices;
  - Video teleconferencing that allows ALJs to conduct hearings with claimants who are located a distance from the hearings office is being expanded; and
  - Bar coding for case tracking in the Office of Appellate Operations' Megasite has been implemented and has reduced processing time for coding and filing cases.

- Expansion of the e-Government Internet initiative increases opportunities for the public to conduct business with SSA electronically and provides access to several claims and PE options.

Systems Security — SSA continues to have a strong and effective information technology (IT) security program. The Agency has consistently received high ratings from Congressional subcommittees and strives to continuously improve the IT enterprise security program to ensure protection of the public trust. During the course of the past year, the Agency has taken steps to ensure that information security is receiving top management attention. Performance measures on information security and critical infrastructure protection have been added to all senior executives' performance plans. Information security has been made a routine agenda item for the executive staff and has been incorporated into other processes that receive executive level attention. Most importantly, significant progress was made in FY 2003 by SSA's integration of the Security Architecture into the Enterprise Information Technology Architecture.

President's Management Agenda — Following are SSA's FY 2003 activities and accomplishments that will help the Agency reach its long term 2008 goal of getting to green for "Status" on all five PMA initiatives. Currently the Agency is at "green" for Status on one PMA initiative - Improved Financial Performance - while the Agency is at green for "Progress" on each of the five initiatives:

- **Expanded Electronic Government —** SSA is a strong contributor to both Agency and government-wide e-Government initiatives. Additionally, SSA is a managing partner for the e-Vital project. Refer to page 19 for more details on the Agency's work with respect to e-Government.

- **Competitive Sourcing** — Competitive sourcing is a process by which government positions identified as commercial in nature are competed with the private sector. The competitor, whether the government or private sector, that provides the best price or the best value for the government wins the competition. The long term goal of competitive sourcing is to enhance government efficiency. SSA has developed an Agency-wide Competitive Sourcing Human Resource Plan providing basic policy on dealing with employees affected by competitions. Some of SSA's FY 2003 accomplishments include:

  – SSA achieved "green" for "Progress" on its June 2003 OMB rating;
  – To date, 49 positions have been competed with the private sector or converted to private sector ;
  – SSA's Office of Systems won a streamlined competition with the private sector on June 26, 2003. This streamlined competition included 36 positions;
  – SSA completed the Performance Work Statements (PWS) fortwo direct conversions and is working on solicitations for early FY 2004. A PWS explains the work that is required to be performed;
  – Standard competitions are progressing on target with award decisions expected in spring 2004;
  – Preplanning strategy is in progress for additional competitions; and
  – SSA's 2003 Federal Activities Inventory Reform (FAIR) Act Inventory was completed and submitted to OMB.

- **Improved Financial Performance —** During FY 2003, SSA's status for the PMA Improved Financial Performance was upgraded to "green" and remains "green" on "Progress" because the Agency submitted timely and accurate financial information, has made progress on the Social Security Unified Measurement System and the Managerial Cost Accountability System (SUMS/MCAS) and its financial accounting system, and continues to make progress on its SSI Corrective Action Plan. SSA's key long-term goals are to increase the percent of outstanding debt that is in a collection arrangement, annually receive an "unqualified opinion" on the Agency's financial statements with no material weaknesses reported by auditors, implement core functionalities of a comprehensive cost accountability system and a unified measurement system, and increase overall Agency productivity by at least 2 percent annually on average. Specifically, in FY 2003:

  – SSA received an unqualified opinion on its financial statements for the tenth consecutive year and accelerated the release of its FY 2002 PAR to mid-November, achieving the FY 2004 government standard 2 years ahead of time.
  – Beginning with the second quarter FY 2003, SSA submitted its quarterly unaudited financial statements to OMB 21 days after the end of the quarter, meeting the FY 2004 OMB requirement one year ahead of time.
  – SSA completed design and development, and started unit testing a new financial accounting system which was implemented in October 2003.
  – SSA met its FY 2003 milestones for SUMS and MCAS (refer to page 87 for details). Release 7 of the Cost Analysis System Renovation project was completed in May 2003, and the planning document for work time measurement and allocation efforts has been completed.
  – Due to SSA's progress in implementing an SSI Corrective Action Plan that focuses on preventing payment error caused by unreported wages and assets, GAO removed the SSI program from its "high-risk" list. The Agency implemented an SSI monthly wage reporting pilot as part of the corrective action plan.
  – SSA demonstrated the ability to provide integrated financial and performance information that was used to support day-to-day operations.

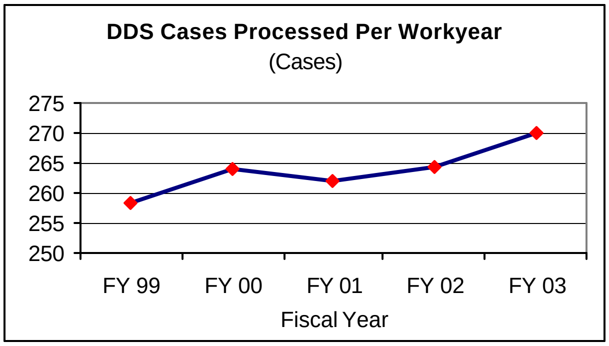
- **Budget and Performance Integration Including the Program Assessment Rating Tool (PART)** — SSA's budget clearly defined performance commitments, both in terms of quantifiable public service and program integrity workloads that SSA will handle, and the key outcomes it will achieve. Consistent with SSA's Strategic Plan and Service Delivery Plans, the over-arching goal is to eliminate backlogs and process special workloads. SSA's plans and budgeted activities reflect evaluations and feedback from the PART, Congress, the Social Security Advisory Board, the GAO, and the OIG. Accountability is clearly defined for major Agency initiatives and workloads, and productivity/process improvements are built in. Furthermore, in FY 2003, SSA continued the ongoing development of a new budget formulation system that will have capabilities to formulate and execute budgets based on fully loaded unit costs.

- **Strategic Management of Human Capital —** SSA's human capital strategies link to Agency mission and goals through the Future Workforce Transition Plan and the Agency Performance Plan. These strategies are supported through Agency budget commitments. SSA strategically plans and deploys its workforce, taking into consideration the use of competitive sourcing and e-Gov initiatives that ensure optimal citizen-centered service at the lowest cost. The Agency is also executing development programs and leadership succession in addition to identifying mission-critical competencies for hiring and training, and implementing strategies to enhance retention, sustain learning, and improve productivity. SSA's human capital planning is guided by measurable outcomes. Refer to page 52 for more details on the Agency's performance with respect to these outcomes.

7.1 — Key Performance Indicator: *Disability Determination Service (DDS) Cases Processed Per Workyear (PPWY)*

FY 2003 Goal: 264 cases per workyear

Actual FY 2003 Performance: 270.4 cases per workyear



SSA met its goal. The DDSs diligently managed medical costs and increased productivity to ensure that the maximum number of cases could be processed.

FY 1999: 259 **FY 2000:** 264
FY 2001: 262 **FY 2002:** 265

Trend: Since FY 2001, there has been a steady increase in the cases processed per workyear, and SSA expects this trend to continue. The expected net long-term effect of AeDib is an increase in the DDS PPWY, which is already built into the DDS budget.

Data Definition: This indicator represents the average number of DDS cases processed 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 DDS payroll plus doctors under contract to the DDS.

Data Source: National Disability Determinations Service System.

7.2 — Key Performance Indicator: *"Get to green" on all PMA Initiatives*

FY 2003 Goal: 100% of initiative plans receive "green" for progress.

Actual FY 2003 Performance: Received a "green" for progress on 100% of PMA initiative plans.

SSA met the goal. The June FY 2002 and 2003 ratings for Status and Progress on the five PMA plans are:

PMA Plan	June 2002		June 2003	
	Progress	Status	Progress	Status
Expanded Electronic Government	Yellow	Yellow	Green	Yellow
Competitive Sourcing	Yellow	Red	Green	Red
Improved Financial Performance	Green	Yellow	Green	Green
Budget and Performance Integration	Green	Yellow	Green	Yellow
Strategic Management of Human Capital	Green	Yellow	Green	Yellow

Trend: For the first time this year, SSA is "green" on all five PMA plans for "Progress". In FY 2002, SSA was at "green" on three PMA plans for "Progress" (Expanded Electronic Government, Improved Financial Performance and Strategic Management of Human Capital) and "yellow" on two (Competitive Sourcing and Budget and Performance Integration). SSA's goal for next year is to receive an overall rating of "green" on four of five PMA initiatives on Status. At present, the Agency is at "green" for Status on one PMA initiative - Improved Financial Performance.

Data Definition: Receiving a "green" for "Progress" on PMA initiative improvement plans for FY 2003 and "green" for "Status" for FY 2004.

Data Source: OMB PMA initiative improvement plan rating and overall PMA score.

Strategic Goal C: To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations

This goal addresses SSA's responsibility to continually assess the retirement and disability programs in the context of societal trends and support reforms to ensure the solvency of the programs for today's and tomorrow's beneficiaries. The Americans with Disabilities Act and medical and technological advances are removing barriers to work and changing the assumptions about what people with disabilities can do and want to do. This and other related concerns led the GAO to add modernizing all federal disability programs to its high-risk list. SSA must respond to these developments.

Without reforms, Social Security is not projected to be financially sustainable over the long term. When the first baby boomers reach retirement age in 5 years, the number of retirees will grow rapidly. Life-expectancy is also increasing and births are expected to be below population replacement rates. As a result, the ratio of workers paying taxes to the people drawing benefits is projected to decline from 3.3 to 1 today to 2.2 to 1 by 2030. Social Security's outgo will begin to exceed its tax income in 2018, and the Social Security trust funds will be exhausted by 2042. Projected assets (including current Trust Fund holdings and future tax income through 2077) are expected to fall short of the amount needed to adequately finance all scheduled benefits through 2077 by $3.5 trillion in present value terms. SSA will continue to educate the public on the solvency issue and possible solutions. The following describes SSA's FY 2003 performance in the context of this key outcome:

Strategic Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

Ultimately, the achievement of SSA's long-term financial goal, sustainable solvency, requires an act of Congress and a Presidential signature. The Agency has completed a wide variety of policy analyses on solvency issues and is publishing a number of these, as well as making them available to policymakers on the Internet. SSA's annual Retirement Research Consortium focused on "Securing Retirement Income for Tomorrow's Retirees" and devoted substantial time to Social Security reform issues. In addition, Agency officials have made and will continue to make presentations concerning the solvency issue.

In addition, members of the Office of Legislation and Congressional Affairs and of the Office of the Chief Actuary have worked with members of the Congress and their staff evaluating their legislative proposals to reform the Social Security program. Also, the Office of the Chief Actuary has developed estimates of the financial effects of several legislative reform proposals.

Public Understanding Measurement — In FY 2003, a new survey of public knowledge was conducted. This survey included additional questions about the public's knowledge of long-range financing issues. Survey findings will help establish baseline data upon which future outcome measures and targets will be established.

8.1 — Key Performance Indicator: *Provide Support to the Administration and Congress in Developing Legislative Proposals to Achieve Sustainable Solvency for Social Security and Implementing Reform Legislation*

FY 2003 Goal: Conduct analysis on key issues related to implementing Social Security reforms.

Actual FY 2003 Performance: Conducted analysis and made recommendations related to Social Security reforms.

SSA met its goal. SSA provided senior Agency officials and high-level policymakers with a wide variety of policy analyses on solvency issues and evaluated several congressional and other reform proposals.

Trend: Trend data is not available as this is a new indicator beginning in FY 2003.

Data Definition: Conduct analysis on key issues related to implementing Social Security reforms.

Data Source: SSA Office of Policy records.

Strategic Goal D: To strategically manage and align Staff to support SSA's mission

Strategic Objective 9: Recruit, develop and retain a high-performing workforce

This goal addresses the PMA Human Capital initiative and a similar GAO and the OIG identified Major Management Challenge regarding "Human Capital". There are six critical success factors that comprise the Human Capital Standards for success. Following is a summary of SSA's progress against those standards:

SSA's human capital strategy is aligned with the Agency's mission, goals and organizational objectives, and integrated into its strategic plan, performance plans and budgets — SSA's Strategic Plan for 2003-2008 outlines how the Agency will manage and align staff to support its mission. It contains human capital milestones regarding recruitment, retention, employee development and the creation of a satisfying work environment. SSA's Future Workforce Transition Plan (FWTP) flows from the Strategic Plan and is updated quarterly. SSA's Annual Performance Plan and budget request contain commitments to implement the human capital activities detailed in the FWTP. All commitments for FY 2003 have been met. These include implementing a new Senior Executive Services (SES) performance management system and developing a new system for non-bargaining GS-15 employees that went into effect October 2003. They also include redirecting resources to direct service, developing a Competitive Sourcing Human Resources Plan, piloting a competency-based structured interview process for external hiring, broadening SSA's National Recruitment Campaign, simplifying hiring practices through Recruitment One-Stop, redesigning entry-level training for mission critical claims representative and service representative positions, and other initiatives described below. Finally, SSA's Human Capital Assessment and Accountability Report, released in March 2003, documents Agency successes in the area of human capital management, and enables SSA to identify additional action items for further improvement.

SSA is citizen-centered, de-layered and mission-focused, and leverages e-Government and competitive sourcing — SSA developed a plan for updating retirement projections based on recent data and trends. This plan enables SSA to identify current and future human capital needs to enable the Agency to recruit necessary replacements and be responsive to the needs of citizens. SSA continues to work toward increasing the percentage of direct service employees. In FY 2003, 70 administrative positions were redirected to the front lines. SSA is making expanded use of e-Government initiatives, such as Recruitment One-Stop and e-Learning, and is moving quickly toward e-Payroll.

Agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance — SSA continues the aggressive use of national, component and regional-level development programs to ensure the continuity of leadership at SSA. SSA's Leadership Development (GS-9 through GS-12 employees), Advanced Leadership Development (GS-13 and GS-14 employees) and SES Candidate Development Programs (GS-15 employees) are recognized as among the best in government. The programs are designed to build leadership competencies, and they are structured and managed to link performance to results and provide a firm understanding of the Agency's four strategic goals. SSA's leaders promote cultural values by integrating the principles of integrity, pride and cooperation into the new hire orientation program and entry-level training packages. These national programs are supplemented by component-level and regional-level programs. The Agency strives to provide these job enrichment and developmental opportunities to 3 percent of its workforce annually.

In FY 2003, the Commissioner played a highly visible role in promoting learning across the Agency. She held a series of candid, interactive meetings with all supervisors, managers and executives in Headquarters and regional offices, discussing leadership principles, management philosophy and the Agency's four major performance areas – Service, Stewardship, Staffing and Solvency. This learning environment is further fostered by the Agency's efforts to make available the equivalent of 40 hours of training to its workforce through its OnLine University and Interactive Video Teletraining broadcasts.

SSA has a diverse, results-oriented, high performing workforce, and has a performance management system that effectively differentiates between high and low performance and links to organizational goals and desired results — SSA continues to maintain a diverse, productive workforce. In FY 2002, 72.4 percent of SSA's new hires, both permanent and temporary, were minorities and women. This trend continued in FY 2003 where 83.6 percent were minorities and women. In FY 2002, SSA's productivity rate increased by 5.1 percent. This increase significantly exceeded the Agency's established goal of a 2 percent productivity increase. In FY 2003, SSA continued to improve its performance with an increase in productivity of 2.1 percent. On October 1, 2002, SSA implemented a new 5-tier SES performance appraisal system. A similar system has been developed for non-bargaining GS-15s and was implemented on October 1, 2003. SSA also substantially exceeded its goals to provide the equivalent of 40 hours of training to the Agency's workforce and to provide job enrichment opportunities to 3 percent of its employees.

One of SSA's goals is to increase the number of new hires who stay with SSA. Retaining good employees, results in a more productive workforce and a savings of training dollars. For that reason, SSA has chosen the "Percent Improvement in the New Hire Retention Rate" as a KPI for FY 2003.

SSA has closed most mission-critical skills, knowledge and competency gaps/deficiencies, and has made meaningful progress toward closing all — SSA successfully hired 100 percent of replacements due to retirement and other losses in FY 2003. A Competency Assessment Process (CAP) was developed to assess external applicants for the claims representative position on seven critical competencies. The CAP was piloted in FY 2003. The pilot results are now being evaluated. In addition, the technical competencies required for the claims representative and service representative positions have been identified and incorporated into revised technical training courses. The New Hire Attrition and Retention Study, which was finalized in FY 2003, examined attrition in specific mission-critical occupations. Analysis of the study results has yielded numerous action items to improve future retention rates. Continuation of leadership development programs will ensure there is no leadership gap at SSA.

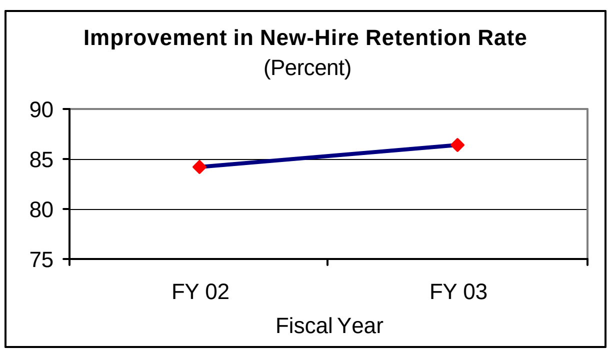
SSA's human capital decisions are guided by data–driven, results-oriented planning and accountability systems — This document, the PAR, tracks human capital goals, and the FWTP tracks progress on human capital action items. Documented programs are tracked via the SSA Succession Plan, which describes the key elements in succession planning (including a retirement wave analysis, the FWTP, recruitment strategies, learning and diversity programs, and the numerous developmental programs in force throughout the country). In addition, programs and initiatives are outlined in the Annual Performance Plan and the FWTP. Finally, reviews of the personnel functions in the regional and headquarters servicing personnel offices are regularly conducted and results are shared with Agency leadership.

9.1 — Key Performance Indicator: *Percent Improvement in the New Hire Retention Rate*

FY 2003 Goal: 84.6%

Actual FY 2003 Performance: 86.4%

SSA met its goal. SSA surpassed this goal by continuing to improve the Agency's processes for interviewing job applicants and by increasing the focus on early development of new hires, including mentoring.



FY 1999: Not Available
FY 2000: Not Available
FY 2001: Not Available
FY 2002: 84.3%

Trend: Trend data is not available as this is a new indicator beginning in FY 2003.

Data Definition: The FY 2003 new hire retention rate will be determined by the percentage of FY 2001 new hires that remain with SSA during FY 2001 and 2002. The FY 2004 new hire rate will be determined by the percentage of FY 2002 new hires that remain with SSA during FYs 2002 and 2003.

Data Source: The Human Resource Management Information System.

Data Quality

General Discussion: SSA is committed to providing clear and reliable data to those who use it for managing, decisionmaking and oversight of SSA's programs and management. SSA also ensures that, to the greatest extent possible, the data is quantifiable and verifiable by putting in place internal management controls and by being responsive to the insights provided by SSA's Office of the Inspector General (OIG), the General Accounting Office (GAO), and others.

SSA Data Integrity Systems and Controls: Performance data for most of the quantifiable measures in SSA's Annual Performance Plan (APP) are generated by SSA's automated management information and workload measurement systems as a by-product of the Agency's routine operations. Public satisfaction data is produced from statistically valid surveys. The performance data for SSA's accuracy measures comes from workload samples designed to achieve very high levels (95 percent confidence) of statistical validity. Additionally, SSA's Office of Quality Assurance and Performance Assessment (OQA) has recently begun using a stratified sample of recently completed actions to determine the accuracy of service transactions. The actions will be considered accurate if the field office employee who processed the transaction correctly followed the appropriate Program Operations Manual System (POMS) instructions in completing the transaction. The mechanism and frequency of reporting for this new system have not yet been decided. OQA also performs quality assurance payment (Stewardship) reviews of a random sample of SSA's ongoing Title II Social Security (Old-Age, Survivors and Disability Insurance) and SSI (Title XVI) payment rolls to measure the overall accuracy of the payment outlays. Payment reviews to assess the overall accuracy of payment outlays are conducted throughout the fiscal year and generally require that each selected case be redeveloped. The final payment reviews for a given fiscal year are initiated just after the close of each fiscal year. The payment review process, including data validation, generally takes 8 to 9 months after the close of the fiscal year to complete, so the accuracy data is not available until the end of June of the year following each fiscal year. As such, this information is generally reported in the subsequent year's Performance and Accountability Report (PAR). For example, in this FY 2003 PAR, SSA will be reporting on FY 2002 accuracy data. FY 2003 accuracy data will be reported in next year's PAR. Service transaction reviews are also conducted throughout the fiscal year, but the accuracy data will be available much sooner than the payment review (Stewardship) data since redevelopment will not be required. Assessment results are entered into a database, validated, analyzed and reported out.

Performance Report: This FY 2003 PAR displays the data definitions and data sources for each of the Agency's performance measures. SSA also includes margin of error information for the OASDI and SSI accuracy measures. Where applicable, the Agency identifies data weaknesses and the efforts underway to address such weaknesses. When performance goals cannot be defined in an objective/quantifiable form, SSA has established descriptive statements that define achievement.

OIG Reviews: SSA's OIG annually audits a number of SSA's performance measures and corresponding performance data. The objective of the audits is to ensure that the performance measures provide a meaningful indicator of whether the programs are achieving their stated objectives and that the processes they were designed to measure are operating in an effective and/or efficient manner. The audits also determine the reliability of the performance data. The OIG audits identify vulnerabilities in SSA's systems, and makes recommendations to correct those weaknesses to help SSA ensure that Agency systems are secure and not vulnerable to manipulation by intruders. Additionally, the OIG plays a key role in ensuring that performance measures are:

- Objective (i.e., measurable, reliable, and verifiable with quantifiable goals);
- Understandable (i.e., well-defined and clearly stated); and
- Outcome based (i.e., measure the intended results, effects, or impact on the program and its goals).

The OIG also evaluates the processes and systems used to measure progress to ensure that they provide reasonable and accurate assessments of performance.

In April 2003, the OIG issued the report, "Assessment of the Social Security Administration's Performance Measures". In the report, OIG reviewed 84 performance measures (in 11 key program and activity areas) that were included in SSA's Revised Final FY 2002 Annual Performance Plan, and reported that "SSA has made great strides in meeting GPRA's objectives and has shown continued refinement of its performance indicators from year to year".

The Report concluded that SSA's key programs and activities were covered by performance measures that were objective in all 11 key areas, understandable in 10 or 11 key areas, and partially outcome-based in 10 key areas and fully outcome-based in 1 key area. The Report also encouraged SSA to develop additional outcome-based measures when such measures will provide a better indicator of the Agency's ability to meet its goals.

In the OIG's Draft Semiannual Report to Congress for October 1, 2002 through March 31, 2003, it made several data quality recommendations:

1. Provide an adequate audit trail for the data used to measure the timely processing of disability claims. (SSA agreed with the recommendation and is developing a system to accomplish it.)
2. Develop performance measures to track progress in reducing the earnings suspense file. (SSA agreed with the recommendation and is developing a system to accomplish it.)

SSA takes appropriate action to correct any performance measure deficiencies reported by the OIG. These actions may include changes in performance measures, improvements to data collection systems, and disclosure of data limitations and weaknesses. SSA agreed with and incorporated many of the OIG's recommendations in its recently released FY 2004 APP and its revised final FY 2003 APP. For example, SSA now has measures for nearly all OIG-identified major management challenges. Additionally, the Agency has included two new performance measures that address the earnings suspense file issues and is committed to more outcome oriented measures for the 800-number network by 2005. SSA has also included productivity measures for disability claims and hearings, plus a 2 percent productivity measure for the Agency as a whole. The Agency enjoys its collaborative relationship with the OIG and assists them in developing audit plans that are mutually beneficial.

GAO Reviews: The GAO reviews SSA's APPs and PARs on a yearly basis. In January 2003, the GAO issued the report, "Major Management Challenges and Program Risks, Social Security Administration". The purpose of this report was to maintain congressional focus and a continuing agency focus on addressing the GAO-identified major management challenges:

1. Continue to strengthen the integrity of the SSI program;
2. Improve SSA's programs that provide support for individuals with disabilities;
3. Better position SSA for future service delivery challenges; and
4. Strengthen controls to protect the personal information SSA develops and maintains.

GAO has not identified any concerns about performance measures or data quality in the last several years. SSA is committed to being responsive to any future concerns GAO brings to the Agency's attention.

SSA has implemented many of the OIG and the GAO recommendations and the Agency is involved in ongoing discussions with them. The Commissioner and Agency leadership are committed to reducing the number of audit recommendations over 2 years old. As of December 31, 2001, SSA had 86 recommendations over 2 years old. Through the development of new guidelines for closing recommendations and ongoing executive emphasis to focus on the implementation of significant recommendations, the number of these aged recommendations has been significantly reduced. By August 2003, only 38 recommendations remained from the original aged group. This greater focus applies equally to audit recommendations received during the current Administration, so that relatively few now reach an aged status. For example, of 220 recommendations proposed by the OIG or the GAO during FY 2001, only 17 remain open at this writing (August 2003). SSA will continue to focus leadership attention and track progress on audit recommendation.

Audit of the Social Security Administration's FY 2002 Financial Statements: In accordance with the Chief Financial Officer's Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers LLP (PwC). The objective of this audit was to determine whether the financial statements present fairly, in all material respects, the financial position of SSA. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. PwC reported that SSA's assertion that its systems of accounting and internal control are in compliance with the statutory internal control objectives is fairly stated in all material respects. Additionally, PwC reported that they had "obtained an understanding of the components of internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02," with respect to SSA's Key Performance Indicators included in the FY 2002 PAR.

Highlights of Financial Position

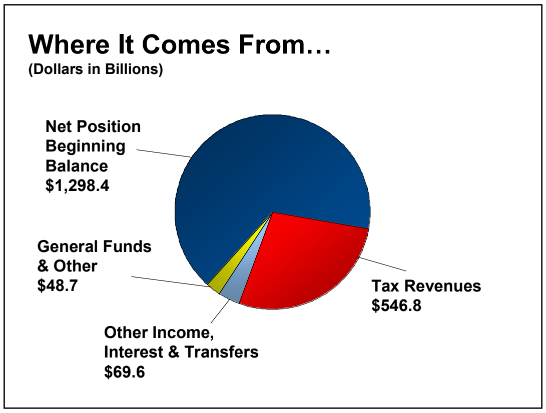
Overview of Financial Data

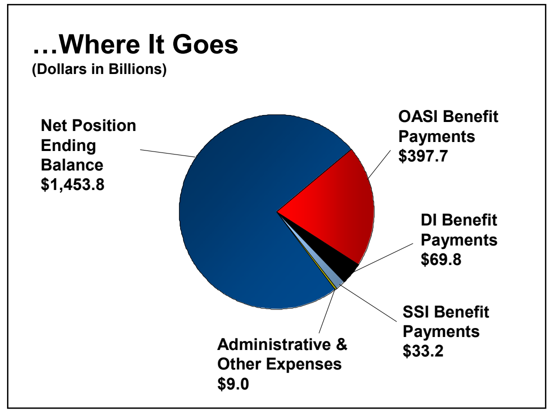
SSA's financial statements and footnotes appear on pages 117 through 145. The financial statements presented in this report can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the programs administered by SSA. These programs 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 trust funds which are financed by payroll taxes, interest on trust fund investments and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury.

Balance Sheet: The Balance Sheet displayed on page 118 reflects total assets of $1,515.1 billion, an 11.5 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The $155.2 billion growth (11.7 percent) in investments from 2002 is primarily due to tax revenues of $546.8 billion and interest on those investments of $84.2 billion, exceeding cost of operations of $509.4 billion. The majority of our liabilities, 81 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2003 by $1.1 billion (1.8 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew $155.4 billion or 12 percent to $1,453.8 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 54.2 percent of the growth of the trust fund, up from 49.4 percent in 2002.

Statement of Net Cost: Net cost of operations increased $18.0 billion or 3.7 percent from $491.4 billion in 2002 to $509.4 billion in 2003. Of this increase, $17.7 billion (3.7 percent growth) resulted from increased benefit payments and $0.3 billion (3.8 percent growth) resulted from operating expenses. The net cost and benefit payments of the OASI program both grew 3.1 percent while operating expenses grew by 7.9 percent. The number of beneficiaries grew 0.5 percent to 39.4 million while average benefit payments grew by 1.0 percent to $830 per month. The net cost and benefit payments of the DI program both grew by 4.2 percent. Operating expenses grew by 4.7 percent. The number of DI beneficiaries grew by 5.6 percent while average benefits increased 3.0 percent to $706 per month. The SSI benefit payments increased 9.8 percent which was higher than the 9.1 percent increase in net costs because operating expenses were constant. The number of SSI beneficiaries grew by 1.5 percent while average benefits increased by 1.1 percent to $418 per month.

Statement of Changes in Net Position: The Statement of Changes in Net Position reflects an increase of $155.4 billion. This increase is primarily attributable to a $155.2 billion increase in trust fund reserves. The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2003 and how these funds were used. These statements are displayed on pages 119 and 120, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown, as a percent of benefit expenses, is 1.7 percent. Total financing sources grew by $16.9 billion or 2.6 percent from $648.0 billion in 2002 to $664.9 billion in 2003. The primary sources for this growth were a payroll and income tax revenue increase of $9.1 billion (1.7 percent) from 2002 and investment income of $5.6 billion (7.1 percent) from 2002. The growth in investment income was due to the 11.7 percent growth in investment which was partially offset by the drop of average interest yield from 6.52 percent to 6.40 percent.



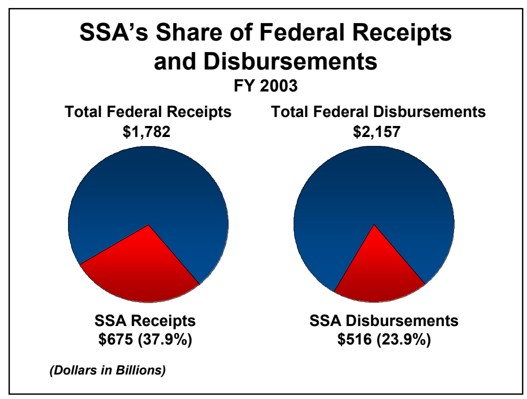


Statement of Budgetary Resources: This statement displayed on page 121 shows that SSA had $538.6 billion in budgetary resources of which $0.7 billion remained unobligated at year-end. SSA recorded total outlays of $508.0 billion by the end of the year. Budgetary resources grew $16.6 billion, or 3.2 percent from 2002, while outlays increased $19.4 billion, or 4.0 percent.

Statement of Financing: This statement reconciles "Total resources used to finance activities," an expression of budgetary spending, with the "Net cost of operations," the proprietary expenses of the Agency. The statement displayed on page 122 identifies $509.9 billion in budgetary spending for FY 2003, an increase of $16.4 billion or 3.3 percent over last year. This total is offset by $0.8 billion in resources not part of the net cost of operations, and is increased by $0.3 billion in components of net cost of operations that will not require or generate resources in the current period. The resulting balance reflects a $509.4 billion net cost of operations for the year, an increase of $18.0 billion or 3.7 percent over FY 2002.

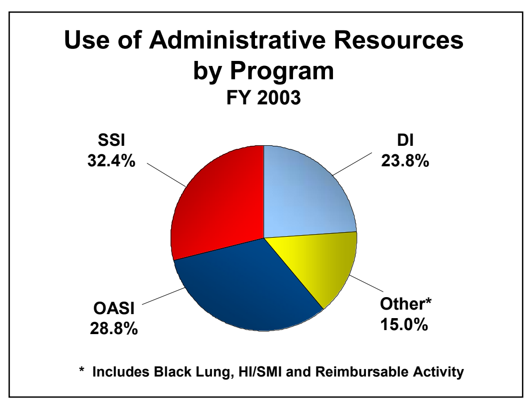
SSA's Share of Federal Operations

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 37.9 percent of the $1.8 trillion in total Federal receipts, a decrease of 3.8 percent over last year. Disbursements decreased by 1.2 percent to 23.9 percent of Federal disbursements. However, this still accounted for 5.3 percent of the nation's estimated FY 2003 $9.8 trillion gross domestic product.



Use of Administrative Resources

The chart to the right displays the use of administrative resources for FY 2003 in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise only 20.6 percent of the total benefit payments made by SSA, they consume over 56.2 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2002 use of administrative resources by program was 27.7 percent for the OASI program, 23.6 percent for the DI program, 33.6 percent for the SSI program and 15.1 percent for Other.



Trust Fund Solvency

Pay-as-you-go-Financing

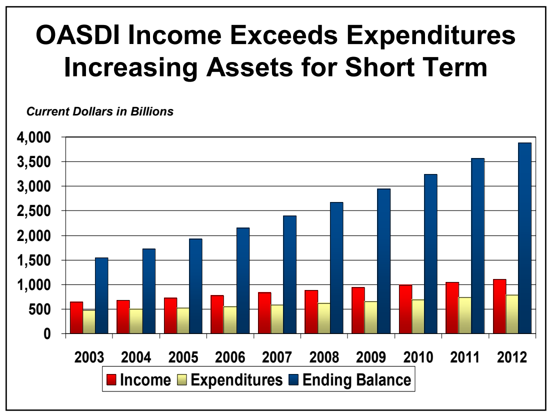
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis as long as assets (including current income and Trust Fund holdings) are sufficient to finance program obligations. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. In recent years, current income has exceeded program obligations, and thus the Trust Fund holdings have been growing. The following table shows that Trust Fund holdings, expressed in terms of the number of months of program obligations that these holdings could, alone, finance has grown from 25.1 months at the end of FY 1999 to 36.3 months at the end of FY 2003, an increase of 45 percent.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	1999	**2000**	**2001**	**2002**	**2003**[1]
OASI	25.9	28.7	31.8	35.0	38.1
DI	19.9	22.8	24.6	26.0	26.3
Combined	25.1	27.9	30.8	33.6	36.3

1. Estimates are based on 2003 Trustees Report intermediate assumptions.

Short Term Financing

The Social Security Trust Funds are deemed adequately financed for the short term when actuarial estimates of Trust Fund holdings for the beginning of each year are at least as large as program obligations for the year. Estimates in the 2003 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. The graph shows that while combined OASDI expenditures and income are expected to increase by 70 and 77 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 181 percent 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. By 2018, benefit payments will exceed tax revenues, and, by 2042, the Trust Fund will be exhausted according to the projections by Social Security's Chief Actuary. The primary reason for the projected long-term inadequacy of financing under current law is the changing demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth below population replacement rates. In present value terms, the 75 year shortfall is $3.5 trillion, which is a $200 billion increase from the 2002 estimate. Possible reform alternatives being discussed -- singularly or in combination with each other -- are (1) increasing payroll taxes, (2) decreasing benefits, (3) using general revenues or (4) increasing returns through either personal savings accounts or direct investments of the trust funds.

Page 26 provides additional discussion of the long term solvency of the OASDI Trust Fund. Pages 146 through 163 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, Accounting for Social Insurance.

Improper Payments

A key component of the President's Management Agenda is the initiative to reduce improper payments. The Improper Payments Act of 2002 (Public law 107-300) requires federal agencies to report annually on the extent of the improper payments in those programs that are susceptible to significant improper payment and the actions they are taking to reduce such payments. The Act has extended the improper payments reporting requirements beyond those programs and activities listed in Section 57 of Office of Management and Budget's (OMB) Circular A-11.

On August 28, 2003, OMB issued their decision that only avoidable overpayments are to be included in the amount of improper payments reported under the Improper Payments Act. Under this decision, payments resulting from legal or policy requirements are considered unavoidable and are not improper. OMB guidance on implementation of the Act calls for SSA to continue to report on improper payments information for the OASI and DI programs, in addition to the SSI program, as was required by Section 57 of OMB Circular A-11. SSA is to continue to report on the improper payments found in the OASI and DI programs even though the level of such payments in these programs have continually been well below the threshold cited in the Improper Payments Act of 2002. The OMB guidance also calls for SSA's FY 2003 Performance and Accountability Report to include the FY 2002 results in reducing improper payments. (SSA's detailed report on the FY 2002 results and the plans to reduce improper payments is included under Other Information in the Financial Section of the report.)

SSA's OASI, DI and SSI quality assurance (QA) payment accuracy (Stewardship) reviews provide the data to measure the payment outlays in these programs each fiscal year. The OASI accuracy rate continues to exceed 99.8 percent, as does the DI accuracy rate. With the very high accuracy rates of the OASI and DI program payment outlays, the Stewardship QA sample data, at the 95 percent confidence level, have a statistical precision usually in the range of ±0.25 to ± 0.35 percent. Even though we have achieved this high accuracy rate within this confidence level, nevertheless, we still strive to make additional achievements in payment accuracy. For example, SSA is developing software processes to identify missing military service (MS) wage credits and to remove MS credits that were incorrectly granted. The processes involve reviewing the military employer identification numbers used in SSA's earnings records, verifying SSA's MS information against other government databases and developing MS profiles using SSA's data stores. Subsequently, SSA will pay any underpayments that are due beneficiaries and collect overpayments identified by the new processes.

The detailed report on SSA's efforts to reduce improper payments identifies the major causes of improper payments over the past several years in the OASI and DI programs and the actions the Agency has taken to address these causes. However, because of the high level of accuracy of the payments in the OASI and DI programs, and the fact that categories of improper payments often change from year-to-year, it is not possible to provide any specific plan to reduce improper payments in these two programs.

In the SSI program, SSA has established a 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent. Success in achieving the SSI goals is dependent on the effectiveness of the activities outlined in SSA's SSI Corrective Action Plan. In FY 2002, SSI payment accuracy results were 93.4 percent for overpayments and 98.6 percent for underpayments. The major causes of SSI overpayments in FY 2002 were financial accounts (such as savings and checking accounts) and wages. The major causes of SSI underpayments in FY 2002 were living arrangements, wages and in kind support and maintenance.

The Foster Care and Independence Act of 1999 gives the Commissioner the authority to require SSI recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA has developed regulations that will allow the Agency to query financial institutions electronically.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and “new hires” OCSE file as tools to assist in detecting improper payments due to wages. In an effort to learn more quickly about unreported work, SSA is exploring the usefulness of a quarterly match with the “new hires” OCSE file. Improper SSI payments due to living arrangements and in-kind support and maintenance result from recipients not reporting changes in their household living situations or changes in the recipient's contributions to household expenses. This is a complex area where recipient understanding of reporting requirements is very difficult to address. For this reason a portion of the annual SSI redetermination workload is targeted to addressing improper payments due to living arrangement changes. The redetermination process is the most powerful tool available to SSA for preventing and detecting all types of SSI improper payments, including those due to living arrangements and in-kind support and maintenance. To detect improper SSI payments, SSA regularly reviews cases that statistical profiles indicate are most likely to be in error

The update on SSA's activities being taken or planned to address improper payments in the SSI program are outlined in the detailed report found under Other Information in the Financial Section of the report.

Limitation on Financial Statements

The principal financial statements beginning on page 118 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515 (b).

While the statements have been prepared from the books and records of SSA in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

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

Systems and Controls

Federal Managers' Financial Integrity Act

Federal Managers' Financial Integrity Act (FMFIA) Program

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

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

For the second year in a row, SSA has no FMFIA material weaknesses to report. Agency managers are responsible for ensuring that effective controls are implemented in their areas of responsibilities. At the senior manager level, the Agency's Executive Internal Control (EIC) Committee ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. The Committee provides executive oversight of the management control program, addresses management control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan.

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

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

Management Control Review Program

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each fiscal year (FY). The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 2003, SSA's managers and contractors conducted reviews of 215 FOs and two Program Service Centers (PSC).

SSA has also taken great strides to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). During FY 2003, SSA issued the revised DDS Security Document which requires each DDS to prepare a security plan and, on an annual basis, perform a self review using the Security Review Checklist prepared by SSA. Additionally, SSA's Regional Offices (RO) perform an independent security review of the DDSs using this same review checklist. The ROs develop a 5-year review plan in which each State DDS is reviewed at least once to ensure adherence to SSA's policies. During FY 2003, SSA conducted reviews of 21 DDS sites.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. During FYs 1999-2003, the contractor reviewed operations at SSA's central office, processing centers, all 10 ROs, 162 FOs and 6 PSCs. The contractor's efforts have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements. The contractor did not find any significant weaknesses during this 5-year period.

Financial Management Systems (FMS) Review Program

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

During FY 2003, SSA's contractor conducted detailed reviews of the Debt Management System and the Recovery of Overpayments, Accounting and Reporting System. The systems managers conducted limited reviews of the Social Security Number Establishment and Correction System, the Earnings Record Maintenance System and the Supply System. 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

On July 25, 2003, the Commissioner determined that SSA's financial management systems were in substantial compliance with Federal Financial Management Improvement Act (FFMIA) for FY 2002. In making this determination, she considered all the information available, including the auditor's opinion on the Agency's FY 2002 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. She also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor and the progress made in addressing the weaknesses identified in the audit and review reports. That progress is discussed in the section below entitled "Financial Statement Audit."

Under Section 803(c)(2) of FFMIA, the determination for FY 2003 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the final management letter report(s) for the FY 2003 audit in February 2004.

Federal Information Security Management Act

Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to OMB on the Agency's compliance. As in prior years, SSA employed the services of a public accounting firm to perform an independent review of SSA's self-assessments of its 17 sensitive systems. The contractor's evaluation indicated that SSA's self-assessment methodology was consistent with established FISMA requirements. SSA's Office of Inspector general also performed an independent review of SSA's compliance with FISMA and concluded that, with the exception of procedural areas needing improvement, SSA had complied with FISMA requirements. SSA submitted its annual FISMA report to OMB on September 22, 2003.

Financial Statement Audit

The OIG contracted for the audit of SSA's FY 2003 financial statements as it has for the last 7 years. For the tenth year in a row the auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects. Although the auditor identified a reportable condition involving internal controls in FY 2003, it was not identified as material weakness as defined by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02.

The reportable condition read "SSA needs to further strengthen controls to protect its information." The auditor indicated that SSA had made significant progress in addressing information protection issues raised in prior years. The auditor particularly noted that SSA had implemented enhanced risk models to standardize platform security configurations, implemented new tools and procedures to monitor adherence to standards, reduced the number of servers with known high risk security weaknesses, maintained strong access-based rule settings and standardized monitoring and logging procedures for firewalls, continued progress in implementing a program to monitor and control system user access requirements, continued progress on implementing dataset naming standards and establishing data ownership, and continued progress in planning for continuity of operations in field activities.

Although the auditor noted significant progress in strengthening security controls, it also noted the need for further progress regarding (1) the review of security access assignments, including vetting of access assignments for access to transactions and data, (2) establishment and full use of dataset naming conventions for datasets, (3) establishment of a dataset dictionary for existing datasets and transactions, and (4) enforcement of the new dataset naming rules and standards for sensitive systems. The auditors also note the need for high level test exercises to ensure the viability of the newly drafted high level procedures to move workloads between RO/PSC and DDS sites for continuity of operations purposes.

The auditors recommended that SSA:

- Continue the acceleration of the Standardized Security Profile Project program to ensure that sensitive systems, as defined by the SSA systems accreditation and certification process, are adequately addressed regarding proper access assignments, dataset naming standards, and inclusion in the dataset dictionary;
- Continue to improve physical security controls for the DDS sites; and
- Continue to enhance continuity of operations activities, including testing of newly developed procedures for RO/PSC and DDS sites.

SSA will continue to work with the auditor to improve controls in those areas.

Performance Section

GPRA Performance Results

Summary of Achievement - FY 2003 Performance Goals

A summary of the Agency's achievements in the Government Performance and Results Act (GPRA) performance goals is highlighted in the following charts. Chart 1 provides a breakout of the final Fiscal Year 2003 data the Agency has received. To date, SSA has final data for 37 (or 82 percent) of its 45 performance indicators. Chart shows that for those 37 indicators for which data was available, SSA met 28 of the goals, or 75 percent, and almost met an additional 4 goals or 11 percent – for a total of 86 percent for these two categories. The Agency did not meet 5 of its goals, representing 14 percent of the available performance indicators. Looking at the Key Performance Indicators (KPI) in Chart 3, the Agency did even better, meeting 13 of its 17 goals, or 76 percent and almost meeting another 3 goals or 18 percent – for a total of 94 percent for these two categories. There was only one KPI that the Agency did not meet, representing 6 percent of the key indicators. (See discussion of KPIs beginning on page 29.)

Chart 1
All Performance Indicators

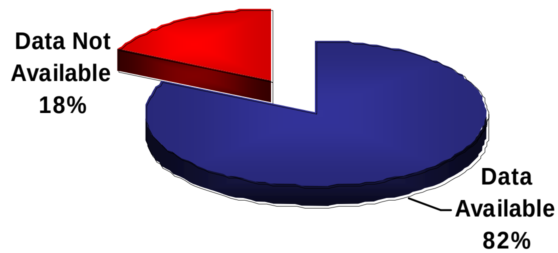


Chart 2
All Performance Indicators - Data Available

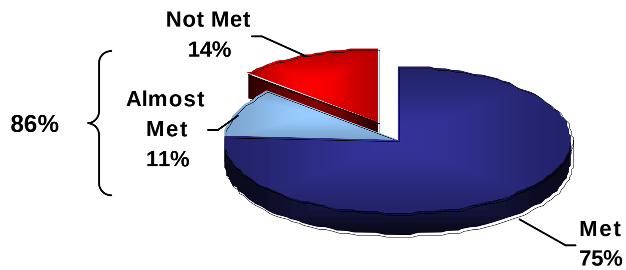
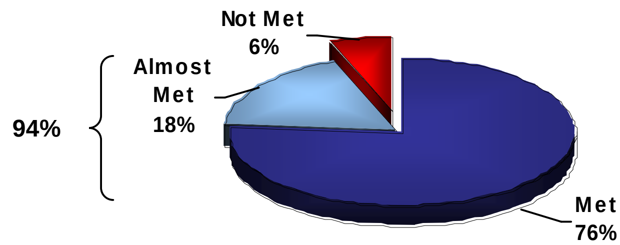


Chart 3
Key Performance Indicators



The performance data presented in this report are complete and reliable as outlined in guidance provided by the Office of Management and Budget (OMB). The Data Quality discussion in the Performance Goals and Results section of "Management's Discussion and Analysis" (page 55) describes continuing efforts to strengthen the quality and timeliness of SSA's performance information to increase its value to both SSA's management and stakeholders. Some measures will not have FY 2003 final data in time for the publication of the FY 2003 PAR. SSA's managers routinely use this performance data to improve the quality of program management and to demonstrate accountability in achieving program results. The results achieved for each FY 2003 goal are either discussed in this report or will be included in the FY 2004 Performance and Accountability Report (PAR).

SSA's Achievement of FY 2003 Performance Targets by Goal and Objective

The purpose of this table is to provide a quick overview of which goals were "met," or "not met". The table also indicates where the Agency came close to meeting a goal or where there was a strong positive trend toward meeting that goal. The table also indicates for which goals the Agency does not yet have data available, and therefore, can not report on at this time. The indicators are organized under the objectives they support; each objective has one or more performance indicator. A summary is included for each objective, which rolls up the performance for the indicators that support it. The sub-set of indicators that are KPIs is also identified.

Following the summary table are individual discussions for each of SSA's non-KPI performance indicators. As in past years, if final FY 2002 performance data was not available in time for the FY 2002 PAR, it is included here along with the FY 2003 discussion. If available, data definitions and data sources are also included for each indicator. For the KPIs, there is a reference to the page number of the detailed discussion for that indicator.

Strategic Goal A: To deliver high quality, citizen-centered service

KPI — denotes that an indicator is one of the Agency's 17 Key Performance Indicator

Target Measure:

- ⬆ **Met**
- ⬀ **Almost met or Significant Progress**
- ⬇ **Not Met**
- N/A **Data Not Yet Available**

Performance Summary

Objective 1: Make the right decision in the disability process as early as possible

	Indicator	Goal	Actual	Target Measure	Performance Summary
1.1 KPI	Number of initial disability claims processed (See p. 33)	**Goal:** 2,498,000	**Actual:** 2,526,020	⬆	**Results for this Objective:** SSA met, or nearly met, all of the goals associated with this objective. The goals were met in large part due to an increased emphasis the Agency placed on the initial claims process which resulted in a substantial decrease in the average processing time for initial disability claims, as well as for the average processing time for hearings. The two goals that were narrowly missed included the number of hearings pending and the number of hearings processed. SSA's continued inability to hire Administrative Law Judges because of the *Azdell* litigation played a large role in the Agency's inability to meet these goals. Because of recent developments in the Azdell case, SSA now plans to hire a limited number of judges as soon as OPM makes the register available.
1.2 KPI	Number of hearings processed (See p. 33)	**Goal:** 602,000	**Actual:** 571,928	⬀	
1.3 KPI	Average processing time for initial disability claims (See p. 34)	**Goal:** 104 days	**Actual:** 97.1	⬆	
1.4 KPI	Average processing time for hearings (See p. 34)	**Goal:** 352 days	**Actual:** 344	⬆	
1.5 KPI	Number of initial disability claims pending (See p. 35)	**Goal:** 593,000	**Actual:** 581,929	⬆	
1.6 KPI	Number of hearings pending (See p. 36)	**Goal:** 587,000	**Actual:** 591,562	⬀	
1.7	Number of appellate actions processed	**Goal:** 950,500	**Actual:** 1,019,815	⬆	
1.8	DDS net accuracy rate (allowances and denials combined) (Available 2/2004)	**Goal:** 97%	**Actual:** Not Available	N/A	
1.9	Hearings decision accuracy rate (Available 9/2005)	**Goal:** 89%	**Actual:** Not Available	N/A	
1.10	Average processing time for decisions on appeals of hearings	**Goal:** 300 days	**Actual:** 294 days	⬆	

Objective 2: Increase employment for people with disabilities			
2.1	Percent increase in the number of DI and SSI beneficiaries, with tickets assigned, who work **Goal:** Establish Baseline — **Actual:** Not Completed	⬇	**Results for this Objective:** SSA did not meet this objective. The data to establish the baseline will not be available until spring 2004. SSA fully expects to establish a baseline in FY 2004.
2.2	Percent increase in the number of SSI disabled beneficiaries earning at least $100 per month **Goal:** 269,109 — **Actual:** 232,654 thru July	N/A	

Objective 3: Improve Service with Technology				
3.1		Percent of retirement claims initiated via the Internet (See p. 38) **Goal:** 7.1 - 8.1% — **Actual:** 6.1%	⬇	**Results for this Objective:** SSA met most of its goals for this objective. The Agency continues to build relationships with the employer community resulting in the large increase in the percent of employee reports filed electronically. While SSA fell short of its targeted number of calls handled (because fewer calls were placed than anticipated), the percent of callers getting through on their first attempt or within 5 minutes of their first call both exceeded the Agency's goals. SSA also plans an aggressive campaign to market its new website and promote electronic filing of retirement claims.
	KPI			
3.2		Percent of employee reports (W-2s) filed electronically (See p. 39) **Goal:** 48% — **Actual:** 53.4%	⬆	
	KPI			
3.3		Percent of people who do business with SSA rating the overall service as "excellent," "very good," or "good" (See p. 40) **Goal:** 82.9% — **Actual:** 84.9%	⬆	
	KPI			
3.4		Retirement and Survivors Insurance (RSI) claims processed **Goal:** 3,229,000 — **Actual:** 3,238,871	⬆	
3.5		800-number calls handled [1] **Goal:** 55,000,000 — **Actual:** 53,700,000	⬇	
3.6		Percent of callers who successfully access the 800-number within 5 minutes of their first call **Goal:** 94% — **Actual:** 96.7%	⬆	
3.7		Percent of callers who get through to 800-number on first attempt **Goal:** 87% — **Actual:** 95.9%	⬆	

[1] The Agency goal for this indicator was based on a projected number of calls that did not materialize. See page 77 for additional discussion on the number of calls handled.

Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

Objective 4: Prevent fraudulent and erroneous payments and improve debt management

	Performance Indicator	Goal	Actual	Status
4.1 (KPI)	SSI non-disability redeterminations (See p. 43)	2,455,000	2,449,674	
4.2 (KPI)	Continuing Disability Reviews (CDR) processed (See p. 44)	1,129,000	1,371,255	
4.3 (KPI)	Percent outstanding SSI debt in collection arrangement (See p. 44)	55%	55%	
4.4 (KPI)	Percent outstanding OASDI debt in collection arrangement (See p. 45)	38%	39.8%	
4.5	Percent SSI payments free of preventable error (overpayments and underpayments) (Available 6/30/2004)	95.4% (Overpayments) 98.8% (Underpayments)	N/A	N/A
4.6	SSI overpayment and underpayment accuracy rate (including both preventable and unpreventable error) (Available 06/30/2004)	93% (Overpayments) 98.8% (Underpayments)	N/A	N/A
4.7	Percent OASDI payments free of overpayments and underpayments (Available 06/30/2004)	99.8% (Overpayments) 99.8% (Underpayments)	N/A	N/A

Results for this Objective: SSA met, or nearly met, all of its goals for this objective. Through effective use of debt recovery tools, SSA was able to recover substantial amounts of SSI and OASDI debt. Issues with contractor services that produce redetermination mailers near the end of FY 2003 kept SSA from meeting its goal. The Agency did process well over 100,000 more redeterminations than it did during the previous year. The Agency also met its targeted goal for the number of CDRs processed.

Objective 5: Strengthen the integrity of the SSN

	Performance Indicator	Goal	Actual	Status
5.1	SSN requests processed	16,000,000	17,523,560	
5.2	Percent of SSNs issued that are free of critical error (Available 09/30/2004)	99.8%	N/A	N/A

Results for this Objective: SSA met its goal for the number of SSN requests processed.

Objective 6: Increase the accuracy of earnings records

	Performance Indicator	Goal	Actual	Status
6.1	Annual earnings items processed [2]	260,000,000	257,188,087	
6.2	Reduction in the size of the earnings suspense file	18,000,000	2,400,000	
6.3	Percent of incoming earnings items removed from the suspense file at the end of the annual earnings posting cycle (Available 11/15/2003)	2%	N/A	N/A

Results for this Objective: SSA did not meet its goals for this objective. While the Agency did not meet its current year goal for the reduction in the suspense file, SSA expects to meet its overall goal of removing 30 million items by the end of FY 2004.

[2] The Agency goal for this indicator was based on a projected number of earnings items that did not materialize. See page 83 for additional discussion on the number of earnings items processed.

Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

No.	Measure	Goal	Actual	
7.1 (KPI)	Disability Determination Service (DDS) cases processed per workyear (PPWY) (See p. 49)	**Goal:** 264	**Actual:** 270.4	↑
7.2 (KPI)	"Get to green" on all PMA initiatives (See p. 50)	**Goal:** 100% "green" for "Progress"	**Actual:** 100% "green" for "Progress"	↑
7.3	Percent improvement in productivity	**Goal:** 2%	**Actual:** 2.1%	↑
7.4	Number of SSA hearings cases processed per workyear (PPWY)	**Goal:** 101	**Actual:** 102.7	↑
7.5	Percent of commercial positions competed or converted	**Goal:** 15%	**Actual:** 0.4%	↓
7.6	Maintain zero outside infiltrations of SSA's programmatic mainframes	**Goal:** 0 infiltrations	**Actual:** 0 infiltrations	↑
7.7	Milestone measures for Managerial Cost Accountability	**Goal:** Milestones	**Actual:** Completed	↑
7.8	Receive an unqualified opinion on SSA's financial statements from the auditors	**Goal:** 100%	**Actual:** 100%	↑

Results for this Objective: SSA met 7 of the 8 goals for this objective. Productivity was strong across SSA with an overall increase of 2.1 percent in addition to the Agency meeting its goals for both DDS and Hearings cases processed per workyear. The Agency also met its goal of achieving a "green" for "progress" on all its PMA initiatives. Additionally, SSA can report receiving an unqualified opinion on its financial statements and maintaining its record of allowing zero outside infiltrations of its programmatic mainframes. While SSA did not meet the 15 percent competitive sourcing goal, the Agency has made significant progress in establishing the necessary infrastructure to initiate competitive sourcing activities.

Strategic Goal C: To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations

Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

No.	Measure	Goal	Actual	
8.1 (KPI)	Provide support to Administration and Congress in developing legislative proposals to achieve sustainable solvency for Social Security and implementing reform legislation (See p. 51)	**Goal:** Milestone	**Actual:** Completed	↑
8.2	Percent of adult Americans knowledgeable about Social Security programs and related issues, including long-range financing	**Goal:** Establish Baseline	**Actual:** Completed	↑

Results for this Objective: SSA met its goals for this objective. SSA provided the Congress and Administration officials with a wide range of analyses on solvency issues. Additionally, the Agency obtained the necessary data to establish a baseline for understanding the public's knowledge of Social Security's programs.

Strategic Goal D: To strategically manage and align Staff to support SSA's mission

Objective 9: Recruit, develop, and retain a high-performing workforce

9.1	Percent increase in the new hire retention rate (See p. 53)		⬆	**Results for this Objective:** SSA met or exceeded all performance goals for this objective. The Agency far surpassed its new hire retention rate goal in FY 2003 and implemented its new Senior Executive Service performance plan. SSA also created job enrichment opportunities for 4.2 percent of its workforce and provided the equivalent of 68 hours of training for its employees.
KPI	**Goal:** 84.6%	**Actual:** 86.4%		
9.2	Milestones in developing new performance management systems		⬆	
	Goal: Implement SES Plan	**Actual:** SES plan implemented October 1, 2002		
9.3	Number of job enrichment opportunities (includes headquarters, component and regional development programs)		⬆	
	Goal: 3%	**Actual:** 4.2%		
9.4	Provide the equivalent of 40 hours of training annually to all employees		⬆	
	Goal: 40 hours	**Actual:** 68 hours		

Program Assessment Rating Tool (PART) Measures

Average processing time for initial disability claims (DI and SSI)		⬆	**Results for the PART measures:** SSA met all of its goals as they relate to the Program Assessment Rating Tool. The Agency's increased emphasis on the initial claims process resulted in a substantial decrease in the average processing time for initial disability claims, as well as for the average processing time for hearings which helped SSA meet these goals.
Goal: 104 days	**Actual:** 97.1 days		
Average processing time for hearings		⬆	
Goal: 352 days	**Actual:** 344 days		
Disability Determination Services (DDS) cases processed per workyear (PPWY)		⬆	
Goal: 264	**Actual:** 270.4		
Number of SSA hearings cases processed per workyear (PPWY)		⬆	
Goal: 101	**Actual:** 102.7		
DDS net accuracy rate (allowances and denials combined) (Available 02/2004)		N/A	
Goal: 97%	**Actual:** Not Available		
Percent of SSI aged claims processed by the time the first payment is due or within 14 days of the effective filing date		⬆	
Goal: 75%	**Actual:** 83%		
SSI overpayment and underpayment accuracy rate (including both preventable and unpreventable error) (Available 06/30/2004)		N/A	
Goal: 93% (overpayments) 98.8% (underpayments)	**Actual:** Not Available		
SSI Aged claims processed per workyear (PPWY)		⬆	
Goal: 497	**Actual:** 556		

Individual Performance Indicator Results

This section reports SSA's FY 2003 performance for each individual GPRA performance indicator and PART measure. Additionally, this section reports final FY 2002 data for those performance indicators that did not have final data when the FY 2002 Performance and Accountability Report (PAR) was issued. Performance indicators and workload measures are organized under the Strategic Goal and Strategic Objective that they support. For each GPRA performance measure, SSA includes the definition and data source and indicates whether the goal was met. If the goal was not met, an explanation is included explaining why and what actions the Agency will take toward improvement.

A discussion of SSA's 17 Key Performance Indicators (KPIs) can be found in the "Performance Goals and Results" section (page 29), and therefore is not repeated in this section. Appropriate page references are made to the KPIs in the discussion of the other GPRA performance measures.

Strategic Goal A: To deliver high quality, citizen-centered Service

Strategic Objective 1: Make the right decision in the disability process as early as possible

The following lists six KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
1.1	Number of initial disability claims (Title II and Title XVI) processed	See page 33
1.2	Number of hearings processed	See page 33
1.3	Average processing time for initial disability claims (days)	See page 34
1.4	Average processing time for hearings (days)	See page 34
1.5	Number of initial disability claims (Title II and Title XVI) pending	See page 35
1.6	Number of hearings pending	See page 36

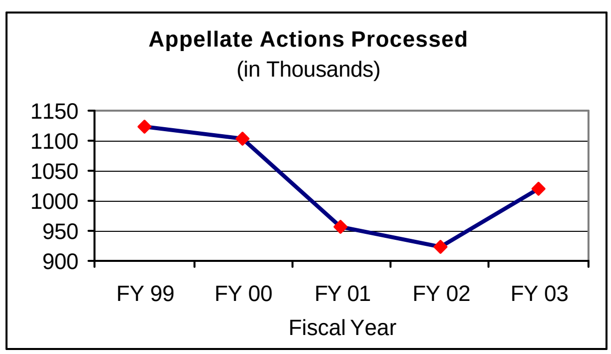
The following describes the four non-KPI performance measures for Strategic Objective 1:

1.7 — *Number of Appellate Actions Processed*

FY 2003 Goal: 950,500

Actual FY 2003 Performance: 1,019,815

SSA met its goal. This performance measure includes four workloads: reconsiderations, appeals council cases, new court cases and court remands. Substantial resources and staff were redirected to increase output and reduce existing backlogs at the beginning of FY 2003.



FY 1999: 1,124, 442 **FY 2000:** 1,102,922
FY 2001: 957,858 **FY 2002:** 923,636

Trend: This trend line is increasing as SSA continues to meet its projected goal.

Data Definition: Counts of reconsiderations, Appeals Council cases, new court cases and court remands are included in this count.

Data Source: Appeals Council Automated Processing System & SSA-Level Cost Accounting System.

1.8 — *DDS Net Accuracy Rate (allowances and denials combined)*

FY 2003 Goal: **98.0% allowances; 96.2% denials**
FY 2003 Goal: **97%**

Actual FY 2002 Performance: 98.5% allowances; 95.1% denials

SSA did not meet its FY 2002 goal. The Agency did not meet this ambitious goal. SSA and the Disability Determination Services (DDS) continued to focus on denial accuracy as a problematic area. However, during the year, the DDSs were dealing with a number of internal issues including inexperienced or newly trained examiners, early retirements, and an inability to fill a large number of vacancies that likely impacted their ability to maintain acceptable denial accuracy.

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

Actual FY 2003 Performance: Not Available

The FY 2003 actual performance data will not be available because of the length of time required to gather, validate and analyze the data, and then prepare the final report. These data will be reported in the FY 2004 PAR. This is a very aggressive goal and it will be a challenge to achieve it. SSA and the DDS continue to focus on denial accuracy as the most problematic area.

FY 1999: 98.0% allowances; 95.8% denials
FY 2000: 98.4% allowances; 95.2% denials
FY 2001: 98.3% allowances; 94.7% denials

Trend: The definition for this measure changed in 2002. As a result, SSA cannot make comparisons between 2002 and previous years.

Data Definition: Net accuracy is an alternative method of reporting state agency accuracy based upon the "correctness" of the DDS disability determination. Net accuracy is based upon the net error rate defined as 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. Prior to 2003, SSA reported allowances and denials as separate numbers.

Data Source: Disability Quality Assurance Data Bases.

1.9 — Hearings Decisional Accuracy Rate

FY 2003/2004 Goal: 89%

Actual FY 2003 Performance: Not Available

The Office of Hearings and Appeals (OHA) expects to meet the FY 2003 goal of 89 percent due to continuing Administrative Law Judge (ALJ) participation in quality reviews of hearing decisions and involvement in the pre-effectuation reviews of allowances. This data is derived from the Biennial Disability Quality Review Process Report. FY 2001-2002 data will not be available until December 2003.

FY 1999 & 2000: 88%

Trend: The hearings decisional accuracy rate remained stable between 1999 and 2000.

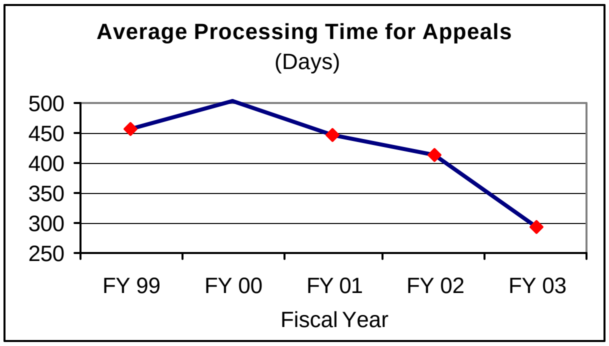
Data Definition: The decisional accuracy rate is the percent of disability hearing decisions (both favorable and unfavorable) supported by "substantial evidence". This is the standard used by the federal courts to evaluate accuracy of decisions, and by the Appeals Council in determining which hearing decisions to review.

Data Source: Biennial Disability Hearings Quality Review Process Peer Review Reports.

1.10 — Average Processing Time for Decisions on Appeals of Hearings (days)

FY 2003 Goal: 300 days

Actual FY 2003 Performance: 294 days



SSA met its goal. In FY 2003, SSA devoted substantial resources and attention to this workload. The Agency closely monitored aged cases and focused on processing the oldest cases. SSA used differential case management, reviewing incoming cases and placing them on appropriate tracks for processing. The Agency also temporarily reassigned staff to assist with new court cases, prepare certified court records, and process court transcripts. All of this resulted in lower processing time.

FY 1999: 458 days **FY 2000:** 505 days
FY 2001: 447 days **FY 2002:** 412 days

Trend: This measure has a very positive trend line. SSA believes that processing time will continue to decline in FY 2004.

Data Definition: Effective FY 2001, this measure represents the 12-month average processing time for dispositions issued during the report period. Processing time begins with the date of the request and ends with the disposition date.

Data Source: Actual processing time for each case is maintained by the Appeals Council Automated Processing System (ACAPS). Percentages will be calculated from information extrapolated from ACAPS.

Strategic Objective 2: Increase employment for people with disabilities

The following describes the two non-KPI performance measures for Strategic Objective 2:

2.1 — *Percent Increase in the Number of DI and SSI Beneficiaries, with Tickets Assigned, Who Work*

FY 2003 Goal: Establish a baseline

Actual FY 2003 Performance: Not completed.

SSA did not meet its goal. The data for the baseline will not be available until spring 2004. SSA fully expects to establish a baseline in FY 2004 and establish a FY 2004/FY 2005 goal based on baseline information.

Trend: Not applicable until baseline is established and FY 2004/FY 2005 results are available.

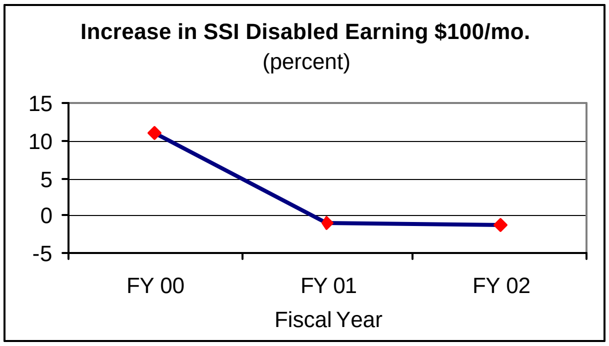
Data Definition: In 2003, SSA will establish a preliminary baseline and a FY 2004 goal for this new outcome measure. Actual performance levels will be based on all recorded earnings information from various data sources for beneficiaries who have assigned their tickets to Employment Networks (EN), i.e., signed an agreement with the EN for services. The data will be provided on a calendar basis.

Data Source: eWorkCDR DB2, Disability Control File (VERN or Work and Earnings Reports field), OCSE, MEF.

2.2 — *Percent Increase in the Number of SSI Disabled Beneficiaries Earning at least $100 per Month*

FY 2003 Goal: 8% (269,109)

Actual FY 2003 Performance: Not Available



The FY 2003 actual performance data will not be available for reporting in the FY 2003 PAR. However, early indications are that the Agency will not meet its goal. While the Ticket-to-Work program should eventually have a significant impact on return-to-work among SSI recipients, it may take several years to see the full impact. Many policy changes and new structures are still in development phases. The Ticket-to-Work program will not be completely rolled out until late in 2004. In addition, disabled SSI recipients face a number of barriers to employment. Such barriers, like insufficient education and training or the lack of a full understanding by employers of the productive capacity of people with disabilities, will not be affected by SSA's programs.

FY 1999: Not Available	**FY 2000:** 10.9% (255,129)
FY 2001: -1.1% (252,219)	**FY 2002:** -1.2% (249,175)

Trend: It appears that the number of SSI disabled beneficiaries earning $100/month continues to decline. However, it is difficult to identify a trend because the actual performance is measured just once each year and does not reflect performance throughout the year.

Data Definition: Beginning FY 2003, the Agency goal will be for annual increases in the number of working SSI disabled beneficiaries earning at least $100 per month. This is a new measure meant to better reflect the impact of all work incentives for SSI disabled beneficiaries.

Data Source: "SSI Disabled Recipients Who Work" report.

Strategic Objective 3: Improve service with technology

The following lists three KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

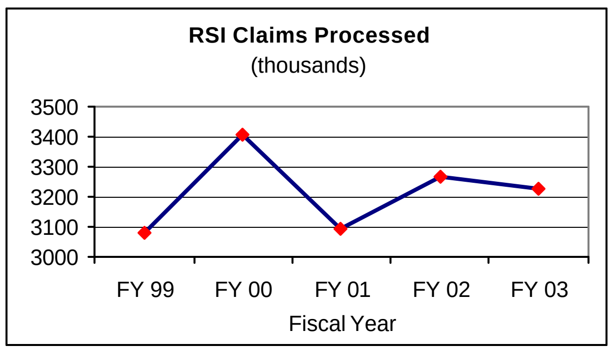
	Key Performance Indicators	See page for detailed discussion
3.1	Percent of retirement claims initiated via the Internet	See page 38
3.2	Percent of employee reports (W-2s) filed electronically	See page 39
3.3	Percent of people who do business with SSA rating the overall service as "excellent," "very good," or "good"	See page 40

There are also four non-KPI performance measures for Strategic Objective 3:

3.4 — *Retirement Survivor Insurance (RSI) Claims Processed*

FY 2003 Goal: 3,229,000

Actual FY 2003 Performance: 3,238,871.



SSA met its goal. One of SSA's most visible programs and major responsibilities is to process the Retirement Survivor Insurance (RSI) claims it receives. Each year SSA estimates the RSI claims it expects to receive based on actuarial estimates, prior year's claims receipts, legislative or policy changes and other factors. The result indicates that the estimates are accurate and that sufficient resources are devoted to the workload to process it.

FY 1999: 3,076,987 **FY 2000:** 3,404,938
FY 2001: 3,092,743 **FY 2002:** 3,265,473*

* Note: Based on updated Agency Data, final FY 2002 total for RSI claims processed was 3,266,297

Trend: SSA has met the goal every year except 1999, when it was narrowly missed. While the number of RSI claims processed remained relatively consistent over the last 5 years, SSA expects significant increases over the next 10 years as the baby boomers begin to retire.

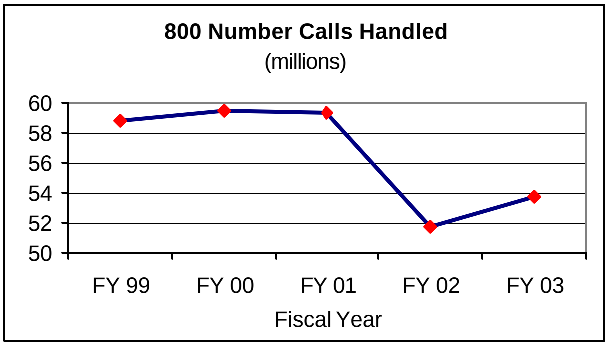
Data Definition: All retirement, survivors, and Medicare initial claims processed by field offices and central operations components. Includes totalization claims.

Data Source: The MIICR System.

3.5 — *800-number Calls Handled*

FY 2003 Goal: 55,000,000

Actual FY 2003 Performance: 53,700,000



SSA did not meet its projection. The Agency's national 800 number handled 53.7 million calls in FY 2003. This represents 1.9 million more calls handled than in FY 2002. Of the total calls handled, 42.4 million were handled by agents (an increase of 3.6 million calls when compared to FY 2002) and 11.3 million calls were handled by automation (a decrease of 1.7 million calls when compared to FY 2002). The number of calls handled by agents increased because SSA experienced the first full year of maximum efficiencies gained from the Call Center Network Solution (CCNS), completed in FY 2002. The number of calls to automation decreased due to fewer callers requesting Medicare Replacement Cards. This occurred as a result of an Agency restriction limiting the use of the Pin/Password application to those individuals who were sent notices with Pin/Password information, and because of the removal of the Internet message from the automated options menu.

The CCNS allows the routing of calls to the next available agent at any site of the Network. This enables the Network to handle the optimum number of calls per agent; therefore, handling more calls with the same number of agents. The gain in efficiency from CCNS was realized in FY 2003. Increased network efficiency combined with answering calls faster, expanded automated telephone services, handling more calls to completion through immediate claims-taking units, an easier to navigate options menu, and other enhancements continue to improve service and prepare the Network to meet future increases in workload demands.

FY 1999: 58,800,000	**FY 2000:** 59,500,000
FY 2001: 59,300,000	**FY 2002:** 51,800,000

Trend: The number of calls handled by the 800-number has decreased during the past 2 years. However, growing workload demands, projected by actuaries, are expected to slightly increase the number of calls handled by the 800-number in future years.

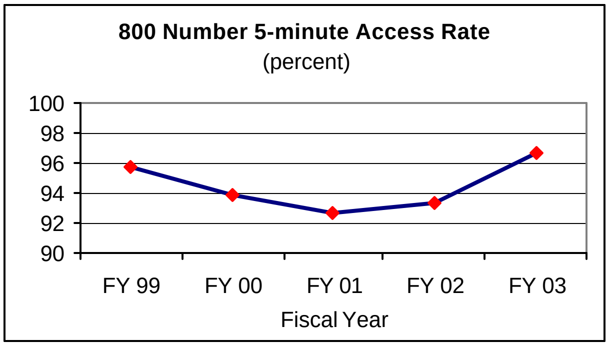
Data Definition: The number of calls (either live or automated service) handled by SSA's 800 number

Data Source: National 800 number network.

3.6 — *Percent of Callers who Successfully Access the 800-number within 5 Minutes of their First Call*

FY 2003 Goal: 94%

Actual FY 2003 Performance: 96.7%



SSA met its goal. The higher percentage of callers who access the 800-number within 5 minutes of their first call is primarily due to increased network efficiencies gained from the CCNS. (See prior performance indicator 3.5.)

FY 1999: 95.8%	**FY 2000:** 92.9%
FY 2001: 92.7%	**FY 2002:** 93.3 %

Trend: FY 2003 shows an upward trend over FY 2001 and FY 2002.

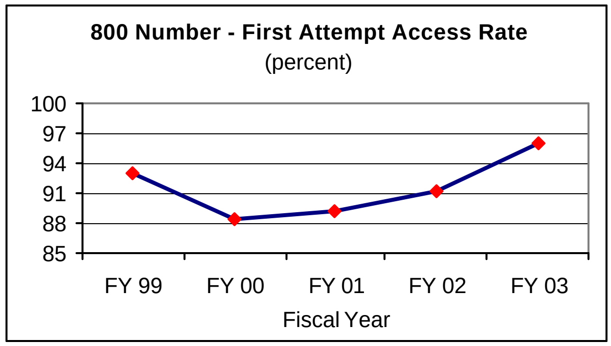
Data Definition: This is the percent of unique call attempts that successfully "connect" within 5 minutes of the first attempt within a 24-hour period. A successful "connection" occurs when a caller selects either an automated service or a live agent and is connected with that option within 5 minutes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

Data Source: Automatic number identification records provided by WorldCom.

3.7 — *Percent of Callers who get through to the 800-number on their First Attempt*

FY 2003 Goal: 87%

Actual FY 2003 Performance: 95.9%



SSA met its goal. SSA was able to provide improved access as a result of increased network efficiencies gained from CCNS which was completed in FY 2002. (See performance discussion in section 3.5 for more details.)

FY 1999: 92.9% **FY 2000:** 88.4%
FY 2001: 89.2% **FY 2002:** 91.3%

Trend: Continued improvement.

Data Definition: The percent is the number of individuals who reach the 800-number (either live or automated) service on their first attempt, divided by the number of unique telephone numbers dialed to the 800-number. An "attempt" is defined as the first attempted call of the day, or a subsequent attempt after a previously successful call.

Data Source: Automatic number identification records provided by WorldCom.

Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

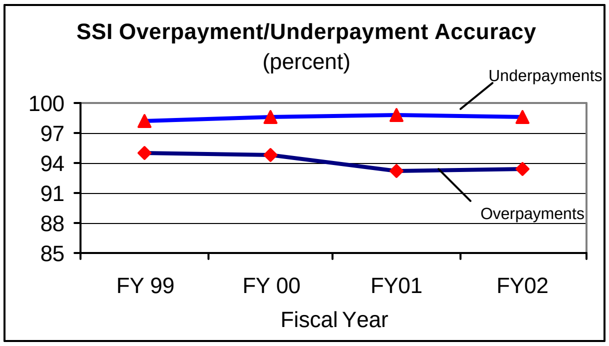
Strategic Objective 4: Prevent fraudulent and erroneous payments and improve debt management

The following lists four KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators	See page for detailed discussion
4.1 SSI non-disability redeterminations	See page 43
4.2 Continuing Disability Reviews (CDR) processed	See page 44
4.3 Percent of outstanding SSI debt in a collection arrangement	See page 44
4.4 Percent of outstanding OASDI debt in a collection arrangement	See page 45

There are also three non-KPI performance measures for Strategic Objective 4:

4.5 — Percent of SSI Payments Free of Preventable Error (overpayments and underpayments)



FY 2002 Goal: **Overpayment accuracy: 94.7%**
Underpayment accuracy: 98.8%
FY 2003 Goal: **Overpayment accuracy: 95.4%**
Underpayment accuracy: 98.8%

Actual FY 2002 Performance:
Overpayment accuracy: 93.4%
Underpayment accuracy: 98.6%

SSA did not meet its FY 2002 goal. Although SSA's accuracy rate improved slightly over FY 2001, the Agency did not meet the extremely ambitious FY 2002 goal. Meeting the goal would have translated to making $490 million less in erroneous payments over FY 2001. SSA's actual performance did prevent approximately $35 million more in erroneous payments than in FY 2001. The Agency continues to take action to improve its payment accuracy to reach future goals. Reaching the accuracy goal will not happen overnight. Each 1 percent increase in payment accuracy equates to $350 million of error prevented.

In FY 2002, SSA implemented a Corrective Action Plan (CAP) to improve the accuracy of the SSI program. Based on that plan, the GAO removed the SSI program from its "High Risk" list. SSA is committed to making program improvements that will enable the Agency to meet the accuracy goals. As part of that effort, SSA is focusing on projects that will result in error prevention rather than just detection and collection. For example, one of the leading causes of error is unreported financial institution accounts. The Agency is preparing to test a process to automatically verify the financial account balances. If this process is successful, SSA expects to prevent approximately $85 million per year in erroneous payments. The CAP includes other such projects aimed at reducing erroneous payments. The Agency is also exploring ways to improve the eligibility redetermination process to further reduce error.

Actual FY 2003 Performance: The FY 2003 actual performance data will not be available for reporting in the FY 2003 PAR because of the length of time required to gather, validate and analyze the data, and then prepare the final report. These data will be reported in the FY 2004 PAR. However, in this PAR, SSA is reporting on the FY 2002 actual data.

FY 1999: Overpayment: 94.9%; Underpayment: 98.3%
FY 2000: Overpayment: 94.7%; Underpayment: 98.6%
FY 2001: Overpayment: 93.3%; Underpayment: 98.8%

Trend: The percent of SSI payments free of preventable error did not change in a statistically significant way from the previous year.

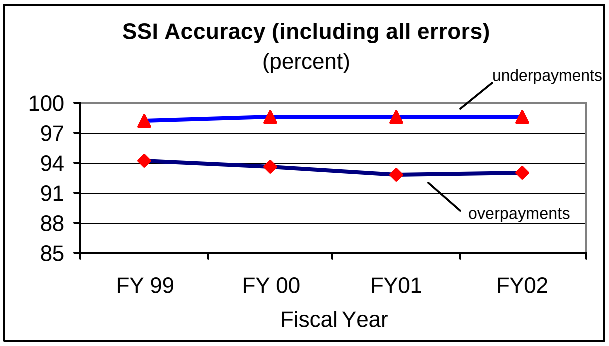
Note: For FY 2002, statistical precision at the 95 percent confidence level is ±1.1 for overpayments and ±0.3 for underpayments.

Data Definition: The SSI payment accuracy rate free of preventable errors is determined by an annual review of a statistically valid sample of the beneficiary rolls. The rate is computed by first subtracting the amount of "unpreventable" incorrect payments from the dollars overpaid or underpaid in a fiscal year, and then dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

Data Source: SSI Stewardship report.

4.6 — SSI Overpayment and Underpayment Accuracy Rate (including both preventable and unpreventable error)

FY 2002 Goal: **Overpayment accuracy: 94.0%**
Underpayment accuracy: 98.8%
FY 2003 Goal: **Overpayment accuracy: 93%**
Underpayment accuracy: 98.8%



Actual FY 2002 Performance:
Overpayment accuracy: 93.0%
Underpayment accuracy: 98.6%

SSA did not meet its FY 2002 goal. Although SSA's accuracy rate improved slightly over FY 2001, the Agency did not meet the extremely ambitious FY 2002 goal. Meeting the goal would have translated to making $420 million less in erroneous payments over FY 2001. SSA's actual performance did prevent approximately $35 million more in erroneous payments than in FY 2001. The Agency continues to take action to improve its payment accuracy to reach future goals. Reaching the accuracy goal will not happen overnight. Each 1 percent increase in payment accuracy equates to $350 million of error prevented.

In FY 2002, SSA implemented a Corrective Action Plan (CAP) to improve the accuracy of the SSI program. Based on that plan, the GAO removed the SSI program from its "High Risk" list. SSA is committed to making program improvements that will enable the Agency to meet the accuracy goals. As part of that effort, SSA is focusing on projects that will result in error prevention rather than just detection and collection. For example, one of the leading causes of error is unreported financial institution accounts. The Agency is preparing to test a process to automatically verify the financial account balances. If this process is successful, SSA expects to prevent approximately $85 million per year in erroneous payments. The CAP includes other such projects aimed at reducing erroneous payments. The Agency is also exploring ways to improve the eligibility redetermination process to further reduce error.

Actual FY 2003 Performance: The FY 2003 actual performance data will not be available for reporting in the FY 2003 PAR because of the length of time required to gather, validate and analyze the data, and then prepare the final report. These data will be reported in the FY 2004 PAR. However, in this PAR, SSA is reporting on the FY 2002 actual data.

FY 1999: Overpayment: 94.3%; Underpayment: 98.3%
FY 2000: Overpayment: 93.6%; Underpayment: 98.6%
FY 2001: Overpayment: 92.8%; Underpayment: 98.6%

Trend: The SSI overpayment accuracy rate did not change in a statistically significant way from the previous year. There was no change in SSI underpayment accuracy for 2001 and 2002.

Note: For FY 2002, statistical precision at the 95 percent confidence level is +/-1.2 percent for overpayments and +/-0.3 percent for underpayments.

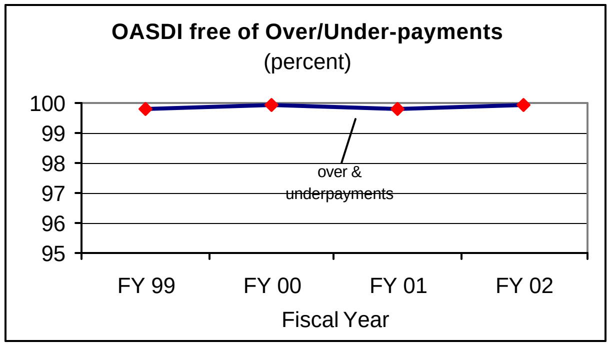
Data Definition: The SSI payment accuracy, including both preventable and unpreventable errors, is determined by an annual review of a statistically valid sample of the beneficiary rolls. The overpayment accuracy rates and underpayment accuracy rates are determined separately. The overpayment accuracy rate is computed by first subtracting the total amount of overpaid dollars from the total dollars paid for a fiscal year, and then dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The underpayment accuracy rate is computed by first subtracting the total amount of underpaid dollars from the total dollars paid for a fiscal year, and then dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

Data Source: SSI Stewardship report.

4.7 — Percent of OASDI Payments Free of Overpayments and Underpayments

FY 2002 Goal: **Overpayment accuracy: 99.8%**
Underpayment accuracy: 99.8%
FY 2003 Goal: **Overpayment accuracy: 99.8%**
Underpayment accuracy: 99.8%

Actual FY 2002 Performance:
Overpayment accuracy: 99.9%
Underpayment accuracy: 99.9%



SSA met its goal. The 0.03 percent increase in overpayment accuracy from FY 2001 is not statistically significant, while the 0.16 percent increase in underpayment accuracy does represent a statistically significant change. The underpayment error rate in FY 2001 was largely caused by one unusually large date-of-birth error. There were no date-of-birth errors in FY 2002 and this resulted in the decrease in underpayment error dollars. Because of the small sample and infrequency of these errors, this type of variation is not unusual.

Actual FY 2003 Performance: The FY 2003 actual performance data will not be available for reporting in the FY 2003 PAR because of the length of time required to gather, validate and analyze the data, and then prepare the final report. These data will be reported in the FY 2004 PAR. However, in this PAR, SSA is reporting on the FY 2002 actual data.

FY 1999: Overpayment: 99.8%; Underpayment: 99.9%
FY 2000: Overpayment: 99.9%; Underpayment: 99.9%
FY 2001: Overpayment: 99.8%; Underpayment: 99.8%

Trend: We continue to maintain a high level of dollar accuracy of OASDI payment outlays.

Note: Overall, statistical precision at the 95% confidence level ranges from 99.60% to 99.99% for overpayments and 99.88% to 99.99% for underpayments.

Data Definition: The Old Age, Survivors and Disability Insurance (OASDI) payment accuracy rate is determined by an annual review of a statistically valid sample of the beneficiary rolls. Separate rates are determined for the accuracy of payments with overpayment dollars and the accuracy of payments with underpayment dollars. The rates are computed by dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. Prior to FY 2001, the accuracy of only OASI outlays was included. Effective FY 2001, the non-medical accuracy of DI outlays was added to the measure. GAO raised a concern that combining payment accuracy data from the OASI and the DI programs may affect SSA's ability to sufficiently monitor and manage performance. While the PAR combines data from these two programs, Stewardship Reports continue to include the accuracy of OASI and DI payment outlays separately.

Data Source: OASDI Stewardship Report.

Strategic Objective 5: Strengthen the integrity of the Social Security Number (SSN)

The following describes the two non-KPI performance measures for Strategic Objective 5:

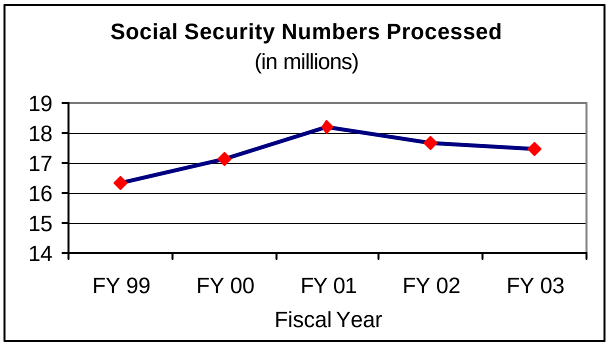
5.1 — *Social Security Numbers (SSNs) Processed*

FY 2003 Goal: 16,000,000

Actual FY 2003 performance: 17,523,560

SSA exceeded its projection. One of SSA's most visible and ongoing operational responsibilities is to process the requests it receives for original or duplicate Social Security Numbers (SSN).

FY 1999: 16,322,588 **FY 2000:** 17,128,073
FY 2001: 18,179,115 **FY 2002:** 17,679,490



Trend: SSA has met the goal for SSNs issued every year. Each year the Agency estimates the SSN request volume it expects to receive. The number of SSNs processed is entirely dependent on the number of people who need an original or replacement SSN, and who meet citizenship or residency requirements.

Data Definition: SSN issuance for duplicate or original numbers processed by field offices and central office components, plus enumeration-at-birth (EAB) activity. It also includes the count of fraud investigations that do not result in the issuance of an SSN or EAB.

Data Source: FOSSNER, EAB, year-to-date processing statistics.

5.2 — *Percent of SSNs Issued that are Free of Critical Error*

FY 2003 Goal: 99.8%

Actual FY 2003 Performance: Not Available

FY 2003 data will not be available until the end of the calendar year. These data will be reported in the FY 2004 PAR. SSA's FY 2002 performance on the indicator "Percent of SSNs issued accurately," is discussed on page 96.

Trend: Since the data definition is new for FY 2003, there is no trend discussion or chart.

Data Definition: The rate is based on an annual review of SSN applications to verify that: 1) the applicant did not receive an SSN that belonged to someone else; 2) if the applicant had more than one SSN, the numbers were cross-referenced; and 3) the applicant was entitled to receive an SSN based on supporting documentation, i.e., the field office verified appropriate documentation—Bureau of Citizenship and Immigration Services, formerly Immigration and Naturalization Services, document for foreign born and birth certificate for U.S. born—and made a correct judgment of entitlement to an SSN.

Note: For GPRA purposes, only the first two criteria will be used to measure against the FY 2003 goal because baseline data has not been established using the third criterion. However, during FY 2003, all three criteria will be measured internally in order to obtain baseline data. All three criteria will be used for measuring SSN accuracy effective FY 2004.

Data Source: Enumeration Process Quality Review.

Strategic Objective 6: Increase the accuracy of earnings records

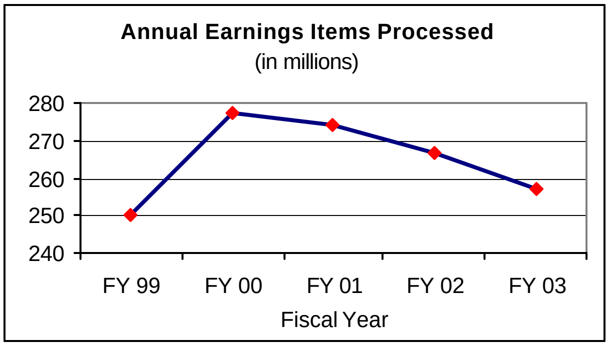
The following describes the three non-KPI performance measures for Strategic Objective 6:

6.1 — *Annual Earnings Items Processed*

FY 2003 Goal: 260,000,000

Actual FY 2003 Performance: 257,188,087

SSA did not meet its projection. SSA's original projection of Annual Earnings Items was too high. In August, the Agency's Office of the Actuary lowered the projection of tax year 2002 W-2's by 9 million.



FY 1999: 249,867,974 **FY 2000:** 277,145,696
FY 2001: 274,427,394 **FY 2002:** 266,777,009

Trend: The number of Annual earnings items processed is dependent on the number of earnings items reported. That number has decreased since the year 2000.

Data Definition: Annual earnings items include the total number of electronic and paper annual wage items processed through the balancing operation, plus the total number of magnetic media and self-employment items posted in a fiscal year.

Data Source: MIICR system and Agency records.

6.2 — *Reduction in the Size of the Earnings Suspense File*

FY 2003 Goal: 18,000,000

Actual FY 2003 Performance: 2,400,000

SSA did not meet its goal. The approach to successfully complete the project – remove and post 30 million items by FY 2004 – follows a logical progression in development of decisionmaking capacity. It is not related to month-by-month volumes of items that the decision system identifies for posting or removal and this performance indicator should not be prorated. Based on the steady progress being made in developing matching techniques for the various subgroups into which the suspense file has been divided to organize this initiative, the Agency still expects to remove approximately 30 million items from the suspense file by the end of fiscal year 2004.

FY 1999: Not Available **FY 2000:** Not Available
FY 2001: Not Available **FY 2002:** Not Available

Trend: Trend data is not available as this is a new indicator beginning in FY 2003

Data Definition: This goal relates to suspense file items for years prior to 2001. The Agency goal is that before 2005, SSA will find the correct earnings record and post 30 million or more suspense items for years 2000 and earlier. New processes being developed by the Office of Quality Assurance (OQA) will be used.

Data Source: Office of Quality Assurance records of items removed from suspense and posted to the correct earnings records. Also, a comparison of the current suspense file will be made to the suspense file at the end of FY 2003.

6.3 — The Percent of Incoming Earnings Items Removed from the Suspense File at the end of the Annual Earnings Posting Cycle

FY 2003 Goal: 2%

Actual FY 2003 Performance: Not Available

The FY 2003 actual performance data will not be available for reporting in the FY 2003 PAR because of the length of time required to gather, validate and analyze the data, and then prepare the final report. These data will be reported in the FY 2004 PAR.

FY 1999: Not Available **FY 2000:** Not Available
FY 2001: Not Available **FY 2002:** Not Available

Trend: Trend data is not available as this is a new indicator beginning in FY 2003

Data Definition: Earnings remaining in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. The FY 2004 five percent reduction goal will be achieved by using new matching routines currently being developed by OQA that use earnings records as the basis for the match to the employer/self-employment report. The OQA process is used after all other matching attempts fail. The percentage is determined by comparing the number of items added to suspense during a full posting cycle to the number later removed in the new process. The first earnings cycle to which the indicator will be applied will be in 2002, therefore, the 2003 goal applies to the 2002 cycle. The FY 2004 goal of 5 percent represents the cumulative effect of the FYs 2003 and 2004 efforts.

Data Source: Items in the suspense file at the end of the full 2002 cycle compared to items removed by the new process.

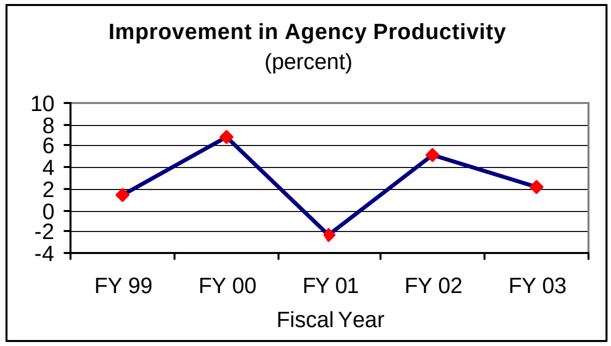
Strategic Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

The following lists two KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

	Key Performance Indicators	See page for detailed discussion
7.1	Disability Determination Service (DDS) cases processed per workyear (PPWY)	See page 49
7.2	"Get to green" on all PMA initiative plans for "progress"	See page 50

There are also six non-KPI performance measures for Strategic Objective 7:

7.3 — Percent Improvement in Agency Productivity



FY 2003 Goal: **2%**

Actual FY 2003 Performance: **2.1%**

SSA met its goal. As part of the FY 2004 President's Budget, SSA committed to an average annual productivity improvement of 2 percent. SSA met the commitment in FY 2003 with a productivity improvement of 2.1 percent. This is in addition to the 5.1 percent productivity improvement achieved in FY 2002 for an average of 3.6 percent over the 2 year period. The FY 2003 increase is due primarily to the continued automation efforts and streamlining of the Agency's business processes.

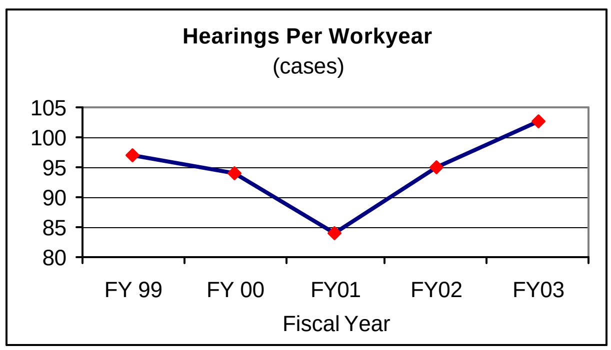
FY 1999: 1.4%	**FY 2000:** 6.8%
FY 2001: -2.3%	**FY 2002:** 5.1%

Trend: The Agency expects to continue to meet the goal of an average of 2 percent productivity improvement per year. Continued improvement in actual performance, along with the numerous initiatives the Agency is pursuing, lends credence to achieving this goal.

Data Definition: The percent change in productivity is measured by comparing the total number of SSA and DDS workyears that would have been expended to process current year workloads at the prior year's rates of production to the actual SSA and DDS workyear totals expended.

Data Source: Agency Cost Accounting System.

7.4 — Number of SSA Hearings Cases Processed per Workyear (PPWY)



FY 2003 Goal: **101**

Actual FY 2003 Performance: **102.7.**

SSA met its goal. In FY 2003, SSA displayed record-breaking productivity of 2.35 cases per ALJ per day and processed almost 40,000 more requests for hearings than it did in FY 2002. The Agency accomplished this by focusing efforts on improvement and productivity.

FY 1999: 97	**FY 2000:** 94
FY 2001: 84	**FY 2002:** 95

Trend: The trend for this measure is very positive as productivity continues to increase for hearings cases.

Data Definition: This indicator represents the average number of hearings cases processed per "direct" workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on t raining, travel, leave, holiday, etc.

Note: The FY 2003 target includes only SSA hearings, as is the case with actual data reported in FY 1999-2002. SSA's plan is to transfer the Medicare hearings function to the Department of Health and Human Services starting with FY 2004. The FY 2003 target including Medicare hearings is 112.

Data Source: OHA Monthly Activity Reports, the Hearing Office Tracking system (HOTS), Payroll Analysis Recap Report, Time and Attendance Management Information System, OHA Bi-weekly Staffing Report, Training Reports, and Travel Formula.

7.5 — Percent of Commercial Positions Competed or Converted

FY 2003 Goal: 15%

Actual FY 2003 Performance: 0.4%

SSA did not meet its goal. To reach the 15 percent goal, SSA must compete all the functions identified in the Agency's competitive sourcing plan for 2002/2003. SSA's first competitive sourcing study from the 2002/2003 plan was completed in June 2003 and resulted in an in-house win for the Agency. Two full competition studies are currently in progress with completion expected in early 2004. As these studies are completed, SSA's percentage will significantly increase. SSA is planning for additional studies to begin in FY 2004, which are expected to take 12 to 18 months to complete after announcement. It is important to note that OMB has given SSA a "green" in Progress for Competitive Sourcing. OMB has recognized SSA's efforts to establish the necessary infrastructure to initiate competitive sourcing activities in the Agency.

Trend: Trend data is not available as this measure was adopted in FY 2003.

Data Definition: This performance measure represents the percentage of SSA's commercial activities competed with commercial sources or directly converted to contract by the end of each fiscal year.

Data Source: Total commercial positions: Year 2000 Federal Activities Inventory Reform (FAIR) Act inventory; Commercial positions competed per Competitive Sourcing Plan.

7.6 — Maintain Zero Outside Infiltrations of SSA's Programmatic Mainframes

FY 2003 Goal: 0 infiltrations

Actual FY 2003 Performance: 0 infiltrations

SSA met its goal. SSA has reviewed and implemented industry "best practices" where applicable and performed due diligence to ensure that information security is commensurate with the criticality and sensitivity of information processed and maintained. To this end, SSA employs its own internal "red" teams, the Intrusion Protection Team (IPT) and Agency-wide Security Response Team (SSASRT).

The IPT and SSASRT have routine contact with the Federal Computer Incident Response Center (FedCIRC) to exchange up-to-date information on threats and countermeasures. In FY 2003, the Agency continued to improve internal response to impending threats by having centralized management and reporting of the Agency's virus and threat management infrastructure. The Agency has also joined the Government-wide Patch Authentication and Distribution program sponsored by FedCIRC to further strengthen the effort to counter threats and apply patches in a timely manner. Several incidents in FY 2003 had major impact on various business organizations, but have not had any measurable impact on SSA due to the Agency's preparedness management and proactive approach to Enterprise IT Security.

1999-2002: 0
2003: 0 thru May

Trend: SSA has never had an outside infiltration of its programmatic mainframes.

Data Definition: SSA's mainframes store information critical to the completion of the Agency mission, including master files, such as enumeration, earnings and beneficiary/recipient payment files. The goal is to prevent any unauthorized access and/or alteration of critical data that would result in improper disclosure, incorrect information or lack of data availability. An infiltration is an unauthorized access that requires a cleanup or restoration of back-up files to a state prior to the infiltration. This would include an authorized user who obtains elevated privileges and performs unauthorized actions resulting in infiltration.

Data Source: Count of the times mainframes are infiltrated, obtained from Change Asset and Problem Reporting System.

7.7 — By 2005, Substantially Complete the most Significant Projects in the Social Security Unified Measurement System (SUMS) and Managerial Cost Accountability System (MCAS) Plan, and Complete the Plan by the end of 2008

FY 2003 Goal:

SUMS

1. Use of the SUMS Title XVI Posteligibility Operational Data Store (PEODS) and SUMS Work Measurement Data Warehouse (WMDW) as the sole source of Agency information for managing the redeterminations and limited issue workloads. Complete corrections to the cases in the data warehouse.
2. Complete the first stage of the national rollout of the Customer Service Record (CSR) through the Visitor Intake Process (VIP) system in SSA field offices. The Customer Service Query (CSQ) will contain an extract of data from eight databases and will be displayed in VIP.
3. Data contained in the Title II Integrated Workload Management System (IWMS) will be moved to the Title II Operational Data Store (ODS) and will be the basis for the new processing time reports and SUMS counts.
4. Data on Title XVI Initial Claims processing time from the SSI Claims Report (SSICR) will be moved to the WMW and accessed from the Common Front End to provide web-based processing time reports.

MCAS

5. Cost Analysis System (CAS) Renovation – OHA Work Counts: Release 7 of the CAS Renovation project under the umbrella MCAS project will substantially automate the manual processes currently used to compute basic workload count and work time by workload information for the Office of Hearings and Appeals and to enter that data to SSA's Cost Analysis System. This project will reduce the time and effort required to produce these data and will enhance the accuracy and integrity of SSA's managerial cost accounting processes.
6. Complete Vision and Scope Document for Time Allocation. This document will complete the user planning and analysis phase of the Time Allocation project and will provide the basis for development of detailed requirements and project plans for time allocation.

Actual FY 2003 Performance: SSA substantially completed the most significant projects in SUMS and MCAS

SSA met its goal.

1. PEODS has been implemented as the sole source of Agency information on managing redeterminations and limited issue workloads. Data warehouse corrections have been completed and accepted by Operations.
2. The CSQ, containing an extract of data from eight databases, is now displayed in VIP and is nationally available.
3. The software is in place to accomplish the move to the Title II ODS user acceptance was finalized October 24, 2003. The Title II counts will continue to be derived from MIICR while corrections to the SUMS counts are being made. Corrections to SUMS counts are expected to be completed by November 2003. The FY 2004 Title II counts will then be added to the Title II ODS and it will become the official source of Title II initial claims and appeals counts.

4. The SUMS Supplemental Security Income Processing Time application available through the SUMS/MCAS MI Central website has been in production since September 29, 2003 and is the official source of Title XVI processing time reports beginning FY 2004.
5. Release 7 of the CAS Renovation Project was completed in May 2003.
6. The planning document for worktime measurement and allocation efforts has been completed.

Trend: This is a milestone performance indicator and trend data is not applicable.

Data Definition: This is a milestone measure and data is defined by the milestone goals.

Data Source: SSA's Office of Finance Assessment and Management.

7.8 — Receive an Unqualified Opinion on SSA's Financial Statements from the Auditors

FY 2003 Goal: Receive an unqualified opinion

Actual FY 2003 Performance: Received an unqualified opinion

SSA met its goal. In accordance with the Chief Financial Officer's Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers LLP (PwC). 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. In their audit, PwC found that SSA's financial statements as contained in the FY 2003 Performance and Accountability Report were presented fairly in all material respects and were in conformity with accounting principles generally accepted in the United States of America.

Trend: SSA has received an unqualified opinion every year since 1994.

Data Definition: An unqualified opinion on the financial statements is provided when an independent auditor determines that the financial statements are presented fairly and, in all material respects, in conformity with accounting principles generally accepted in the United States.

Data Source: Auditors' report.

Strategic Goal C: To achieve sustainable Solvency and ensure Social Security programs meet the needs of current and future generations

Strategic Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

The following is the one KPI for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
8.1	Provide support to the Administration and Congress in developing legislative proposals to achieve sustainable solvency for Social Security and implementing reform legislation	See page 51

There is also one non-KPI performance measure for Strategic Objective 8:

8.2 — *Percent of Adult Americans Knowledgeable about Social Security Programs and Related Issues, Including Long-range Financing*

FY 2003 Goal: Develop a baseline

Actual FY 2003 performance: Developed baseline for measure

SSA met its goal. In FY 2003, a new Public Understanding Measurement System (PUMS) survey was conducted. This survey included additional questions about the public's knowledge of long-range financing issues. Survey findings provided baseline data upon which future goals for this measure will be established and communications activities will be designed.

Trend: Baseline established in FY 2003. Trend data will be analyzed in future years.

Data Definition: This is the percent of Americans (adults age 18 and over) determined as "knowledgeable" in the Public Understanding Measurement System (PUMS) survey.

Data Source: Revised PUMS survey.

Strategic Goal D: To strategically manage and align staff to support SSA's mission

Strategic Objective 9: Recruit, develop and retain a high-performing workforce

The following is the one KPI for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
9.1	Percent improvement in the new hire retention rate	See page 53

There are also three non-KPI performance measures for Strategic Objective 9:

9.2 — *Milestones in Developing New Performance Management Systems*

FY 2003 Goal: Implement new Senior Executive Service system

Actual FY 2003 Performance: Implemented a new SES system

SSA met its goal. The five-tier Senior Executive Service (SES) performance management system was implemented on October 1, 2002.

Trend: The SES system was the first milestone. A performance management system for non-bargaining unit GS-15 employees will follow in FY 2004.

Data Definition: Implementation of a five-level appraisal system for performance for SES-level employees in FY 2003 and formulation of an enhanced assessment system for GS-15 level employees in FY 2004. Note: Development of new SES standards was completed in early FY 2003. Those standards are now fully incorporated in each individual SES performance plan.

Data Source: Office of Human Resources records.

9.3 — *Number of Job Enrichment Opportunities (includes headquarters components and regional development programs)*

FY 2003 Goal: 3% of workforce

Actual FY 2003 Performance: 4.2% of workforce

SSA met its goal. The Agency had 2,726 employees representing 4.2 percent of the workforce participating in a developmental or job enrichment experience. There were 222 employees participating in the formal national-level developmental programs, 195 employees engaged in component-level programs, and 274 employees active in regional-level programs. Additionally, 2,035 employees participated in a job enrichment experience.

Trend: Trend data is not available as this measure was adopted beginning in FY 2003.

Data Definition: Percent of the Agency workforce participating in one of the formal national development programs or experiences (formal career development training of 1 to 2 weeks), a component program, or a regional-level program.

Data Source: Office of Training records.

9.4 — *Provide the Equivalent of 40 Hours of Training Annually to All Employees*

FY 2003 Goal: Provide the equivalent of 40 hours of training per employee

Actual FY 2003 Performance: Provided an average of 68 hours of training per employee

SSA met its goal. SSA provides employees with career enhancement and individual growth opportunities through its OnLine University. Originally begun with a limit of 16 hours being available to employees, the initiative was expanded in January 2003 to allow employees to take up to 32 hours of training annually. Additionally, employees are provided a chance to improve their automation skills through eight generic lessons repeatedly broadcast over the Agency's Interactive Video Teletraining (IVT) network, up to 24 hours annually. SSA also provides 3 hours of technical transmittal and program training geared to specific employee audiences monthly, plus general training of 1 hour monthly on topics such as diversity, lifestyle planning, sexual harassment, stress management, etc. SSA's

Office of Training also offers training in a traditional classroom setting of 1 to 3 days for courses from its general training curriculum.

Trend: Trend data is not available as this measure was adopted beginning in FY 2003.

Data Definition: Success is defined as having demonstrated that SSA provided on average the equivalent of 40 hours training per employee annually through the many venues available, e.g., IVT, the OnLine university, traditional government-sponsored training courses, and/or training conferences and seminars.

Data Source: Office of Training records and the Human Resources Management Information System.

Program Assessment Rating Tool (PART) Measures

The PART is a diagnostic tool designed by OMB to examine different aspects of program performance to identify the strengths and weaknesses of a given federal program. The DI and SSI Aged programs were selected for the initial assessment period and the results were published in the FY 2004 President's budget. The same two programs were reevaluated in the summer of 2003 and the results will be published in the FY 2005 President's budget.

OMB's findings from the initial assessment of the DI and SSI Aged program are consistent with the areas SSA has identified that require attention:

<u>DI Program</u>

- Improve the disability claims process, in part, by investing in technology to eliminate the need to store, locate, and mail millions of paper files.
- Better connect DI beneficiaries with expanding employment opportunities for individuals with disabilities.
- Strengthen the link between the DI administrative budget and performance measures.

<u>SSI Aged Program</u>

- Address payment accuracy issues by aggressively pursuing strategies outlined in SSA's Corrective Action Plan, such as simplifying income reporting requirements.
- Strengthen the link between the SSI Aged administrative budget and performance measures.

SSA's Strategic Plan, Annual Performance Plan (APP), and budget request all address OMB's findings. In addition, the performance measures and targets below were provided by SSA and used by OMB and SSA to evaluate the effectiveness of the DI and SSI Aged programs. It should be noted that of the eight PART measures, six were also GPRA measures in the FY 2004 APP and Revised Final FY 2003 APP. For the joint PART/GPRA measures, see the pages listed below for a more detailed discussion.

PART Measures which are also GPRA Measures	See page for detailed discussion
Average processing time for initial disability claims (DI and SSI)	See page 34
Average processing time for hearings	See page 34
Disability Determination Services (DDS) cases processed per workyear (PPWY)	See page 49
Number of SSA hearings cases processed per workyear (PPWY)	See page 85
DDS net accuracy rate (allowances and denials combined)	See page 73
SSI overpayment and underpayment accuracy rate (preventable error)	See page 79

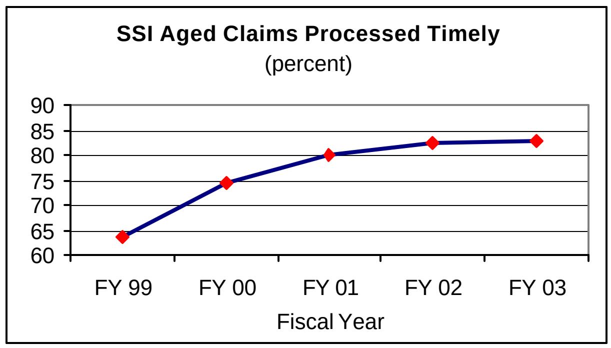
The following describes the two non-GPRA PART performance indicators are:

PART Measure – 1: *Percent of SSI Aged Claims Processed by the Time the First Payment is Due or within 14 Days of the Effective Filing Date*

FY 2003 Goal: 75%

Actual FY 2003 Performance: 83%

SSA met its goal. The goal was raised from 70 percent to 75 percent this year because SSA has demonstrated increased performance over the past years. SSA's performance reflects a national commitment to make timely and accurate payments to SSI Aged recipients.



FY 1999: 63.5% **FY 2000:** 74.4%
FY 2001: 79.9% **FY 2002:** 82.6%

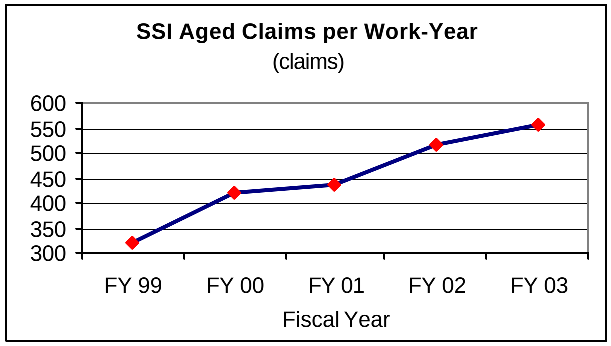
Trend: SSA has steadily improved the timeliness of SSI Aged claims processing.

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. This definition came into effect beginning FY 2001.

Data Source: The SSI ODS System.

PART Measure - 2: *SSI Aged Claims Processed per Workyear (PPWY)*

FY 2003 Goal: 497



FY 2003 Performance Discussion: 556

SSA met its goal. SSA's performance indicates that sufficient resources were allocated to the processing of SSI Aged claims. SSA will continue to give this vulnerable population the best service possible.

FY 1999: 322 **FY 2000:** 421
FY 2001: 436 **FY 2002:** 515

Trend: PPWY for SSI Aged claims has improved every year.

Data Definition: The number of SSI Aged Claims processed per workyear (i.e., total SSI Aged claims processed divided by the total workyears expended by field offices on this workload). A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.).

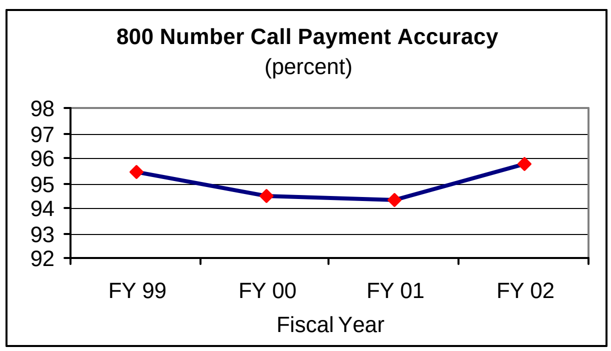
Data Source: Agency Cost Accounting System.

FY 2002 Performance Indicators

The following FY 2002 Performance Indicators are no longer external GPRA measures as of FY 2003. However, SSA will continue to monitor these measures internally. The FY 2002 final data for these measures was not available in time for publication of the FY 2002 PAR. Therefore, FY 2002 results are included in the FY 2003 PAR.

FY 2002 Performance Indicator: *800-number Call Payment Accuracy*

FY 2002 Goal: 95%



Actual FY 2002 Performance: 95.8%

SSA met its FY 2002 goal. Overall accuracy improvements are due in large measure to the mandated use of the Customer Help and Information Program (CHIP), effective November 2001. This program, which is based on the Teleservice Center Operating Guide and provides access to online instructions, has helped guide agents to provide more accurate service. Errors in handling of potential claims leads and failure to develop living arrangements that may affect benefit payments were the major causes of payment accuracy errors. SSA is continuing improvements in employee training and mandated use of CHIP to further increase payment accuracy.

FY 1999: 95.4% **FY 2000:** 94.5%
FY 2001: 94.3% **FY 2002:** 95.8%

Trend: Call payment accuracy is expected to continue improving in future FYs.

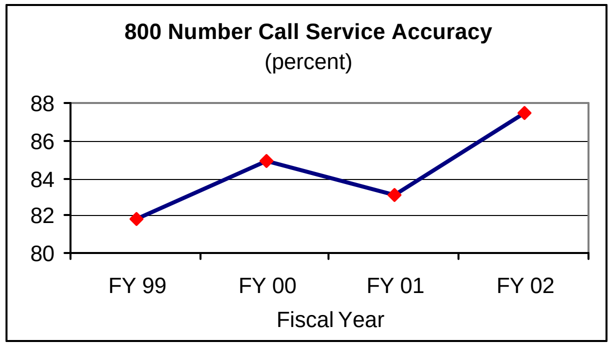
Data Definition: Payment accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to eligibility and payment of benefits. Note: Generally, there is about a one year lag before quality data are available due to the review and validation of study data input in the data base, allowing time for rebuttals of errors, obtaining universe counts, and running/validating report tables.

Data Source: 800-number Service Evaluation Findings.

FY 2002 Performance Indicator: *800-number Call Service Accuracy*

FY 2002 Goal: 90%

Actual FY 2002 Performance: 87.5%



SSA did not meet its FY 2002 goal. Although the FY 2002 goal was not met; call service accuracy rose significantly over previous years and is expected to continue increasing towards the 90 percent goal in FY 2003. Significant improvements by agents in following access and disclosure procedures contributed to the increase in service accuracy. The most common service errors were related to training issues: following procedures for access/disclosure, interpreting record queries and correctly referring callers to other SSA offices. Overall accuracy improvements are due in large measure to the mandated use of CHIP, effective November 2001. As telephone agents make optimum use of CHIP and online instructions, accuracy rates are expected to increase.

FY 1999: 81.8%	**FY 2000:** 84.9%
FY 2001: 83.1%	**FY 2002:** 87.5%

Trend: Service accuracy significantly improved in FY 2002 over FY 2001. It is expected to continue improving in future years due to nationwide improvements in efficiency and call-handling procedures.

Data Definition: Service accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to issues other than payment eligibility. Service errors include major service delivery failures that do not have a reasonable potential to improperly affect payment of eligibility. Note: Generally, there is about a one year lag before quality data are available due to the review and validation of study data input in the data base, allowing time for rebuttals of errors, obtaining universe counts and running/validating report tables.

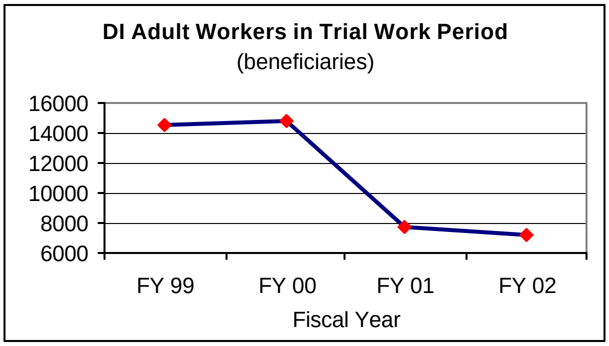
Data Source: 800 number Service Evaluation Findings.

FY 2002 Performance Indicator: *Increase in the Number of DI Adult Worker Beneficiaries who began a Trial-Work-Period*

Note: This is the last year this measure will be reported. In future years, the new measure, "Increase in the Number of DI & SSI beneficiaries who work," will be used.

FY 2002 Goal: 5% (8,099)

Actual FY 2002 Performance: 7,162



SSA did not meet its FY 2002 goal. The number of DI adult worker beneficiaries who started work after being allowed benefits and began to accrue Trial-Work-Period (TWP) months declined in FY 2002 for the second year in a row. People with disabilities often experience difficulties in obtaining jobs and often need the support of employment services to find acceptable work. The Ticket-to-Work program was designed to provide such support, but it did not begin rollout until February 2002. The benefits of the Ticket program may not show up in TWP starts until it is fully imp lemented nationally.

FY 1999: 14,525 (baseline)
FY 2000: 1.8% (14,789)
FY 2001: -52.2% (7, 713)

Trend: The number of DI beneficiaries who began a Trial-Work-Periods decreased from FY 2001 to FY 2002.

Data Definition: For FY 2000, this indicator represented the annual percentage increase in the number of DI adult worker beneficiaries who begin a Trial-Work-Period during CY 2000, as compared to the base year 1997, where there were 16,000 TWP starts. SSA's CY 2000 goal was for a 10 percent increase over the base year performance. Effective FY 2001, this indicator represents the annual percentage increase over the prior CY actual level of 14,789, equivalent to 15,528 TWP starts. SSA's CY 2002 goal is a 5 percent increase over CY 2001 actual performance.

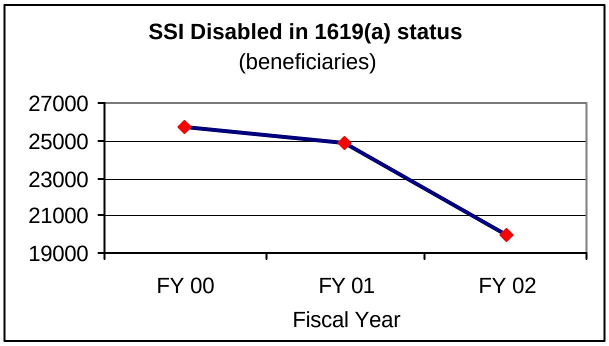
Data Source: Master Beneficiary Record

FY 2002 Performance Indicator: *Increase in the Number of SSI Disabled Beneficiaries, Aged 18-64, Participating in 1619(a) Status*

Note: This is the last year this measure will be reported, because the Agency does not believe this goal adequately measures the effect of return to work efforts. In future years, the new measure, "Increase in the Number of DI & SSI beneficiaries who work" will be used.

FY 2002 Goal: 5% (26,057)

Actual FY 2002 Performance: 19,956.



SSA did not meet its FY 2002 goal. While the Ticket-to-Work program should eventually have a significant impact on return-to-work among SSI recipients, it may take several years to see the full impact. Many of the policy changes and new structures are still in development phases. In FY 2002, SSA was only in the early stages of the rollout of the Ticket-to-Work

Program, which began in February 2002.

FY 1999: Not Available
FY 2000: 25,772
FY 2001: 24,816

Trend: The number of SSI disabled beneficiaries participating in 1619(a) status has declined each year from 2000 through 2002.

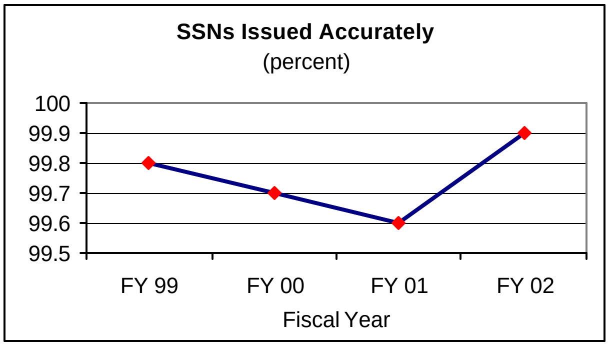
Data Definition: Effective 2001, SSA's goal is a 5 percent annual increase over the prior year's performance in the number of SSI disabled beneficiaries aged 18-64 who are participating in 1619 (a), i.e., working at the Substantial Gainful Activity level, but still receiving benefits (for FY 2001, the equivalent of 27,061). SSA's FY 2002 goal is a 5 percent increase over FY 2001, the equivalent of 28,414.

Data Source: SSI Disabled Recipients Who Work Report.

FY 2002 Performance Indicator: *Percent of SSNs Issued Accurately*

FY 2002 Goal: 99.8%

Actual FY 2002 Performance: 99.9%



SSA met its FY 2002 goal. SSA made statistically significant improvement in the accuracy of the issuance of SSNs, from 99.6 percent in FY 2001 to 99.9 percent in FY 2002. In FY 2001 the Agency implemented a training initiative targeting areas in which critical errors had occurred. In addition, during FY 2002 SSA implemented a number of procedural changes to resolve issues identified by an internal Enumeration Response Team, including verifying documents presented as proof of birth, citizenship status and identity. Continued focus in this area is having positive results.

FY 1999: 99.8%
FY 2000: 99.7%
FY 2001: 99.6%

Trend: Performance for this measure has improved from FY 2001 to FY 2002. We expect to maintain this high level of accuracy.

Data Definition: The percent of SSNs issued accurately is based on an annual review of a sample of approximately 2,000 SSN applications to verify that the applicant has not been issued an SSN that belongs to someone else, or that multiple SSNs assigned to the same applicant have been cross-referred. The data excludes SSNs assigned via the Enumeration-at-Birth process and major errors identified by the Office of Quality Assurance that do not result in an SSN card being issued erroneously. This measure was replaced in FY 2003 with "Percent of SSNs issued that are free of critical error" which has a different data definition. See page 82 for the FY 2003 measure.

Data Source: Enumeration Process Quality Review Report.

Outcome Indicators

Since its inception, Social Security has been an important source of economic security and financial stability for the American people. The programs administered by the Social Security Administration (SSA) for nearly 70 years touch the lives of virtually every American. The Old-Age, Survivors, and Disability Insurance (OASDI) programs are earnings-based and provide income support to individuals who experience the onset of unexpected disability or the untimely loss of a spouse or parent, and those who have made the transition from work to retirement. The Supplemental Security Income (SSI) is a needs-based program that provides financial support to the aged and disabled who are unable to meet their basic needs. SSA's programs, however, are not the only factors that affect the economic status of the aged, disabled, and survivor populations. Personal choices, social attitudes, and the economic climate also play important roles. Thus, it is not feasible for the agency to establish numerical goals for such measures as levels of income or rates of poverty.

Today, 45.9 million people, or approximately 1 out of every 6 Americans, receive Social Security benefits and nearly 1 in 4 households receive income from Social Security. A majority of the elderly receive more than half of their income from Social Security and a growing proportion receive all or almost all of their income from Social Security.

At present in the United States, over five million children receive a portion of their family income from Social Security. They include three million children who receive Social Security as dependents of deceased, disabled, or retired workers and an additional two million children who live with relatives receiving Social Security benefits. The poverty rate for children in families reporting Social Security benefits declined from about 25 percent to 20 percent in the period from 1998 to 2001 – this represents approximately 300,000 fewer children living in poverty.

No single indicator can capture the effectiveness of a social program. Therefore, SSA has developed a number of outcomes for the OASI, DI and SSI programs. Each outcome contains multiple data indicators that reflect the different bases and objectives of each program. These indicators measure how well the Agency's programs provide for the economic security of its beneficiary populations. They should be considered both within the context of each other and in relation to external economic, social and other factors. Although SSA cannot set goals for these indicators, the agency has committed to identifying and defining quantitative measures to assess the outcomes of the Agency's programs.

This is the fourth year that SSA has published outcome indicators. A number of changes have been made this year, including:

- Adding a new measure for Labor Force Participation;
- Changing the data source for the Percentage of the Population Participating in an Employer-Sponsored Pension Plan;
- Discontinuing Hypothetical Earnings Replacement Rates of Retirees at Normal Retirement Age, since SSA now has actual replacement rates; and
- Temporarily dropping the measures, Percentage Reduction in Poverty Gap Due to SSI, and Relative Importance of SSI Income to Beneficiaries' Total Income, by Age until issues of data comparability are resolved.

The five outcome categories are:

I. Program Coverage and Eligibility
II. Benefit Adequacy and Equity
III. Reliance on Social Security Programs
IV. Return-to-Work Among Persons with Disabilities
V. Private Provision for Retirement

I. Measures of Program Coverage and Eligibility

OASDI benefits are based on lifetime labor force participation. The outcome indicators in this section show the extent to which individuals have worked in covered employment and meet the work requirements to be insured for old-age or disability benefits, and for women, the extent to which they receive benefits based on their own work record or the work record of a spouse.

Labor force participation rates vary greatly by age and sex and have been changing over time, especially for women. The labor force participation rate for men aged 25 to 54 has been declining gradually since 1998. This trend is consistent with that of the past half century – participation among this group declined from 97.4 percent in 1955 to 91.0 percent in 2002. However, the trends for men aged 55 to 64 and those aged 65 and over have been quite different. Although participation for these groups declined significantly between the 1950s and the 1980s, they have generally been increasing gradually for the past few years (IA). Labor force participation among women aged 25 to 54 and 55 to 64 has increased dramatically over the past 50 years. However, the rate among the former group appears to have leveled off, and has actually declined slightly (from 76.8 percent in 2000 to 76.0 percent in 2002). Participation among women 65 and over has been generally stable for many years but has increased from 8.6 percent in 1998 to 9.9 percent in 2002.

IA. Labor Force Participation Rates

	Men		
Year	25-54	55-64	65 and up
1998	91.8	68.1	16.5
1999	91.7	67.9	16.9
2000	91.6	67.3	17.5
2001	91.3	68.1	17.7
2002	91.0	69.2	17.8

	Women		
Year	25-54	55-64	65 and up
1998	76.5	51.2	8.6
1999	76.8	51.5	8.9
2000	76.8	51.8	9.4
2001	76.4	53.0	9.7
2002	76.0	55.1	9.9

Source: U.S. Department of Labor

Many factors influence the rate of employment among persons aged 55 and older, including the rate of economic growth, eligibility for Social Security benefits, personal savings and both the prevalence and design of employer-sponsored pension plans. For example, Congress legislated changes in the Social Security earnings test in 1996, and again in 2000, that made it more desirable for persons aged 66 and older to continue working. Also, the trend away from defined-benefit private pension plans, which often include early-retirement subsidies, toward age-neutral defined-contribution plans, may have had a similar effect.

Forty quarters of coverage are required to establish eligibility for retirement benefits. Newly retired male workers typically have earned more quarters of credit for Social Security coverage than newly retired female workers and have experienced fewer years with no earnings. Men retiring in 2002, on average, had covered earnings in about 84 percent of the quarters from age 22 to the year before first collecting retired-worker benefits, compared with 66 percent for women (IB). And men had, on average, 6 years with no earnings from age 22 to retirement compared with over 13 years for women (IC).

IB. Average Percentage of Quarters of Coverage of New Retired-Worker Beneficiaries

Year	Total	Men	Women
1999	73.9	81.4	64.5
2000	74.3	82.1	64.7
2001	75.3	83.3	65.5
2002	75.8	83.7	66.4

Note: The average percentage of quarters of coverage earned is the number of quarters actually earned divided by the total number of quarters from age 22 to the year before first collecting retired-worker benefits. The figures for 1999-2001 have been modified slightly to reflect earnings posted since issuance of the last Barometer Measures report.

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2002.

IC. Average Number of Years with Zero Earnings of New Retired-Worker Beneficiaries

Year	Total	Men	Women
1999	9.5	6.1	13.7
2000	9.6	6.2	13.8
2001	9.4	6.1	13.5
2002	9.3	6.1	13.0

Note: Years of zero earnings are measured from age 22 to the year before first collecting retired-worker benefits. This calculation does not subtract out the lowest 5 years as is done in the benefit calculation.

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2002.

Almost 95 percent of individuals aged 62 or older were eligible (either insured for benefits or could receive benefits based on the work record of an insured worker) for OASDI benefits in 2002 (ID). Eighty-four percent of men and 72 percent of women aged 20 to the normal retirement age were insured for disability (IE). Although fewer women were insured for disability benefits than men (72 percent compared with 84 percent), the percentage insured is gradually increasing. Also, more individuals of both sexes under age 62 than those between age 62 and the normal retirement age were eligible for disability benefits. This was especially true of women (74 percent for women aged 20-49, for example, compared with 60 percent for those aged 62 to the normal retirement age).

ID. Percentage of Population Aged 62 or Older Eligible for OASDI Benefits

Year	Total	Men	Women
1999	94.1	93.6	94.5
2000	93.9	93.3	94.4
2001	94.2	93.6	94.5
2002	94.6	94.3	94.9

Note: Insured for OASDI benefits or could receive benefits based on the work record of an insured worker. Persons not eligible for Social Security include those without enough work credits and those who work in non-Social Security-covered employment, such as some state and local governments. Percentages for years 1999-2001 have been revised to reflect adjustment of population totals due to undercount in 1990 Census.

Source: Estimate of SSA Office of the Chief Actuary, December 1999 - December 2002.

IE. Percentage Who Meet Work Requirements to Be Insured for Disability Benefits

	Men			
Year	Total	20-49	50-61	62-NRA
1999	83.3	83.4	83.7	78.3
2000	83.5	83.6	84.0	77.9
2001	83.4	83.4	84.2	79.0
2002	83.5	83.5	83.8	79.9

	Women			
Year	Total	20-49	50-61	62-NRA
1999	71.3	72.8	68.7	57.6
2000	71.9	73.3	69.6	58.4
2001	72.4	73.7	70.5	59.5
2002	72.4	73.9	69.8	60.4

Note: NRA = normal retirement age — This is the age at which a worker is entitled to an unreduced retirement benefit. For workers born in 1937 or earlier, it is age 65. For those born after 1937, NRA is increased incrementally until it reaches age 67 for workers born on January 2, 1960 or later. Percentages for years 1999-2001 have been revised to reflect adjustment of population totals due to undercount in 1990 Census.

Source: Estimate of the SSA Office of the Chief Actuary, December 1999 - December 2002

Social Security provides benefits not only to workers but also to spouses and survivors. More women receive OASDI benefits based on their own work record only than as a spouse only. In 2002, about 37 percent of the female beneficiaries aged 65 or older were receiving only retired-worker benefits and 33 percent were receiving only a wife or widow benefit. Twenty-nine percent were dually entitled to their worker benefit and a higher spouse benefit (IF). The proportion of aged women who were receiving only retired-worker benefits or who were dually entitled has increased by 1.8 percentage points between 1999 and 2002.

IF. Percentage of Women Aged 65 or Older Receiving OASDI Benefits

Year	Total	Retired Worker Only	Dually Entitled	Wife or Widow Only
1999	100.0	36.2	28.6	35.3
2000	100.0	36.4	28.9	34.7
2001	100.0	36.8	29.2	34.0
2002	100.0	37.2	29.4	33.3

Source: Master Beneficiary Record (MBR), December 1999 - December 2002

II. Measures of Benefit Adequacy and Equity

Social Security benefits and Supplemental Security Income both play an important role in the economic security of beneficiaries. Adequacy and equity are measured in terms of the size of benefits in relation to prior earnings, poverty levels and how benefit dollars are distributed.

Because of Social Security's progressive benefit formula, low-wage workers experience higher replacement rates in retirement than other workers. Replacement rates measure the adequacy of OASDI benefits in retirement relative to prior earnings. More specifically, SSA defines replacement rates as the ratio of the retired worker’s benefit based on his or her own earnings to his average indexed monthly earnings (AIME). The median replacement rate in 2002 was about 42 percent (IIA.1). Median replacement rates ranged from 70 percent for those in the lowest earnings group to 30 percent for those in the highest earnings group (IIA.2). Because women tend to have lower earnings than men, their median replacement rate is higher than that of men. In 2002, it was about 51 percent for women compared with almost 37 percent for men.

IIA.1. Earnings Replacement Rates of Retired Workers at First Benefit Receipt, by Sex

Year	Total	Male	Female
1999	42.8	37.0	52.0
2000	42.9	37.5	52.4
2001	42.6	36.7	51.8
2002	42.1	36.5	50.8

Note: Includes all retirees entitled to retired-worker benefits in that year, excluding retirees who had a prior entitlement to disability benefits. The replacement rates are calculated as the median of the retired worker's benefit based on his or her own earnings (i.e., excluding any dual entitlement) divided by his or her own average indexed monthly earnings (AIME). The AIME is the measure of prior earnings upon which the social security benefit is calculated. It is calculated from the worker's highest 35 years of earnings, which have been adjusted for changes in the average wage index to the year of attainment of age 62.

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2002.

IIA.2. Earnings Replacement Rates of Retired Workers at First Benefit Receipt, by AIME Quintile

Year	Lowest	Second	Third	Fourth	Highest
1999	72.5	51.6	41.5	35.9	31.2
2000	71.6	52.2	41.5	36.8	31.5
2001	70.9	51.8	41.5	36.8	31.5
2002	70.1	50.8	40.5	35.0	30.2

Note: See note in IIA.1 above. AIME quintile limits for 2002 are: $876.0 (lowest), $1,692.0 (second), $2,647.0 (third), $3,810.0 (fourth). Quintiles are five groups of equal size.

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2002.

Measures of poverty provide a broader assessment of the adequacy of income of those who receive OASDI benefits and SSI benefits, including other sources of income of beneficiaries and income of other family members. In 2001, the most recent year for which data are available, 8.4 percent of OASDI beneficiaries aged 65 or older (2.6 million individuals) were below poverty, about the same as in 1998 (IIB). The poverty rate for beneficiaries aged 18-64 was about the same in 2001 as it was in 1998, but the poverty rate for children in families reporting Social Security benefits declined from about 25 percent to 20 percent over the same period. Although the poverty rate is much lower for aged beneficiaries than for younger beneficiaries, more aged beneficiaries are poor than are working aged beneficiaries or children living in families receiving OASDI benefits.

IIB. OASDI Beneficiaries in Poverty

	Percentage in Poverty			Number in Poverty (millions)		
Year	Under 18	18-64	65 or older	Under 18	18-64	65 or older
1998	24.9	18.3	8.5	1.3	1.5	2.5
1999	20.2	16.6	8.1	1.0	1.4	2.4
2000	18.6	16.3	8.5	0.9	1.4	2.5
2001	20.0	17.2	8.4	1.0	1.5	2.6

Note: Beneficiaries aged 65 or older and 18-64 are individuals who report receiving Social Security. Beneficiaries under age 18 are children in families who report receiving Social Security. Poverty is based on family money income, which does not include non-money transfers such as food stamps. The 2000 numbers for children changed slightly from the previous edition because the Census Bureau issued a revised data file in November 2001 that affected the weights for children. Additionally, an error was discovered in the previous calculation that affected the number of children in poverty in 2000.

Source: Current Population Survey (CPS), 1998 - 2001.

SSI beneficiaries residing in states with only a federal benefit received payments that raised them to 70 percent of the poverty level in 2002. Those living in states that supplemented SSI payments were raised to levels ranging from 72 percent of the poverty threshold in Michigan to 96 percent in California (IIC). California's SSI as a percent of the poverty threshold had increased by 3 percentage points between 2001 and 2002, primarily as a result of an increase in the monthly level of supplementation from $181 to $205.

IIC. SSI as a Percentage of the Poverty Threshold in States with "Broad Coverage" State Supplement Groups

Federal Benefit with State Supplement	1999	2000	2001	2002
California	94	93	93	96
Massachusetts	84	84	84	86
Michigan	71	71	71	72
New Jersey	74	73	73	74
New York	81	80	80	81
Pennsylvania	73	72	73	73
Federal Benefit only	69	69	69	70

Note: Federal SSI plus federally administered state supplements for one person. A broad coverage group includes persons with the most common type of living arrangement within each state, which varies from state to state. Individuals in such living arrangements receive an SSI federally administered state supplement together with the federal payment that moves them closer to the poverty threshold than the federal payment alone.

Source: Supplemental Security Record (SSR) and data from states, 1999 - 2002.

Although low-income workers receive proportionately higher OASDI benefits relative to past earnings, high-earning workers receive higher OASDI benefits in absolute terms. As shown in IIA.2, the replacement rate for the lowest quintile in 2002 was 70.1 percent; however, individuals in this quintile received only 16 percent of OASDI dollars paid in 2001 (IID). Conversely, individuals in the highest quintile had a replacement rate of 30.2 percent, but they received 23 percent of OASDI dollars paid in 2001.

IID. Percentage of OASDI Dollars Paid, by Income Quintiles and Age

	65 or older					
Year	Total	Lowest	Second	Third	Fourth	Highest
1998	100	16	20	20	21	23
1999	100	16	20	21	21	23
2000	100	16	19	21	21	24
2001	100	16	19	20	21	23

Year	18-64					
	Total	Lowest	Second	Third	Fourth	Highest
1998	100	15	20	21	21	23
1999	100	16	20	21	21	22
2000	100	16	19	20	22	23
2001	100	15	19	21	21	23

Note: The family income quintile limits for 2001 for those aged 65 or older are $13,420 (lowest), $22,072 (second), $32,684 (third), $54,405 (fourth). The family income quintile limits for those 18-64 are $12,060 (lowest), $21,072 (second), $35,780 (third), $57,016 (fourth). The 1998-2000 numbers changed from the previous edition due to a change in the methodology. The previous methodology summed family benefits, which resulted in double-counting benefits for families with more than one beneficiary. The current methodology sums person benefits. This change resulted in a higher percentage of OASDI dollars paid to beneficiaries in the lowest income quintile, and a lower percentage paid to the upper quintiles.

Source: CPS, 1998 – 2001.

III. Measures of Reliance on Social Security Programs

OASDI was designed to be a partial replacement of income lost because of retirement, disability or death of a worker. The outcome indicators in this section show both the extent to which individuals have other sources of the income they need to ensure economic security and the comparative role that OASDI and other sources play in economic security. The measures also indicate which groups would be most affected, by virtue of their heavy reliance on these programs, by changes to the program.

Based on survey reports of income, over half of beneficiaries aged 65 or older and over two-fifths of beneficiaries aged 18 to 64 rely on OASDI for half or more of their family income, and 14 to 15 percent of both age groups rely on OASDI for all of their income (IIIA). OASDI provides 89 percent of the family income of beneficiaries 65 or older in the lowest income quintile compared with 21 percent for those in the highest income quintile (IIIB). Reliance on Social Security for 90 percent or more of total income appears to be increasing slightly.

IIIA. Ratio of Family OASDI Income to Beneficiaries' Total Family Income, by Age

Year	50% or More of Total Income		90% or More of Total Income		100% of Total Income	
	18-64	65 or older	18-64	65 or older	18-64	65 or older
1998	43	55	20	22	13	12
1999	42	55	19	21	12	12
2000	43	55	20	23	14	13
2001	44	56	22	25	15	14

Note: A regular SSA data series presents somewhat different figures for those 65 or older counting individuals and married couples based on their own benefits as a percentage of their own income to measure reliance on Social Security of the aged whether they live with other family or not. The most recent numbers (2001) under that calculation are 65 percent (50 percent or more of total income), 33 percent (90 percent or more) and 20 percent (100 percent). The method used for this indicator counts individuals based on their family benefits as a percentage of their family income because this is most appropriate for those aged 18-64. The 1998-2000 numbers changed from the previous edition due to a change in the methodology. Beneficiaries with zero or negative total family income, negative family earnings, or negative family asset income are now excluded. Additionally, the rounding methodology has been changed.

Source: CPS, 1998 - 2001.

IIIB. Ratio of Family OASDI Income to Beneficiaries' Total Family Income, by Quintiles of Family Money Income and Age

	65 or older				
Year	Lowest	Second	Third	Fourth	Highest
1998	88	75	59	40	22
1999	88	74	59	41	20
2000	89	75	59	41	21
2001	89	77	60	41	21

	18-64				
Year	Lowest	Second	Third	Fourth	Highest
1998	82	67	47	30	17
1999	83	67	46	29	16
2000	84	67	46	31	17
2001	86	69	47	31	18

Note: The 2001 family income quintile limits for those aged 65 or older are $13, 420 (lowest), $21,618 (second), $32,684 (third), $54,405 (fourth); the family income quintiles for those aged 18 to 64 are $12,060 (lowest), $22,072 (second), $35,780 (third), $57,016 (fourth). A regular SSA data series presents somewhat different figures for those 65 or older, counting individuals and married couples on the basis of their own income quintiles and their own reliance on benefits. The method used for this indicator counts individuals based on their family benefits as a percentage of their family income because this is most appropriate for those aged 18-64. The 1998-2000 numbers changed from the previous edition due to a change in the methodology. Beneficiaries with zero or negative total family income, negative family earnings, or negative family asset income are now excluded. Additionally, an error was discovered in the previous calculation that affected the numbers for the highest income quintile.

Source: CPS, 1998 - 2001.

IV. Measures of Return-to-Work Among Persons with Disabilities

Since their inception, the Disability Insurance (DI) and SSI programs have emphasized the importance of beneficiaries returning to work when possible. However, moving DI and SSI beneficiaries into employment has proved to be a substantial challenge.

DI beneficiaries are entitled to receive full benefits throughout a 9-month trial work period (TWP) during which they may work and have earnings above a level which constitutes substantial gainful activity (SGA)—currently $800 per month. If, after completing the TWP, a beneficiary continues to have a disabling impairment and has earnings above SGA; his or her benefits are suspended. The beneficiary is also entitled to a 36-month extended period of eligibility (EPE). During the EPE, if earnings fall below the SGA level, benefit payments resume without the beneficiary's having to file a new application. After completing the EPE, if earnings continue to be above the SGA level, benefits are terminated.

In 2001(the most recent year for which complete data are available), 14.5 percent of DI worker beneficiaries were working, with median earnings of $3,023. The percentage of beneficiaries working declined slightly from the previous year, but the number who were working was about the same. In 2002, only 0.2 percent (10,300) of all DI beneficiaries had their benefits suspended after completing a TWP because they had earnings above the SGA level ($780 a month in 2002). Also in 2002, 0.53 percent of DI beneficiaries (29,200) had their benefits terminated because their earnings exceeded the SGA level (IVA). The figure on benefit terminations includes beneficiaries who completed the EPE in 2002 as well as beneficiaries who did not report that they were working whose earnings were not detected by SSA until after they completed the EPE.

IVA. Work Among DI Beneficiaries

	Working and Receiving Benefits		Benefits Suspended Due to Work Above SGA		Benefits Terminated Due to Work Above SGA	
Year	Number	Percent	Number	Percent	Number	Percent
1998	574,000	14.1	N/A	N/A	N/A	N/A
1999	612,000	14.5	10,000	0.2	N/A	N/A
2000	657,000	15.1	10,700	0.2	N/A	N/A
2001	658,000	14.5	12,100	0.2	29,000	0.55
2002	NA	NA	10,300	0.2	29,200	0.53

Note: SGA = substantial gainful activity ($780 per month in 2002); TWP = trial work period; N/A=not available.
Source: Data for working and receiving benefits are from the MBR matched to the Detailed Earnings Record,1998 – 2001. Data for benefits suspended or terminated because of work above SGA after a trial work period are from MBR, 1999 - 2002.

About 6 percent of the disabled SSI beneficiaries aged 18 to 64 worked, with most working at or below SGA (IVB). Through section 1619(a) of the Social Security Act, SSI recipients who earn more than SGA can continue to receive cash benefits. Average monthly earnings in 2002 were $312 ($1,043 for those working above SGA and $257 for those working at or below SGA). Of those who worked, about 5 percent (15,300) stopped receiving cash SSI benefits because of their earnings. That group constituted less than half a percent of all SSI beneficiaries (IVC).

The proportion of SSI beneficiaries who work has declined in each of the past 2 years. Previous research has demonstrated a strong inverse correlation between the work patterns of SSI beneficiaries and the overall rate of unemployment. The unemployment rate increased from 4.0 percent in 2000 to 4.7 percent in 2001 and to 5.8 percent in 2002. The decline in the proportion of working DI beneficiaries noted above suggests that this finding may also apply to that population.

IVB. Work Among Disabled SSI Beneficiaries Aged 18-64 (as a Percentage of All Disabled SSI Beneficiaries)

Year	Working Above SGA	Working At or Below SGA	Total Working
1999	0.7	6.3	7.0
2000	0.7	6.4	7.1
2001	0.6	6.1	6.7
2002[a]	0.4	6.0	6.4

Note: Does not include 82,000 persons whose earnings preclude a cash payment. They remain SSI beneficiaries for Medicaid purposes.

Source: SSR, December 1999 - December 2002.

IVC. Disabled SSI Beneficiaries Aged 18 to 64 Whose Benefits Ceased Because of Work

Year	Number	Percentage of All SSI Beneficiaries	Percentage of All SSI Beneficiaries Who Work
1999	15,700	0.4	4.8
2000	16,100	0.4	4.7
2001	15,800	0.4	4.8
2002	15,300	0.4	4.7

Note: Number whose benefits (cash, Medicaid, or both) ceased during the quarter ending December 31. These data are reported quarterly. Quarterly numbers cannot be added together because doing so would produce an over-count of people who start and stop work multiple times during a year.

Source: SSR, December 1999 – December 2002.

V. Measures of Private Provision for Retirement

OASDI was intended to be a floor of protection in retirement that would be supplemented by employer-sponsored pensions and individual savings. Adequacy of income in retirement is highly dependent on having sources of income other than OASDI. In 2001, half of the working population had coverage in an employer-sponsored pension plan (VA). Plan participation was highest--55 percent--among workers aged 40 to 54. Plan participation was substantially lower for the total population than for the working population (41 percent compared with 50 percent). Historical data show that pension coverage leveled off in the 1970s at roughly half the work force covered and has remained at that level since that time. Plan participation between 2000 and 2001 declined by 2 percentage points among both the total population and the working population. Also, pension plan participation is shifting from largely defined benefit plans toward defined contribution plans, which add more personal choice but also add market risk in accumulating a pension.

VA. Percentage Participating in an Employer-Sponsored Pension Plan

	Total Population				Working Population			
Year	Total	25-39	40-54	55-64	Total	25-39	40-54	55-64
1998	42	40	48	33	51	46	57	51
1999	43	40	48	34	52	46	57	53
2000	43	41	48	35	52	47	58	53
2001	41	39	46	35	50	45	55	52

Note: Includes private pensions, federal employee pensions, military retirement, and state and local pensions. This does not include individual retirement accounts or Keoghs.

Source: CPS March Supplement 1999-2002.

Assets can provide income in retirement, such as interest, dividends, and periodic withdrawals. Assets such as a home provide services until the value is recovered when sold. Income from assets comes largely from financial assets, but the most important component of most people's assets is the value of their home. Measures of both financial assets and net worth, which includes the value of the principal residence and other property and businesses, are shown here. In 2001, median family financial assets for married couples aged 65 or older were $80,000 and median net worth was $274,900. Nonmarried individuals aged 65 or older had median financial assets of $18,000 and a median net worth of $91,600 (VB). As these figures indicate, asset amounts vary greatly by marital status and age with some groups having very little accumulated in old age. Both financial assets and net worth increased considerably from 1998 to 2001 for all age groups of married couples, and generally increased less or declined for nonmarried persons. Financial assets declined for nonmarried individuals aged 55-64 and net worth declined for nonmarried individuals aged 65 and over.

VB. Median Family Financial Assets and Total Net Worth (in 2001 dollars)

		Financial Assets					
		Married			Nonmarried		
Year	Total	25-54	55-64	65 or older	25-54	55-64	65 or older
1998	21,404	23,908	64,104	68,776	5,204	19,014	17,167
2001	25,600	34,000	81,000	80,000	7,600	17,300	18,000

		Net Worth					
		Married			Nonmarried		
Year	Total	25-54	55-64	65 or older	25-54	55-64	65 or older
1998	85,671	88,952	220,886	236,423	18,775	77,685	95,178
2001	97,500	112,000	266,900	274,900	21,000	80,540	91,600

Note: Financial assets in the Survey of Consumer Finances include transaction accounts, certificates of deposit, bonds, stocks, mutual funds, tax-deferred retirement accounts (IRAs, Keoghs, and certain employer-sponsored accounts from which withdrawals can be made), the cash value of life insurance, and other assets such as personal annuities, trusts, and royalties. Net worth, in addition to financial assets, includes the equity in homes, nonresidential property, businesses, vehicles, and other tangible items. Asset levels vary greatly, depending on the survey and the definition used. For example, the Survey of Income and Program Participation does not include tax-deferred retirement accounts or the cash value of life insurance in assets. SSA is sponsoring a study of these differences.

Source: Survey of Consumer Finances, 1998-2001.

In summary, the outcome indicators help us understand the impact of SSA programs, individual work choices, and other factors on income security.

I. Program Coverage and Eligibility

- Labor force participation is the foundation of economic security for most.
- Coverage for disability is lower for women than for men.
- One-third of women receive benefits only as wives or widows.
- Another 29 percent of women are entitled to a worker benefit but also receive a supplement because their spouse benefit is higher than their worker benefit.

II. Benefit Adequacy and Equity

- Poverty rates have generally declined but still vary greatly across age groups.
- Children in beneficiary families and adult beneficiaries between ages 18 and 64 are more likely to be poor than are beneficiaries 65 and older.
- The current benefit formula provides higher replacement rates to low earners but higher benefits to those with higher incomes.

III. Reliance on Social Security

- About half of beneficiary families receive 50 percent or more of their income from Social Security.
- Reliance on Social Security is higher for older and lower-income beneficiaries.

IV. Return-to-Work Opportunities Among Persons With Disabilities

- About 14 percent of DI beneficiaries and 6 percent of SSI disabled beneficiaries work.
- Less than 1 percent of DI and SSI disabled beneficiaries worked enough to lose benefits.

V. Private Provision for Retirement

- About half of today's workers have pension coverage.
- Increasingly, these plans are defined contribution plans, which provide the potential of higher returns together with individual risk.
- Levels of financial assets and net worth have been growing but indicate that many people have little private savings to supplement Social Security.

Program Evaluation

SSA continuously builds upon its body of program data, research and analyses, identifying strengths and weaknesses in our programs and processes. The Agency uses this knowledge to help it meet the major challenges it faces and improve the day-to-day administration of its programs. SSA evaluates the potential impact of proposals for change and the actual effects of change after implementation.

The Office of Management and Budget's (OMB's) assessments of the Disability Insurance (DI) and Supplemental Security Income (SSI) Aged programs using the Program Assessment Rating Tool (PART) continue from Fiscal Year (FY) 2002 into FYs 2003-2004. See page 91 for a discussion of the performance measures associated with these PART assessments.

The annual Agency coordinated evaluation plan cuts across SSA's strategic goals, objectives and business processes. It helps the Agency ensure that there are no duplications, overlaps or gaps in its evaluation program. Many of SSA's evaluations are completed on an annual basis, others are one-time efforts.

Following are brief summaries of the evaluations completed during FY 2003, organized by the strategic goals from SSA's new Agency Strategic Plan (ASP). Copies of the complete results can be obtained by writing to:

Social Security Administration
Office of Strategic Management
4215 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

Strategic Goal: To deliver high quality, citizen-centered Service

Service Satisfaction Survey: The Service Satisfaction Surveys, conducted annually, survey core groups of people who do business with SSA to measure their satisfaction with various aspects of service, and with service overall, when they call SSA's 800 number or field offices, or conduct business in person in field and hearings offices. Results of the surveys for these different service delivery modes are combined to provide the performance indicator for overall satisfaction with SSA service. This is based on the percent of people rating overall service as "excellent," "very good," or "good". The annual performance targets are set by taking into account the actual satisfaction rates achieved in these surveys. The combined results for FY 2003 are not yet available.

Internet Services Satisfaction Surveys: The Internet Services Satisfaction Survey measures user satisfaction with SSA's website, addressing issues such as speed of finding information, ease of completing tasks online, and clarity of explanations as well as overall satisfaction. The FY 2003 survey found that 71 percent of users completing an online questionnaire gave an overall satisfaction rating of "excellent," "very good," or "good". Navigational problems that made it difficult for users to find needed information were identified as the leading cause of dissatisfaction with the website. Since the time of the survey, SSA has implemented a comprehensive site redesign to make popular services easier to access. The new site was launched in April 2003.

Internet Social Security Benefit Application Satisfaction Survey: This survey was conducted in FY 2003 to measure the satisfaction of individuals who filed for benefits using SSA's Internet Social Security Benefit Application. The survey addressed perceptions of the entire process, including issues arising after electronic submission of the form, as well as various topics related to utilizing the actual online application. The data collection for this survey was completed in FY 2003 and the Agency is currently analyzing the survey results and preparing a report.

Survey of Password Users: SSA offers several secure electronic services, such as the ability to check personal benefit information or change of address, to beneficiaries who have registered a password. This survey was conducted to obtain information about the frequency and nature of password services used to evaluate satisfaction with available services. The survey found that while just 35 percent of password holders had accessed protected services since the time they registered, but a far smaller percentage (10 percent) had used a traditional contact method to conduct the same type of business. Those who had used password services were highly satisfied with the clarity of instructions about using these services and with the services themselves.

Targeted Notice Surveys: In FY 2003, we conducted two targeted notice surveys to obtain public perceptions of SSA notices that had been identified by the General Accounting Office as particularly complex and difficult to understand. The first was a survey of Title II beneficiaries who received a benefit notice as a result of a work and earnings transaction. The survey found that despite the complexity of this type of notice, most respondents gave a favorable rating (87 percent excellent, very good or good). Respondent perceptions were generally supported by an assessment of the accuracy of their actual understanding of the notice content. However, survey results also supported the need for improvements SSA has already started to implement in the format and language of these notices. The second targeted notice survey focused on the Title XVI initial award notice. The results of this survey are not yet available.

Employer Survey: This survey measures satisfaction of business callers who contact SSA's Employer Reporting Services Center (ERSC), a special 800- number that provides assistance with business services related to wage reporting, such as Social Security number verification. Based on responses from over 2,000 employers who contacted SSA's Employer 800 Number in November, 2002, overall satisfaction was very high with 95 percent providing a rating of excellent, very good or good. Almost two-thirds of the callers considered themselves frequent ERSC callers and the primary reason for their calls was SSN verification, with 86 percent of responders conducting this type of business.

Benefit Planning, Assistance and Outreach (BPAO) Program Satisfaction Survey: This survey was conducted as part of the evaluation of the BPAO program, which was established under the Ticket-to-Work and Work Incentives Improvement Act of 1999. The BPAO program entails cooperative agreements, funded by SSA, with 116 entities nationwide to provide services to disabled beneficiaries so they may make informed decisions about work. The survey addressed experiences and perceptions of beneficiaries regarding the services they received from BPAO providers. A report of the findings will be released in FY 2004.

Strategic Goal: To ensure superior Stewardship of Social Security programs and resources

Annual Continuing Disability Review (CDR) Report to Congress:
SSA conducts very cost-effective CDRs to determine whether individuals receiving disability benefits have medically improved and no longer meet the statutory definition of disability, and therefore should have their benefits terminated. SSA completed a 7-year plan in FY 2002 to process its backlog of CDRs and was current in CDRs at the end of that year. The Agency is striving to keep current with processing this critical workload. SSA is required to file an annual report to Congress on the number of CDRs conducted and the results of those reviews. SSA's report covering FY 2002, issued fall 2003, reported that SSA conducted 1,569,749 CDRs. Based on those reviews, SSA made initial determinations that benefits should be ceased due to medical improvement and the ability to work in 126,620 cases. After all appeals, benefits to an estimated 78,600 individuals will be ceased. The estimated value of reduced program outlays from CDRs processed in FY 2002 is $2.8 billion for FYs 2003 – 2007.

The Internal Revenue Service (IRS) Safeguard Procedures Report/Activity Report:
This report contains an outline of the security (both physical and systems) controls SSA uses to prevent IRS Federal Tax Information from being disclosed. These reports also contain an overview of the system process itself. SSA is responsible under the Taxpayer Browsing Act of 1974 and section 6103 of the IRS code, to inform IRS how we safeguard their data. Disclosure of the security for these systems would be inappropriate.

Federal Information Security Management Act (FISMA) Report to the Office of Management and Budget (OMB): FISMA requires federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to the OMB on the Agency's compliance with FISMA. As in prior years, SSA employed the services of a public accounting firm, Deloitte &Touche (D&T), to perform an independent review of SSA's self-assessments of its 17 sensitive systems. D & T's evaluation indicated that SSA's self-assessment methodology was consistent with established FISMA requirements. SSA's Office of Inspector General also performed an independent review of SSA's compliance with FISMA and concluded that, with the exception of procedural areas needing improvement, SSA had complied with FISMA requirements. SSA submitted its annual FISMA report to OMB on September 22, 2003.

Retirement, Survivor, Disability Insurance (RSDI) Stewardship Review: The RSDI (or OASDI) payment accuracy (stewardship) review is based on a monthly sample of Social Security (Title II) cases randomly selected from the RSDI payment rolls, consisting of all beneficiaries in current payment status. The sampled cases (1,000 Retirement or Survivor Insurance cases and 500 Disability Insurance cases per year) are reviewed for non-medical factors of eligibility and, in each case, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all factors of eligibility are redeveloped as of the current sample month. The stewardship data are reported on a fiscal year basis (targeted for June 30 of the year following the year of review) and provide an overall accuracy measurement of payments to all beneficiaries currently on the RSDI payment rolls. Accuracy rates (percent of dollars paid that are free of overpayments and the percent free of underpayments) are reported for an overall RSDI accuracy rate as well as separate accuracy rates for RSI and DI cases. The Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. In addition, the Social Security Annual Performance Plan includes the RSDI stewardship payment accuracy measure as one of the strategic objectives to which the Agency is committed. For FY 2002, RSDI overpayment accuracy was 99.87 percent and RSDI underpayment accuracy was 99.92 percent. RSI overpayment accuracy was 99.89 percent and underpayment accuracy was 99.95 percent. DI overpayment accuracy was 99.74 percent and underpayment accuracy was 99.73 percent.

SSI Stewardship Review: The SSI payment accuracy (stewardship) review is based on a monthly sample of SSI (Title XVI) cases randomly selected from the SSI payment rolls, consisting of all recipients in current payment status. The sampled cases (4,000 per year) are reviewed for non-medical factors of eligibility and, in each case, the recipient or representative payee is interviewed (usually during in-home visits), collateral contacts are made, as needed, and all factors of eligibility are redeveloped as of the sample month. The stewardship data are reported on a fiscal year basis (targeted for June 30 of the year following the year of review) and provide an overall accuracy measurement of the payments to all recipients currently on the SSI payment rolls. The Agency prepares two accuracy rates – percent of dollars paid that are free of overpayments and the percent free of underpayments – that are reported excluding preventable overpayments/underpayments and including preventable overpayments/ underpayments. The stewardship review findings provide the basis for reports to Congress and other monitoring authorities. In addition, the Social Security Annual Performance Plan includes the SSI stewardship payment accuracy measure as one of the strategic objectives to which the Agency is committed. FY 2002 SSI overpayment accuracy, exclusive of unpreventable overpayments that the Agency is legally obligated to pay, was 93.4 percent. The FY 2002 underpayment accuracy rate, exclusive of unpreventable underpayments that are a consequence of program requirements, was 98.6 percent. For FY 2002, the overpayment accuracy rate, inclusive of preventable overpayments, was 93.0 percent. The underpayment accuracy rate, inclusive of unpreventable underpayments, was 98.6 percent (the same as the rate for unpreventable underpayments).

Enumeration Review: The Enumeration Review is conducted on an ongoing basis to determine the accuracy of Social Security Number (SSN) issuances. The accuracy rate is based on a review to verify that the applicant has not been issued an SSN that belongs to someone else, or that multiple SSNs assigned to the same applicant have been cross-referred. The data excludes SSNs assigned via the Enumeration-at-Birth process and major errors identified by the Office of Quality Assurance and Performance Assessment that do not result in SSN cards being issued erroneously. In FY 2002 and 2001, SSA issued 99.9 and 99.6 percent, respectively, of SSNs accurately. This rate is not significantly different from the accuracy rate of 99.7 percent observed for FY 2000 or from the Agency performance goal of 99.8 percent. SSA continues its effort to improve the quality of the enumeration process through continuing reminder items focused on deficiencies identified in quality reviews and enumeration studies.

Strategic Goal: To achieve Solvency and ensure Social Security programs meet the needs of current and future generations

Public Understanding Measurement System Survey:
In the last quarter of FY 2003, SSA conducted a new survey of public knowledge to help the Agency understand what the public knows about important Social Security issues. The results will be used to refine the Agency's measures and develop a national information campaign aimed at increasing the public's awareness of important Social Security issues.

Evaluation of Changing Benefit Structures: In FY 2003 SSA completed many analyses relevant to evaluation of changing benefit structures. The Agency improved its major model for analyzing changing benefit structures by including immigrants after the early 1990s, estimating earnings from jobs not covered by Social Security and total earnings from all jobs, and improving estimates of self-employment earnings. Additionally, SSA completed work related to restructuring traditional benefits by studying redistribution of the current Old-Age, Survivor, Disability Insurance (OASDI) program in a historical context, reviewing the range of Trust Fund outcomes arising from various stochastic models, and analyzing the macroeconomic implications of price-indexing benefits. Finally, SSA also completed estimates of the impact of SSI benefit restructuring related to multi-recipient households and eliminating counting of in-kind support and maintenance.

Strategic Goal: To strategically manage and align Staff to support SSA's mission

New Hire Study: The New Hires Study showed that SSA has a slightly better new hire attrition rate (15.7 percent) than the overall federal government (16.2 percent) during the first fiscal years of employment. This analysis focused on SSA's three critical direct service positions of Claims Representatives, Service Representatives, and Teleservice Representatives and why they chose to stay or leave. Survey results revealed that quality training and mentoring, perceived career growth and development, and clear job expectations may all contribute to an employee's decision to remain with or leave the Agency.

Retirement Wave Analysis: SSA conducts a tri-annual analysis of agency retirements and uses the data to project likely future retirements. These projections are used to identify where future losses might be, as well as to estimate their impact on service delivery. The results are also used to identify what tools might be needed to shape the workforce to ensure SSA preserves institutional knowledge, as well as to recruit and retain new employees with the necessary skills.

Competency Assessment Process (CAP) Evaluation:
In FY 2003, SSA piloted a competency-based, structured-interview for external Claims Representative applicants, known as the Competency Assessment Process. As part of this pilot, an extensive evaluation is planned that will attempt to determine if the CAP process results in better quality hires or improved new hire retention rates. Initial findings regarding managers' impressions of the process will be completed by January 2004, with more extensive findings available later in the year.

Financial Section

A Message from the Chief Financial Officer

Fiscal year (FY) 2003 has been a momentous year for SSA in the area of financial management. For the tenth consecutive year, SSA received an unqualified (clean) opinion on the Agency's consolidated financial statements. The clean audit opinions SSA has received over the past decade provide continued assurance that our financial statements report reliable information about the administration of the Social Security programs. In June 2003, SSA became one of only three Federal agencies to achieve a "green" score in status for the Improved Financial Performance category of the five part President's Management Agenda (PMA) for improving the Federal Government. Finally, for the fifth consecutive year, receipt of the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" award for our FY 2002 Performance and Accountability Report emphasizes the quality of our financial statements and that of the full Performance and Accountability Report.

During FY 2003, SSA continued to support the governmentwide effort to accelerate financial reporting. For the second year in a row, we issued audited financial statements only 45 days after the close of the FY, meeting the Office of Management and Budget (OMB) FY 2004 requirement. Also, during 2003, we met the requirement for submitting quarterly unaudited financial statements to OMB 21 days after the end of the quarter, one year ahead of OMB's schedule. In addition, SSA did not declare any new material weaknesses under the Federal Manager's Financial Integrity Act and has no material weaknesses.

The unqualified opinion on our financial statements attests to the fact that SSA's financial statements are fairly presented and demonstrates discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. The auditor stated, however, that SSA had a reportable condition that required the Agency to further strengthen controls to protect its information. They also indicated that SSA had made notable progress in strengthening those controls by implementing a comprehensive security framework. During the next year, SSA will continue to monitor those security improvements to ensure compliance throughout the Agency. SSA's plans to correct this reportable condition and a description of the Agency's FMFIA program are addressed in the "Systems and Controls" section of this report.

Our goals in the coming year will include continuing this same high level of quality financial services that resulted in the successes mentioned above and to improve those services. To this end, on October 1, 2003, we implemented a new accounting system. While our old accounting system served us well over the past decade, our new web-based accounting system will provide better control of Agency funds and provide more timely information to SSA managers. We will continue to focus on the initiatives outlined in the PMA in the financial area and will continue to work toward developing a modernized cost accounting system. Our goal remains to produce timely, reliable and useful data to Congress and to the American public.

Dale W. Sopper
Chief Financial Officer

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2003 and 2002 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2003 and 2002, amounts of economic benefits owned or managed by 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 SSA operations for the years ended September 30, 2003 and 2002. SSA's net cost of operations includes the gross costs incurred by SSA less any exchange revenue earned from SSA 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 SSA's 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, 2003 and 2002. 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 SSA's major programs as additional information.

- The **Combined Statements of Budgetary Resources** (SBR) present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2003 and 2002. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by SSA's major programs.

- The **Consolidated Statements of Financing** reconciles the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2003 and 2002. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.

One significant change in the FY 2003 reporting relates to the supplementary schedules, which present information by major program. In prior years, LAE activity was allocated among the various programs. This year it is reported as a separate entity.

Consolidated Balance Sheets as of September 30, 2003 and September 30, 2002

	(Dollars in Millions)	
Assets	**2003**	2002 Reclassified
Intragovernmental:		
Fund Balance with Treasury (Note 4)	**$ 2,310**	$ 2,098
Investments (Note 5)	**1,484,219**	1,329,045
Interest Receivable, Net (Note 6)	**20,933**	20,262
Accounts Receivable, Net (Note 6)	**872**	751
Total Intragovernmental	**1,508,334**	1,352,156
Accounts Receivable, Net (Notes 3 and 6)	**5,830**	5,692
Property, Plant and Equipment, Net (Note 7)	**909**	690
Other	**6**	4
Total Assets	**$ 1,515,079**	$ 1,358,542
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 3,767**	$ 3,713
Accounts Payable	**6,410**	7,024
Other	**110**	124
Total Intragovernmental	**10,287**	10,861
Benefits Due and Payable	**49,487**	47,684
Accounts Payable	**387**	494
Other	**1,133**	1,142
Total	**61,294**	60,181
Net Position		
Unexpended Appropriations	**705**	794
Cumulative Results of Operations	**1,453,080**	1,297,567
Total Net Position	**1,453,785**	1,298,361
Total Liabilities and Net Position	**$ 1,515,079**	$ 1,358,542

Consolidated Statements of Net Cost for the Years Ended September 30, 2003 and September 30, 2002

	(Dollars in Millions)	
	2003	2002
OASI Program		
Benefit Payments	**$ 397,654**	$ 385,777
Operating Expenses (Note 9)	**2,481**	2,299
Total Cost of OASI Program	**400,135**	388,076
Less: Exchange Revenues (Notes 10 and 11)	**7**	8
Net Cost of OASI Program	**400,128**	388,068
DI Program		
Benefit Payments	**69,800**	66,964
Operating Expenses (Note 9)	**2,045**	1,953
Total Cost of DI Program	**71,845**	68,917
Less: Exchange Revenues (Notes 10 and 11)	**7**	7
Net Cost of DI Program	**71,838**	68,910
SSI Program		
Benefit Payments	**33,217**	30,239
Operating Expenses (Note 9)	**2,789**	2,788
Total Cost of SSI Program	**36,006**	33,027
Less: Exchange Revenues (Notes 10 and 11)	**265**	278
Net Cost of SSI Program	**35,741**	32,749
Other		
Benefit Payments	**429**	458
Operating Expenses (Note 9)	**1,292**	1,251
Total Cost of Other	**1,721**	1,709
Less: Exchange Revenues (Notes 10 and 11)	**9**	10
Net Cost of Other	**1,712**	1,699
Total Net Cost		
Benefit Payments	**501,100**	483,438
Operating Expenses (Note 9)	**8,607**	8,291
Total Cost	**509,707**	491,729
Less: Exchange Revenues (Notes 10 and 11)	**288**	303
Total Net Cost	**$ 509,419**	$ 491,426

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2003 and September 30, 2002

(Dollars in Millions)

	2003 Cumulative Results of Operations	2003 Unexpended Appropriations	2002 Cumulative Results of Operations	2002 Unexpended Appropriations
Net Position, Beginning Balance	**$ 1,297,567**	**$ 794**	$ 1,140,966	$ 3,528
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received		**48,822**		46,400
Other Adjustments	**0**	**(128)**	(8)	(12)
Appropriations Used	**48,783**	**(48,783)**	49,122	(49,122)
Tax Revenues (Note 12)	**546,808**		537,733	
Interest Revenues	**84,220**		78,614	
Transfers-In/Out (Note 13)				
Trust Fund Draws and Other - In	**1,244**		1,138	
Trust Fund Draws and Other - Out	**(12,814)**		(15,323)	
Railroad Retirement Interchange	**(3,802)**		(3,686)	
Net Transfers-In/Out	**(15,372)**		(17,871)	
Other Budgetary Financing Sources	**87**		81	
Other Financing Sources				
Other Revenue	**9**		5	
Imputed Financing Sources (Note 14)	**397**		351	
Total Financing Sources	**664,932**	**(89)**	648,027	(2,734)
Net Cost of Operations	**509,419**		491,426	
Ending Balances	**$ 1,453,080**	**$ 705**	$ 1,297,567	$ 794

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2003 and September 30, 2002

	(Dollars in Millions) 2003	2002 Reclassified
Budgetary Resources Made Available (Note 15)		
Budget Authority		
Appropriations Received	**$ 679,191**	$ 661,470
Unobligated Balances		
Beginning of Period	**1,021**	2,842
Spending Authority from Offsetting Collections		
Earned		
Collected	**3,902**	3,866
Change in Receivable	**85**	1
Change in Unfilled Customer Orders		
Without Advance	**1**	0
Transfers from Trust Funds		
Collected	**7,907**	7,581
Anticipated	**28**	139
Subtotal	**11,923**	11,587
Recoveries of Prior Year Obligations	**360**	229
Temporarily Not Available Pursuant to Public Law	**(153,686)**	(154,054)
Permanently Not Available	**(180)**	(11)
Total Budgetary Resources	**$ 538,629**	$ 522,063
Status of Budgetary Resources: (Note 15)		
Obligations Incurred:		
Direct	**$ 525,561**	$ 508,552
Reimbursable	**3,951**	3,758
Exempt from Apportionment	**8,187**	8,732
Subtotal	**537,699**	521,042
Unobligated Balances		
Apportioned	**709**	846
Unobligated Balances - Not Available	**221**	175
Total Status of Budgetary Resources	**$ 538,629**	$ 522,063
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	**$ 56,299**	$ 51,442
Obligated Balance - End of the Period		
Accounts Receivable	**(1,820)**	(1,707)
Unfilled Customer Orders	**(1)**	0
Undelivered Orders	**1,150**	1,031
Accounts Payable	**58,739**	56,975
Outlays:		
Disbursements	**535,456**	515,815
Collections	**(11,809)**	(11,446)
Subtotal	**523,647**	504,369
Less: Offsetting Receipts	**15,626**	15,761
Net Outlays	**$ 508,021**	$ 488,608

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

Consolidated Statements of Financing for the Years Ended September 30, 2003 and September 30, 2002

	(Dollars in Millions) 2003	2002
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 537,699**	$ 521,042
Less: Offsetting Collections	**(12,283)**	(11,816)
Obligations Net of Offsetting Collections	**525,416**	509,226
Less: Offsetting Receipts	**(15,626)**	(15,761)
Net Obligations	**509,790**	493,465
Other Resources		
Transfers In/Out Without Reimbursement (+/-)	**9**	0
Imputed Financing	**397**	351
Other	**(256)**	(267)
Net Other Resources Used to Finance Activities	**150**	84
Total Resources Used to Finance Activities	**509,940**	493,549
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(117)**	445
Resources that Fund Capitalized Costs	**(387)**	(120)
Resources that Fund Expenses Recognized in Prior Periods	**(337)**	(1,649)
Budgetary Offsetting Collections and Receipts that Do Not affect Net Cost of Operations	**15,627**	15,761
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(15,631)**	(16,444)
Total Resources Not Part of the Net Cost of Operations	**(845)**	(2,007)
Total Resources Used to Finance the Net Cost of Operations	**509,095**	491,542
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 (Note 16)		
Increase in Annual Leave	**13**	18
Other	**162**	71
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	**175**	89
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**158**	141
Other	**(9)**	(346)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	**149**	(205)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**324**	(116)
Net Cost of Operations	**$ 509,419**	$ 491,426

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

Notes to the Principal Financial Statements
For the Years Ended September 30, 2003 and 2002
(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 programs (OASDI), the Supplemental Security Income (SSI) program, and Black Lung (BL). 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 reconciliation of net cost to budgetary resources as required by the Chief Financial Officers Act of 1990.

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 and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 01-09. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). These statements are different from the financial reports, also prepared by SSA, pursuant to OMB directives that are used to monitor and control SSA's use of budgetary resources. 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 assets and 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 of three trust funds, three deposit funds, and four general fund appropriations. The trust funds are the Old-Age and Survivors Insurance (OASI) Trust Fund, the Disability Insurance (DI) Trust Fund and the Limitations on Administrative Expenses (LAE). The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by the Social Security Administration. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds, 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 Payments to the Trust Fund (PTF) appropriations but also contains non-material activities including BL. The fund balance with the Department of the Treasury, shown on the Balance Sheet, represents the total of all SSA’s account balances with the Department of the Treasury.

Investments

Trust fund balances not required to meet current expenditures are invested on a daily basis in interest-bearing obligations of the U.S. Government. 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 issues and bonds. Special issues are special public debt obligations for purchase exclusively by the 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 Balance Sheet. U.S. Treasury bonds are carried at amortized cost.

Property, Plant and Equipment

SSA's property, plant and equipment (PP&E) are considered assets of the OASI and DI Trust Funds. 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 trust funds for their use of 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. SSA capitalizes new property, plant and equipment costing over $100,000.

The change in PP&E from one reporting period to the next is presented on the Statement of Financing's Resources that Fund Capitalized Costs. This line item presents the effect on budgetary obligations for capital assets purchased by the OASI, DI and Health Insurance/Supplemental Medical Insurance (HI/SMI) Trust Funds. However, HI/SMI's share of capital assets is presented on the Centers for Medicare and Medicaid Services' (CMS) financial statements.

Benefits Due and Payable

Liabilities are accrued for OASI, DI and BL 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 (See Note 8, Liabilities).

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 trust or general fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate 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. As transfers are made from the appropriate trust or general funds into LAE, similar obligations are recorded in each of these financing sources. Since LAE is reported with its funding sources (other than the HI/SMI Trust Funds) on the SBR and the SBR is a combined statement that does not allow eliminations, LAE's obligations are recorded twice on the SBR. This is in compliance with OMB's directive to have the SBR in agreement with the required Budget Execution Reports (SF-133's).

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 and BL programs and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual FICA taxes payable, actual SECA taxes paid and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate), credits for military service, income taxation of Social Security benefits and interest on trust fund unnegotiated benefit payment checks are also included in tax revenues (See Note 12, Tax Revenues).

Exchange revenue from sales of goods and services primarily include payments SSA receives from those States choosing to have SSA administer their State supplementation of Federal SSI benefits. Reimbursements are recognized as the services are performed (See Note 10, Exchange Revenues). These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as property, plant and equipment as specified by law.

Capitalized expenditures are recognized in the Statement 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.

Reclassifications

SSI Overpayments from beneficiaries are collected by SSA but are deposited to a general fund account. An accounts payable to the general fund is established in the amount of the receivable from the beneficiary. Previously, this liability was reported on the Balance Sheet as Other Liabilities. In FY 2003, SSA has reclassified this payable from Other Liabilities to Accounts Payable.

Certain other FY 2002 balances have been reclassified to conform to FY 2003 financial statement presentations, the effect of which is immaterial.

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. Accordingly, 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 Statement 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.

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 CSRS were $130 and $160 million for the years ended September 30, 2003 and 2002. SSA contributions to the basic FERS plan were $171 and $158 million for the years ended September 30, 2003 and 2002. In addition, SSA contributions to the FERS savings plan were $65 and $59 million for the years ended September 30, 2003 and 2002. 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 $1,686 and $2,553 million for the years ended September 30, 2003 and 2002. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable and (2) fees collected to administer SSI State Supplementation that are returned to the General Fund.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are $1,537 and $2,401million as of September 30, 2003 and 2002. The SSI accounts receivable, net has been reduced by $4,936 and $4,679 million for FY 2003 and 2002 respectively as intra-agency elimination. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the General Fund of the Treasury. These funds, upon deposit, are assets of the General Fund of the Treasury and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable is recognized as a non-entity asset.

The amounts of fees collected to administer SSI State Supplementation are $149 and $152 million for the years ended September 30, 2003 and 2002. The amounts reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets, represent fee collections deposited directly to a Treasury General Fund. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. A corresponding accounts payable to the General Fund is presented so that net position is not affected by this activity. Refer to Note 10. Exchange Revenue, for a description of the SSI State Supplementation fees.

4. Fund Balance with Treasury

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Appropriated Funds includes BL, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources.

Chart 4a - Fund Balances as of September 30:

	2003	2002 (Reclassified)
Trust Funds		
OASI	$ (24)	$ (19)
DI	359	(137)
LAE	(132)	(46)
Appropriated Funds		
SSI	1,999	2,187
Other	108	113
Total	$ 2,310	$ 2,098

Chart 4b - Status of Fund Balances as of September 30:

	2003	2002
Unobligated Balance		
Available	$ 465	$ 667
Unavailable	71	75
Obligated Balance not yet Disbursed	988	956
Expended/Unexpended	203	(179)
Deposit & Receipt Accounts	583	579
Total	$ 2,310	$ 2,098

In FY 2003 and 2002, the negative fund balances reported for the trust funds are the result of the policy to protect the trust fund investments by not liquidating the investments until the cash is needed. Transfers between the trust funds and Treasury are managed to favor the financial position of the trust funds. Therefore, investments held by the trust funds are liquidated only as needed by Treasury to cover benefit payment checks. To maintain consistency with Treasury year-end reporting requirements, the negative balances were not reclassified as liabilities on the Balance Sheet.

5. Investments

Chart 5 displays SSA's investments in U.S. par-value Treasury special securities and U.S. Treasury bonds at amortized cost. Treasury specials are Treasury securities that are issued directly by the Treasury Secretary to a government investment account that are non-negotiable and non-transferable in the secondary market. Par-value Treasury specials 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. The interest rates on these investments range from 3 1/2 percent to 8 3/4 percent and are payable on September 30, December 31, and at maturity or redemption. Investments held for the trust funds mature at various dates ranging from the present to the year 2017.

Chart 5 - Investments as of September 30:	2003	2002
Special Issue U.S. Treasury Securities	$ 1,484,189	$ 1,329,015
U.S. Treasury Bonds - Carrying value	30	30
Total Investments	$ 1,484,219	$ 1,329,045

6. Interest and Accounts Receivable

Interest Receivable

Intragovernmental Interest Receivable, Net reported on the Consolidated Balance Sheets consists of accrued interest receivable on trust fund investments with the U.S. Treasury. Interest amounts are $20,933 million and $20,262 million for the years ended September 30, 2003 and 2002.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. OASI and DI amounts consist of military service wage credits (MSWC) that should have been transferred to the OASI and DI Trust Funds from the Department of Defense (DoD). The LAE amount represents receivables to be paid from the HI/SMI Trust Funds.

Chart 6a - Intragovernmental Accounts Receivable by Major Program as of September 30:	2003 Gross/Net Receivable	2002 (Reclassified) Gross/Net Receivable
OASI	$ 531	$ 443
DI	90	74
SSI	0	0
Other	0	0
LAE	1,735	1,712
Sub-Total	2,356	2,229
Less: Elimination*	(1,484)	(1,478)
Total	$ 872	$ 751

* Intra-agency Eliminations

Members of the uniformed services contribute to Social Security, and their potential benefits are based on taxable wages. Congress determined that these individuals are disadvantaged because their basic pay is augmented by various allowances; that is, allowances in forms other than taxable wages that were not used in determining Social Security benefits. To remedy this situation, section 229 of the Social Security Act provides that members of the uniformed services will be "deemed" wage credits for these allowances, thus, increasing their eligibility for benefits.

The law requires that DoD reimburse the Trust Funds for this activity each July 1; and, until FY 2000, DoD made the payments in a timely manner. As of September 30, 2003, and 2002, $621 and $517 million, respectively, remain unpaid largely from fiscal years 2000 and 2001. DoD asserts that its Military Personnel appropriation is not large enough to make all of the payments required by the DoD Appropriation Act and, therefore, it cannot make the payment required by Section 229. However, SSA believes that the appropriations are, in fact, budgeted for MSWC reimbursements and accordingly has retained the accounts receivable and not written off the receivable as uncollectible.

The Administration's 2004 budget reflects a legislative proposal to make the trust funds whole for unpaid FICA tax equivalents for MSWC, including interest lost due to late payment. Since the budget was submitted to Congress, the actual proposal was written to also include adjustments for prior years with related interest, as well as a provision to end any future adjustments that would otherwise continue to be necessary. SSA intends to maintain accounts receivable of $621 million in its accounting records until payment is made, or such legislation fails to pass and OMB indicates a debt no longer exists based on Congressional actions.

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.

Chart 6a also shows that in FY 2003 and FY 2002, gross accounts receivable was reduced by $1,484 and $1,478 million as an intra-agency elimination. This elimination is to offset SSA's LAE receivable to be paid from the appropriate trust or general fund with corresponding trust or general fund payables set up for anticipated LAE disbursements.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6b. Amounts in the OASI, DI, and BL (included in Other) 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 SSI Federal and State SSI supplementation payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or receive benefits in excess of their eligibility. See Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

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

	2003			2002 (Reclassified)		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,088	$ (96)	$ 1,992	$ 1,274	$ (92)	$ 1,182
DI	3,011	(1,027)	1,984	2,735	(887)	1,848
SSI*	8,315	(1,702)	6,613	8,519	(1,393)	7,126
Other	7	0	7	4	0	4
LAE	170	0	170	211	0	211
Sub-Total	13,591	(2,825)	10,766	12,743	(2,372)	10,371
Less:						
Eliminations**	(4,936)	0	(4,936)	(4,679)	0	(4,679)
Total	$ 8,655	$ (2,825)	$ 5,830	$ 8,064	$ (2,372)	$ 5,692

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

In FY 2001, SSA detected an error which affected about 228,000 SSI recipients who were eligible to receive DI benefits, but were paid either SSI or OASI benefits. At that time, OASI and SSI receivables were established for $56 and $3,770 million. In FY 2002, the domain for this Special Disability Workload (SDW) increased to about 251,000 cases, and the receivable amounts were netted with payables and reported as net accrued liabilities. SDW estimated receivables grew due to the cases not yet adjudicated, and decreased by the amount of adjudicated cases. In FY 2003, estimates have been further reduced due to refinements in the actual counting of cases potentially affected, and further downward revisions to the assumptions about the fraction of cases which will eventually result in claims being taken. In addition, receivables have increased due to refinements in the analysis of the impact on Federal SSI payments. The net affect of these refinements is an increase in OASI SDW receivables and a decrease in DI and SSI SDW receivables.

Current estimates indicate that there are about 179,704 SDW cases remaining. For FY 2003, SDW receivables are included in Chart 6b. OASI SDW receivables are $851 and $830 million for the years ended September 30, 2003 and 2002. DI SDW receivables are $11 and $29 million for the years ended September 30, 2003 and 2002. SSI SDW receivables are $3,902 and $4,401 million for the years ended September 30, 2003 and September 30, 2002.

Chart 6b shows that in FY 2003 and FY 2002, gross accounts receivable was reduced by $4,936 and $4,679 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Since payment of the retroactive OASI and DI benefits results in an overpayment of SSI benefits, the overpaid SSI amounts are offset from the OASI and DI retroactive payments. Therefore, these offsets are presented as intra-agency elimination.

A ratio of the estimated allowance for doubtful accounts is redetermined 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 allowance for doubtful accounts.

7. *Property, Plant and Equipment*

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:

	2003			2002 (Reclassified)		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5	$ 0	$ 5	$ 5	$ 0	$ 5
Buildings	383	(180)	203	362	(171)	191
Equipment (incl. ADP Hardware)	327	(241)	86	282	(180)	102
Internal Use Software	740	(158)	582	459	(94)	365
Leasehold Improvements	185	(152)	33	130	(103)	27
Total	$ 1,640	$ (731)	$ 909	$ 1,238	$ (548)	$ 690

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	over 20 years	Straight Line
Equipment (incl. ADP Hardware)	7 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	over 20 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:	2003			2002 (Reclassified)		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RR Retirement Interchange	$ 3,767	$ 0	$ 3,767	$ 3,713	$ 0	$ 3,713
Accounts Payable	0	6,410	6,410	0	7,024	7,024
Other	59	51	110	76	48	124
Total Intragovernmental	3,826	6,461	10,287	3,789	7,072	10,861
Benefits Due and Payable	48,391	1,096	49,487	46,320	1,364	47,684
Accounts Payable	120	267	387	216	278	494
Other	176	957	1,133	592	550	1,142
Total	$ 52,513	$ 8,781	$ 61,294	$ 50,917	$ 9,264	$ 60,181

Accrued Railroad Retirement Interchange

The 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. Refer to Note 13, Intra-Governmental Financing Sources, for a description of the RRB transfer.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable not covered by budgetary resources is SSI Receivables Owed to Treasury. This custodial liability is recorded for the collection of SSI benefit overpayments that are payable from SSA to the General Fund of the Treasury when overpayments are identified. It directly relates to the accounts receivable established in the asset portion of the Balance Sheet. 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 covered by budgetary resources includes amounts for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. Intragovernmental Other Liabilities not covered by budgetary resources includes amounts for the Federal Employees' Compensation Act (FECA), administered by 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. Current fiscal year claim amounts to be paid by SSA within two years are the current portion. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability was $51 and $47 million as of September 30, 2003 and 2002.

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 for the years ended September 30, 2003 and 2002. 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.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b include estimated payables related to SDW (See Note 6, Interest and Accounts Receivable). OASI payables are $773 and $1,077 million for the years ended September 30, 2003 and 2002. DI payables are $6,652 and $7,629 million for the years ended September 30, 2003 and 2002. In FY 2003, the OASI and DI payables have decreased due to downward revisions to the assumptions and refinements in counting potential SDW cases.

Chart 8b also shows that as of FY 2003 and FY 2002, gross Benefits Due and Payable was reduced by $4,936 and $4,679 million as intra-agency elimination. This intra-agency activity results primarily from SDW cases (See Note 6, Interest and Accounts Receivable). 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 8b - Benefits Due and Payable as of September 30:

	2003	2002 (Reclassified)
OASI	$ 35,878	$ 34,140
DI	16,967	16,821
SSI	1,541	1,364
Other	37	38
Sub-Total	54,423	52,363
Less: Intra-agency eliminations	(4,936)	(4,679)
Total	$ 49,487	$ 47,684

Accounts Payable

Accounts Payable not covered by budgetary resources consists of payments due to the states for their portion of SSI benefit payments made by SSA, underpayments due to SSI recipients, and the state portion of SSI windfall amounts. Since SSA receives payments from the states for their portion of SSI benefits, any excess payments are returned to the states and recognized as accounts payable.

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 actuarial liability. The non-current portion of $305 and $281 million for the years ended September 30, 2003 and 2002 is comprised of claims that will be paid more than one year in the future. 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

SSA is a party to various class action lawsuits related to benefits paid or payable. These suits may be lost, in whole or in part, in lower courts and/or on appeal and may require a future implementation plan. Any final unfavorable court decisions will be funded from the appropriate trust fund or from the general funds for the SSI program. In the opinion of management and legal counsel, the resolution of the class actions and other claims and lawsuits will not materially affect the financial position or operations of SSA.

9. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 9a displays SSA's operating expenses for each major program. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statement of Net Cost. Trust Fund Operations include expenses of the Department of 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. BL includes SSA's operational costs to administer the BL, Part B program, which is performed for SSA on a reimbursable basis by the DOL.

Chart 9a - SSA's Operating Expenses by Major Program as of September 30:						
	2003					
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total
OASI	$ 2,162	$ 30	$ 289	$ 0	$ 0	$ 2,481
DI	1,917	26	54	48	0	2,045
SSI	2,747	0	0	42	0	2,789
Other	1,265	19	0	0	8	1,292
	$ 8,091	$ 75	$ 343	$ 90	$ 8	$ 8,607

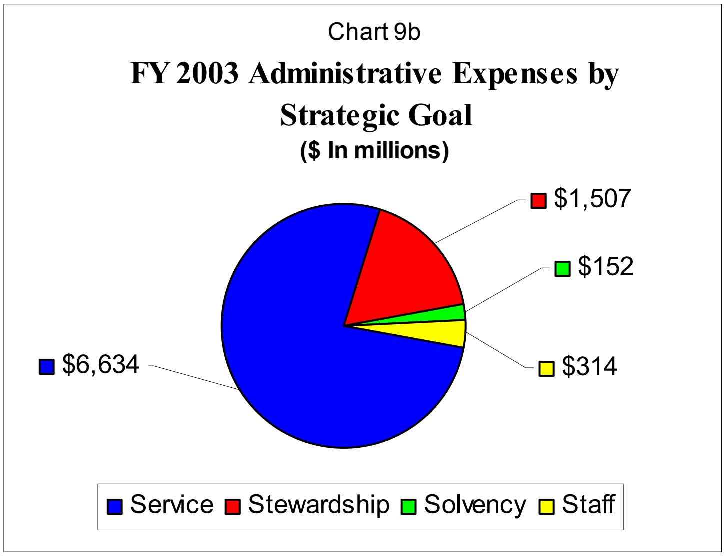
Chart 9a - SSA's Operating Expenses by Major Program as of September 30:						
	2002 (Reclassifed)					
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total
OASI	$ 2,043	$ 28	$ 228	$ 0	$ 0	$ 2,299
DI	1,829	26	43	55	0	1,953
SSI	2,700	0	0	88	0	2,788
Other	1,228	15	0	0	8	1,251
	$ 7,800	$ 69	$ 271	$ 143	$ 8	$ 8,291

Classification of Operating Expenses by Strategic Goal

In FY 2003, SSA developed a new Agency Strategic Plan (ASP), a FY 2004 Annual Performance Plan (APP), and its budget submission at the same time by completing a full review of strategic goals, objectives, and performance indicators. Changes, additions, and deletions were made in order to help improve performance and improve the way progress is measured. The strategic goals have remained broad and cover the full scope of SSA's work. The four new goals are:

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

Chart 9b exhibits distribution of the FY 2003 administrative expenses to new APP Strategic goals. A corresponding chart for FY 2002 administrative expenses is not displayed because APP strategic goals for FY 2002 and FY 2003 are not comparable.



10. *Exchange Revenues*

Revenue from exchange transactions is recognized when goods and services are provided. Total exchange revenue was $288 and $303 million for the years ended September 30, 2003 and 2002. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 25 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. SSA earned administration fee revenue in the amount of $256 and $267 million for the years ended September 30, 2003 and 2002. A portion of the fees, $149 and $152 million for the years ended September 30, 2003 and 2002, is transferred to the Department of Treasury General Fund while the remainder is maintained in the SSA trust funds. In addition, SSA earned $32 and $36 million for the years ended September 30, 2003 and 2002 in other exchange revenue. The goods and services provided in these transactions are priced so that charges do not exceed the Agency's cost.

11. Gross Cost and Earned Revenue by Budget Functional Classification

Chart 11a displays gross cost and earned revenue by budget functional classification. General Retirement and Disability Insurance includes the costs and revenues associated with the BL program. Income Security for Veterans includes the costs and revenues to administer the Title VIII, Special Benefits for Certain World War II Veterans program. Other Income Security includes primarily the costs and revenues associated with the SSI program. The Other program reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 11a - Gross Cost and Earned Revenue by Budget Functional Classification as of September 30:

	2003			2002 (Reclassified)		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
General Retirement and Disability Insurance	$ 421	$ 0	$ 421	$ 449	$ 0	$ 449
Income Security for Veterans	9	0	9	14	(5)	9
Other Income Security	33,259	(256)	33,003	30,328	(267)	30,061
Social Security						
OASI	397,943	0	397,943	386,005	0	386,005
DI	69,902	0	69,902	67,062	0	67,062
Other	7	(5)	2	3	0	3
LAE	8,166	(27)	8,139	7,868	(31)	7,837
Subtotal	476,018	(32)	475,986	460,938	(31)	460,907
Total	$ 509,707	$ (288)	$ 509,419	$ 491,729	$ (303)	$ 491,426

Chart 11b displays Intragovernmental gross cost and earned revenue by budget functional classification.

Chart 11b - Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification as of September 30:

	2003			2002 (Reclassified)		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
General Retirement and Disability Insurance	$ 0	$ 0	$ 0	$ 4	$ 0	$ 4
Other Income Security	7	0	7	7	0	7
Social Security						
OASI	286	0	286	228	0	228
DI	54	0	54	43	0	43
Other	0	0	0	3	0	3
LAE	2,097	(14)	2,083	1,928	(20)	1,908
Subtotal	2,437	(14)	2,423	2,202	(20)	2,182
Total	$ 2,444	$ (14)	$ 2,430	$ 2,213	$ (20)	$ 2,193

12. 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 trust funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the trust funds based on actual wage data certified quarterly by SSA.

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

Other tax revenues include certain military service wage credits, Taxation of Social Security Benefits and FICA/SECA tax credits. Chart 12 reflects the amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues.

Chart 12 - Tax Revenues as of September 30:	2003	2002
Estimated Employment Taxes Credited to SSA	$ 541,183	$ 529,538
Adjustments	(5,952)	(4,248)
Refunds	(1,787)	(1,091)
Employment Tax Revenues	533,444	524,199
Other Tax Revenues	13,364	13,534
Total Tax Revenues	$ 546,808	$ 537,733

13. Intra-Governmental Financing Sources

SSA receives other intra-governmental financing sources that increase net results of operations during the reporting period. The most significant financing source received from another Federal entity is the drawdown of funds from the HI/SMI Trust Funds for the Medicare program, in the amounts of $1,214 and $1,182 million for the years ended September 30, 2003 and 2002. They reimburse SSA's operating expenses to administer a portion of the Medicare program. These amounts represent the majority of the Trust Fund Draws and Other-In line item as presented on the Statement of Changes in Net Position.

Financing outflows may result from transfers of the reporting entity's assets to other government entities. SSA financing outflows mainly consist of PTF transfers for taxation on benefits of $13,276 and $13,966 million for the years ended September 30, 2003 and 2002. It also includes a RRB transfer for the annual interchange 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 September. The accrued liability of $3,767 and $3,713 million for the years ended September 30, 2003 and 2002, on the Balance Sheet represents amounts due the RRB. Also, amounts for railroad workers, who have qualified for and are receiving OASI and DI benefit payments, are included in the benefit payment expenses on the Statement of Net Cost. However, the RRB makes the payments to the qualifying railroad workers on behalf of SSA. SSA compensated RRB in the amount of $1,163 and $1,182 million for the years ended September 30, 2003 and 2002.

In addition, a portion of the administrative fees charged to the States to administer the Supplemental SSI benefits program is returned to the U.S. Treasury and amounted to $149 and $152 million for the years ended September 30, 2003 and 2002. The Supplemental SSI benefits paid by SSA on behalf of the States were $3,925 and $3,736 million for the years ended September 30, 2003 and 2002. These transfers, which negate each other, are received from the States and issued to SSI recipients.

14. Imputed Financing

The Statement of Net Cost recognizes post-employment benefit expenses of $706 and $662 million for the years ended September 30, 2003 and 2002 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 Statement of Changes in Net Position recognizes an imputed financing source of $397 and $351 million for the years ended September 30, 2003 and 2002 that represents annual service cost not paid by SSA. The imputed financing source includes $1 and $4 million of Judgment fund payments as of September 30, 2003 and 2002. The Judgment Fund is available for most court judgments and Justice Department compromise settlements of actual or imminent lawsuits against the government. When the judgment fund makes a payment on behalf of SSA except for contract disputes, SSA records judgment fund to recognize expenses paid by another entity whether or not a previous contingent liability has been recognized.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources (SBR) discloses Appropriations Received of $679,191 and $661,470 million for the years ended September 30, 2003 and 2002. Appropriations Received on the Consolidated Statements of Changes in Net Position (SCNP) is $48,822 and $46,400 million for the same years. The differences of $630,369 and $615,070 million represent appropriated trust fund receipts in OASI and DI, and Rescissions that must be recognized on the SBR. The SCNP reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Fund, or Rescissions.

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. For FY 2003, SSA has not received any category A apportionments. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B and Exempt from Apportionment.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30:

	2003			2002 (Reclassified)		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 525,561	$ 3,951	$ 529,512	$ 508,552	$ 3,758	$ 512,310
Exempt	8,187	0	8,187	8,732	0	8,732
Total	$ 533,748	$ 3,951	$ 537,699	$ 517,284	$ 3,758	$ 521,042

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority in the SBR. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the trust funds. The portion of 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 trust funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays trust fund activities and balances. The entire trust fund balances, ending are included in Investments on the Balance Sheet.

Chart 15b - Trust Fund Activities as of September 30:

	2003	2002 (Reclassified)
Trust Fund Balance, Beginning	$ 1,273,227	$ 1,119,173
Receipts	630,322	615,091
Less Obligations	476,636	461,037
Excess of Receipts Over Obligations	153,686	154,054
Trust Fund Balance, Ending	$ 1,426,913	$ 1,273,227

Explanation of Material Differences Between the 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, 2002. Budgetary resources and obligations incurred reconcile to Program and Financing (P & F) Schedules while outlays reconcile to the Analytical Perspectives of the Budget. A reconciliation is not presented for the period ended September 30, 2003, since SSA's FY 2003 Performance and Accountability Report is published in November 2003 and Treasury's MAX system will not have actual budget data until mid-December 2003.

SSA's LAE is funded from the OASI, DI, and HI/SMI Trust Funds and from various General Funds. In FY 2002 a methodology was implemented to establish a payable from these funding sources and an offsetting receivable in LAE. These payables and receivables are reduced as funds are transferred. SSA's financial statements for FY 2001 were restated to show the results of this new methodology. The beginning balance for these payables for FY 2002 from the restated FY 2001 statements is not included on the FY 2002 P & F Schedules. LAE activity reported on the P & F is for unexpired years only. Expired activity is included on the SBR but not on the P & F. Offsetting receipts reported in the budget as outlays mainly consist of Payments to the Trust Fund activity captured as trust fund receipts on the SBR, but removed from budgetary resources as part of unobligated balances. (See discussion above in Legal Arrangements Affecting Use of Unobligated Balances) Offsetting Receipts is the total amount of distributed offsetting receipts that affect outlays.

Chart 15c - Explanation of Material Differences Between Statement of Budgetary Resources and the Budget of the United States Government for FY 2002:			
	Budgetary Resources	Status of Resources	Outlays
Combined Statement of Budgetary Resources	$ 522,063	$ 522,063	$ 488,608
Funding Source Payables not on P & F	1,261	1,261	0
Expired activity not on P & F	(301)	(301)	0
Offsetting receipts reported as outlays in the budget	0	0	15,761
BL activity on DOL Budget for FY 2002	(462)	(462)	(452)
Other	27	27	0
Budget of the United States Government	522,588	522,588	503,917

16. Statement of Financing Disclosures

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

Liabilities Not Covered by Budgetary Resources of $8,781 and $8,833 million as of September 30, 2003 and 2002, represent SSI Receivables Owed to Treasury, non-current portion of FECA liability to DoL and employees, benefits due and payable for SSI adjudicated and unadjudicated cases, and leave earned but not taken (See Note 8, Liabilities). Only a portion of these liabilities will require or generate resources in future periods. The amounts reported on the Statement of Financing, as Total Components of Net Cost of Operations, that will Require or Generate Resources in Future Periods of $175 and $89 million for the years ended September 30, 2003 and 2002, represent the change in SSA expenses for unfunded liabilities for FECA, adjudicated and unadjudicated SSI benefits due and payable, and leave earned but not taken.

17. Incidental Custodial Collections

SSA's custodial collections primarily consist of recoveries for SSI Federal benefit overpayments. The FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI benefit overpayments be deposited in the General Fund of the Treasury. 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. In accordance with SFFAS Number 7, non-exchange custodial collections should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue; therefore, SSA's custodial collections are not recognized as revenue or presented in the financial statements. SSA's total custodial collections are $1,985 and $1,883 million for the years ended September 30, 2003 and 2002.

18. Recovery of Medicare Premiums

SSA has identified a systematic and reoccurring error in the processing of transfers to the CMS of Medicare Part B premiums. Beneficiaries of OASI and DI 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, did not have procedures to recover Medicare premiums transferred to CMS. SSA estimates that approximately $800 million of premiums were transferred erroneously to CMS since the inception of the Medicare program. SSA and the Department of Health and Human Services are currently negotiating the resolution of this matter, and accordingly no accounts receivable have been recorded in the accompanying financial statements. However, SSA will continue to pursue the recovery of these premiums.

Balance Sheet by Major Program as of September 30, 2003

	Dollars in Millions						
Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (24)	$ 359	$ 1,999	$ 108	$ (132)	$ 0	$ 2,310
Investments	1,313,427	170,792	0	0	0	0	1,484,219
Interest Receivable, Net	18,551	2,382	0	0	0	0	20,933
Accounts Receivable, Net	531	90	0	0	1,735	(1,484)	872
Total Intragovernmental	1,332,485	173,623	1,999	108	1,603	(1,484)	1,508,334
Accounts Receivable, Net	1,992	1,984	6,613	7	170	(4,936)	5,830
Property, Plant and Equip., Net	0	0	0	0	909	0	909
Other	0	0	0	0	6	0	6
Total Assets	$ 1,334,477	$ 175,607	$ 8,612	$ 115	$ 2,688	$ (6,420)	$ 1,515,079
Liabilities							
Intragovernmental:							
Accrued RRI	$ 3,545	$ 222	$ 0	$ 0	$ 0	$ 0	$ 3,767
Accounts Payable	523	407	6,964	0	0	(1,484)	6,410
Other	0	0	0	0	110	0	110
Total Intragovernmental	4,068	629	6,964	0	110	(1,484)	10,287
Benefits Due and Payable	35,878	16,967	1,541	37	0	(4,936)	49,487
Accounts Payable	1	4	263	0	119	0	387
Other	2	2	353	18	758	0	1,133
Total	39,949	17,602	9,121	55	987	(6,420)	61,294
Net Position							
Unexpended Appropriations	0	0	633	60	12	0	705
Cumulative Results of Operations	1,294,528	158,005	(1,142)	0	1,689	0	1,453,080
Total Net Position	1,294,528	158,005	(509)	60	1,701	0	1,453,785
Total Liabilities and Net Position	$ 1,334,477	$ 175,607	$ 8,612	$ 115	$ 2,688	$ (6,420)	$ 1,515,079

Schedule of Net Cost for the Year Ended September 30, 2003

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 397,654	$ 0	$ 397,654
Operating Expenses (Note 9)	289	2,192	2,481
Total Cost of OASI Program	397,943	2,192	400,135
Less: Exchange Revenues (Notes 10 and 11)	0	7	7
Net Cost of OASI Program	397,943	2,185	400,128
DI Program			
Benefit Payments	69,800	0	69,800
Operating Expenses (Note 9)	102	1,943	2,045
Total Cost of DI Program	69,902	1,943	71,845
Less: Exchange Revenues (Notes 10 and 11)	0	7	7
Net Cost of DI Program	69,902	1,936	71,838
SSI Program			
Benefit Payments	33,217	0	33,217
Operating Expenses (Note 9)	42	2,747	2,789
Total Cost of SSI Program	33,259	2,747	36,006
Less: Exchange Revenues (Notes 10 and 11)	256	9	265
Net Cost of SSI Program	33,003	2,738	35,741
Other			
Benefit Payments	429	0	429
Operating Expenses (Note 9)	8	1,284	1,292
Total Cost of Other	437	1,284	1,721
Less: Exchange Revenues (Notes 10 and 11)	5	4	9
Net Cost of Other	432	1,280	1,712
Total Net Cost			
Benefit Payments	501,100	0	501,100
Operating Expenses (Note 9)	441	8,166	8,607
Total Cost	501,541	8,166	509,707
Less: Exchange Revenues (Notes 10 and 11)	261	27	288
Total Net Cost	$ 501,280	$ 8,139	$ 509,419

Schedule of Changes in Net Position for the Year Ended September 30, 2003

(Dollars in Millions)

	OASI	DI	SSI		Other		LAE		Intra-Agency Eliminations	Consolidated	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	$ 1,155,165	$ 141,939	$ (1,004)	$ 722	$ 0	$ 62	$ 1,467	$ 10	$ 0	$ 1,297,567	$ 794
Budgetary Financing Sources (than Exchange Revenues)											
Appropriations Received				35,077		13,723		22			48,822
Other Adjustments	0	0	0	(111)	0	(17)	0	0	0	0	(128)
Appropriations Used	0	0	35,055	(35,055)	13,708	(13,708)	20	(20)	0	48,783	(48,783)
Tax Revenues	468,442	78,366	0		0		0		0	546,808	
Interest Revenues	74,599	9,621	0		0		0		0	84,220	
Transfers-In/Out											
Trust Fund Draws and Other - In	4	3	0		0		7,935		(6,698)	1,244	
Trust Fund Draws and Other - Out	(2,143)	(1,903)	(2,190)		(13,276)		0		6,698	(12,814)	
Railroad Retirement Interchange	(3,611)	(191)	0		0		0		0	(3,802)	
Total Transfers-In/Out	(5,750)	(2,091)	(2,190)		(13,276)		7,935		0	(15,372)	
Other Budgetary Financing Sources	15	72	0		0		0		0	87	
Other Financing Sources											
Other Revenue	0	0	0		0		9		0	9	
Imputed Financing Sources	0	0	0		0		397		0	397	
Total Financing Sources	537,306	85,968	32,865	(89)	432	(2)	8,361	2	0	664,932	(89)
Net Cost of Operations	397,943	69,902	33,003		432		8,139		0	509,419	
Ending Balances	$ 1,294,528	$ 158,005	$ (1,142)	$ 633	$ 0	$ 60	$ 1,689	$ 12	$ 0	$ 1,453,080	$ 705

Schedule of Financing for the Year Ended September 30, 2003

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	$ 404,506	$ 72,130	$ 39,142	$ 13,715	$ 8,206	$ 537,699
Less: Offsetting Collections	0	0	(4,095)	(7)	(8,181)	(12,283)
Obligations Net of Offsetting Collections	404,506	72,130	35,047	13,708	25	525,416
Less: Offsetting Receipts	(12,368)	(990)	(256)	(1,984)	(28)	(15,626)
Net Obligations	392,138	71,140	34,791	11,724	(3)	509,790
Other Resources						
Transfers In/Out Without Reimbursement (+/-)	0	0	0	0	9	9
Imputed Financing	0	0	0	0	397	397
Other	0	0	(256)	0	0	(256)
Net Other Resources Used to Finance Activities	0	0	(256)	0	406	150
Total Resources Used to Finance Activities	392,138	71,140	34,535	11,724	403	509,940
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	2	11	0	(130)	(117)
Resources That Fund Capitalized Costs	0	0	0	0	(387)	(387)
Resources That Fund Expenses Recognized In Prior Periods	(810)	(136)	610	0	(1)	(337)
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations	12,369	990	256	1,984	28	15,627
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(5,754)	(2,094)	(2,543)	(13,276)	8,036	(15,631)
Total Resources Not Part of the Net Cost of Operations	5,805	(1,238)	(1,666)	(11,292)	7,546	(845)
Total Resources Used to Finance the Net Cost of Operations	397,943	69,902	32,869	432	7,949	509,095
Components of the Net Cost of Operations That Will Not Require of Generate Resources in the Current Period						
Components Requiring or Generating Resources in Future Periods						
Increase in Annual Leave	0	0	0	0	13	13
Other	0	0	134	0	28	162
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	0	0	134	0	41	175
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	158	158
Other	0	0	0	0	(9)	(9)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	0	0	0	0	149	149
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	0	0	134	0	190	324
Net Cost of Operations	$ 397,943	$ 69,902	$ 33,003	$ 432	$ 8,139	$ 509,419

Required Supplementary Information: Schedule of Budgetary Resources as of September 30, 2003

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Budget Authority						
Appropriations Received	$ 542,348	$ 87,974	$ 35,077	$ 13,720	$ 72	$ 679,191
Unobligated Balances						
Beginning of Period	0	0	613	59	349	1,021
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	3,836	4	62	3,902
Change in Receivable	0	0	90	0	(5)	85
Change in Unfilled Customer Orders						
Without Advance	0	0	0	0	1	1
Transfers from Trust Funds						
Collected	0	0	0	0	7,907	7,907
Anticipated	0	0	0	0	28	28
Subtotal	0	0	3,926	4	7,993	11,923
Recoveries of Prior Year Obligations	0	0	169	3	188	360
Temporarily Not Available Pursuant to Public Law	(137,842)	(15,844)	0	0	0	(153,686)
Permanently Not Available	0	0	(111)	(16)	(53)	(180)
Total Budgetary Resources	$ 404,506	$ 72,130	$ 39,674	$ 13,770	$ 8,549	$ 538,629
Status of Budgetary Resources:						
Obligations Incurred:						
Direct	$ 398,467	$ 69,982	$ 35,217	$ 13,715	$ 8,180	$ 525,561
Reimbursable	0	0	3,925	0	26	3,951
Exempt from Apportionment	6,039	2,148	0	0	0	8,187
Subtotal	404,506	72,130	39,142	13,715	8,206	537,699
Unobligated Balances						
Apportioned	0	0	465	20	224	709
Unobligated Balances - Not Available	0	0	67	35	119	221
Total Status of Budgetary Resources	$ 404,506	$ 72,130	$ 39,674	$ 13,770	$ 8,549	$ 538,629
Relationship of Obligations to Outlays:						
Obligated Balances - Beginning of the Period	$ 38,141	$ 17,458	$ 1,053	$ 42	$ (395)	$ 56,299
Obligated Balance - End of the Period						
Accounts Receivable	0	0	(86)	0	(1,734)	(1,820)
Unfilled Customer Orders	0	0	0	0	(1)	(1)
Undelivered Orders	0	4	41	0	1,105	1,150
Accounts Payable	39,949	17,602	999	35	154	58,739
Outlays:						
Disbursements	402,698	71,982	38,981	13,719	8,076	535,456
Collections	0	0	(3,836)	(4)	(7,969)	(11,809)
Subtotal	402,698	71,982	35,145	13,715	107	523,647
Less: Offsetting Receipts	12,368	990	256	1,984	28	15,626
Net Outlays	$ 390,330	$ 70,992	$ 34,889	$ 11,731	$ 79	$ 508,021

Required Supplementary Information: Intragovernmental Amounts as of September 30, 2003

(Dollars in Millions)

Intragovernmental Assets	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Department of the Air Force				$163
Department of the Army				214
Department of Health and Human Services				248
Department of the Navy				244
Department of the Treasury	$2,310	$1,484,219	$20,933	
Other				3
Total Intragovernmental Assets	$2,310	$1,484,219	$20,933	$872

Intragovernmental Liabilities	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities
Department of the Treasury, General Fund		$6,410	
Railroad Retirement Board	$3,767		
Other			$110
Total Intragovernmental Liabilities	$3,767	$6,410	$110

Intragovernmental Revenues:	Non-Exchange Revenue Transfers-In	Transfers-Out
Department of the Treasury	($3)	
Department of the Treasury, General Fund	(4)	$13,276
Railroad Retirement Board		3,802
Department of Health and Human Services	(1,236)	
Total Intragovernmental Revenues:	($1,243)	$17,078

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
75-Year Projection as of January 1, 2003

(In billions)

		Estimates from Prior Years			
	2003	**2002**	**2001**	**2000**	**1999**
Actuarial present value[1] for the 75-year projection period of estimated future income (excluding interest)[2] received from or on behalf of:					
Current participants[3] who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$13,576	$13,048	$12,349	$11,335	$10,325
Have attained retirement eligibility age (Age 62 and over)	359	348	309	266	235
Those expected to become participants (Under Age 15)[4]	12,213	11,893	11,035	10,088	9,033
All participants	26,147	25,289	23,693	21,688	19,593
Actuarial present value[1] for the 75-year projection period of estimated future cost[5] for or on behalf of:					
Current participants[3] who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	21,015	20,210	18,944	17,217	15,676
Have attained retirement eligibility age (Age 62 and over)	4,662	4,402	4,255	4,020	3,856
Those expected to become participants (Under Age 15)[4]	5,398	5,240	4,700	4,297	3,758
All participants	31,075	29,851	27,899	25,534	23,291
Actuarial present value[1] for the 75-year projection period of estimated future excess of income (excluding interest) over cost	-$4,927	-$4,562	-$4,207	-$3,845	-$3,698
Trust fund assets[6] at start of period	1,378	1,213	1,049	896	763
Actuarial present value[1] for the 75-year projection period of estimated future excess[7] of income (excluding interest) and Trust fund assets at start of period over cost	-$3,550	-$3,350	-$3,157	-$2,949	-$2,935

Footnotes to the Statement of Social Insurance

[1]Present values are computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown and over the 75-year projection period beginning January 1 of that year. Totals do not necessarily equal the sum of the rounded components.

[2]Income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury.

[3]Current participants are the "closed group" of individuals age 15 and over at the start of the period. To calculate the actuarial present value of the excess of future income (excluding interest) from or on behalf of these individuals over future cost for them or on their behalf, subtract the actuarial present value of future cost for them or on their behalf from the actuarial present value of future income (excluding interest) from them or on their behalf. The projection period for the closed group would theoretically include all future working and retirement years, a period which may exceed 75 years in some instances. While the estimates are limited to the 75-year projection period, the net present value of future income and cost for the closed group participants beyond 75 years is not material.

[4]Includes births during the period.

[5]Cost includes scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

[6]Trust fund assets represent the accumulated excess of all past income, including interest on trust fund assets, over all past expenditures for the social insurance program. The assets are invested only in securities backed by the full faith and credit of the Federal Government.

[7]The negative value represents the magnitude of the unfunded obligation of the program over the 75-year projection period. The calculation of the actuarial balance used for analysis by the Social Security trustees differs from the calculation of the amount presented on this line. The trustees' actuarial balance is expressed as a percentage of the taxable payroll and includes the cost of attaining a target fund balance equal to the estimated next year's cost at the end of the period.

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 2002, OASDI benefits were paid to approximately 46 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 $48 billion as of September 30, 2003 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 ($46 billion as of September 30, 2002). Virtually all of this amount was paid in October 2003. Also, an asset of $1,484 billion is recognized for the "investments in Treasury securities" as of September 30, 2003 ($1,329 billion as of September 30, 2002). These investments are referred to as "trust fund assets" or "balance" throughout the remainder of this disclosure. 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.

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, 2003. 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 primarily nonexchange transactions and are not considered deferred compensation, as would employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes 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.

Supplementary Stewardship Information - While no liability has been recognized on the balance sheet for future payments 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 OASDI benefits; interest income from Treasury securities held as assets of the 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 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, 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 as of the specified point in time, together with interest earnings would be just enough to meet each of the payments as they fell due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2003 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2003 Trustees Report) (see Table 7). The statement presented on page 146 and the supplementary stewardship 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;

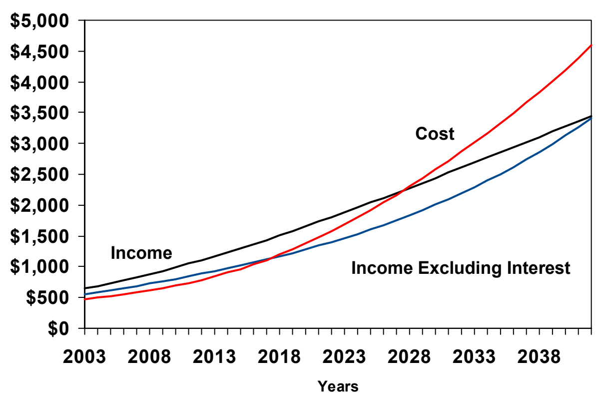
(3) the ratio of estimated covered workers to estimated beneficiaries; and

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

Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2003-2042 in nominal dollars. These estimates are only displayed through 2042, the year that the OASDI trust funds are projected to become exhausted. 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 on behalf of such workers during that period.

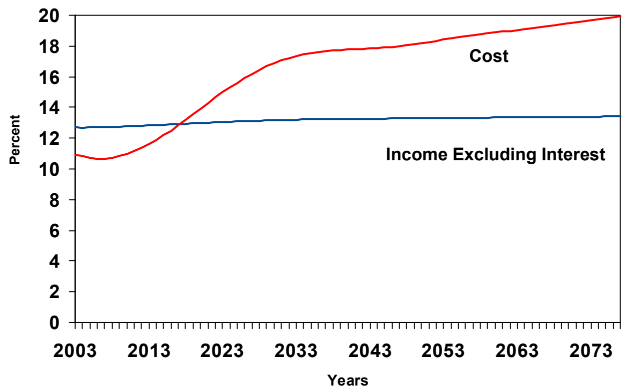
As chart 1 shows, estimated cost starts to exceed income (including interest) in 2028. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of low birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated cost starts to exceed income excluding interest even earlier, in 2018. At that time, to meet all OASDI cost on a timely basis, the trust funds would begin to redeem assets (Treasury securities). 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.

Chart 1 – Estimated OASDI Income and Cost, 2003-2042
(In billions of nominal dollars)



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. Prior to 2018, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2018, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2030 and is rising steadily at the end of the 75-year period. Estimated cost at the end of the 75-year period is about 50 percent higher than estimated income.

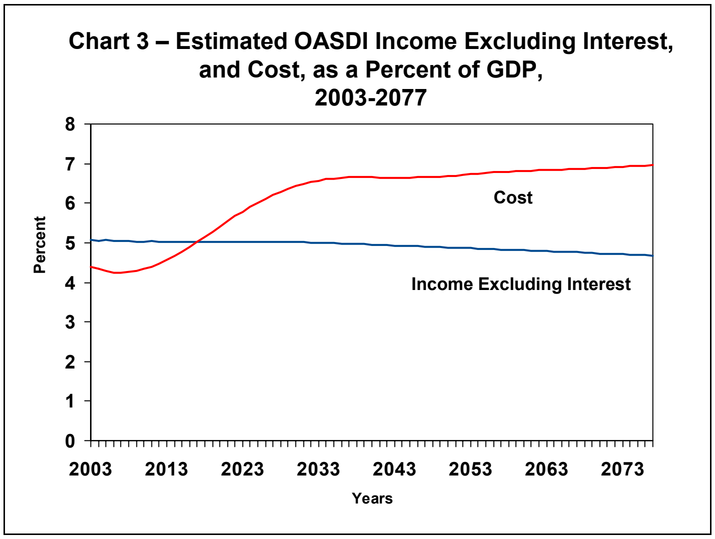
Chart 2 – Estimated OASDI Income Excluding Interest, and Cost, as a Percent of Taxable Payroll, 2003-2077



Actuarial Balance - The statement of social insurance on page 146 shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$4,927 billion. If augmented by the trust fund assets at the start of the period (January 1, 2003), it is -$3,550 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 Trust Fund balance by the end of the period.

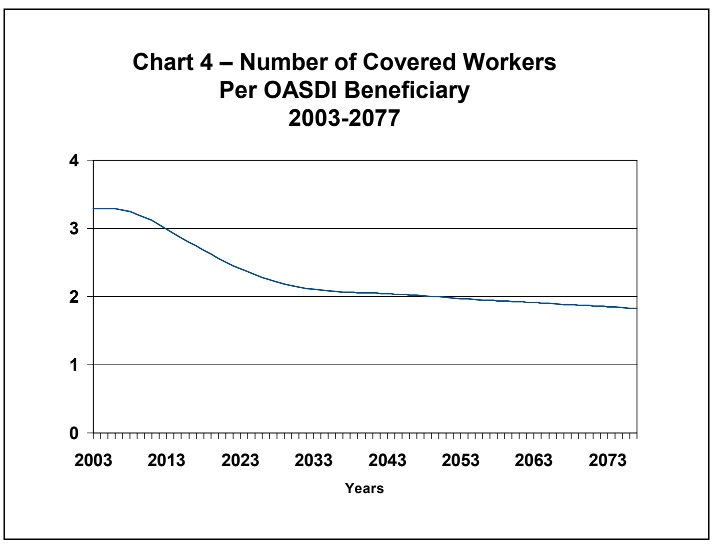
One interpretation of this negative actuarial balance (-1.92 percent of taxable payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.92 percentage points in this rate in each year of the 75-year projection period--about 0.96 percentage points for employees and employers each, resulting in a total rate for each of 7.16 percent--is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all current and future benefits could be reduced by about 13 percent (or there could be some combination of both tax increases and benefit reductions) to achieve the same effect.

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 GDP, which represents the total value of goods and services produced in the United States, provides a measure of the size of the OASDI program in relation to the capacity of the national economy to sustain it.



In 2002, OASDI cost was about $462 billion, which was about 4.4 percent of GDP. The cost of the program (based on current law) in 2077 is estimated to be about 7.0 percent of GDP. The increase 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 below 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 3.3 in 2002 to 1.8 in 2077.



Sensitivity Analysis - Projections of the future financial status of the OASDI program depend on many economic and demographic assumptions, including GDP, labor force, unemployment, average wages and self-employment earnings, interest rates on Treasury securities, productivity, inflation, fertility, mortality, net immigration, marriage, divorce, retirement patterns and disability incidence and termination. 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, death rate, net immigration, real-wage differential, consumer price index, and real interest rate.   The range of values chosen for the sensitivity analysis is not intended to represent any particular probability based around the intermediate assumptions. An analysis of the probability distribution of the cost of the OASDI program is available in the 2003 Trustees Report.

For this analysis, the intermediate assumptions in the 2003 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2003 and are based on estimates of income and cost during the 75-year projection period 2003-2077. 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 net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today's dollar. 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.

Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate total fertility rate[1]. These assumptions are 1.7, 1.95 and 2.2 children per woman, where 1.95 is the intermediate assumption in the 2003 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2027.

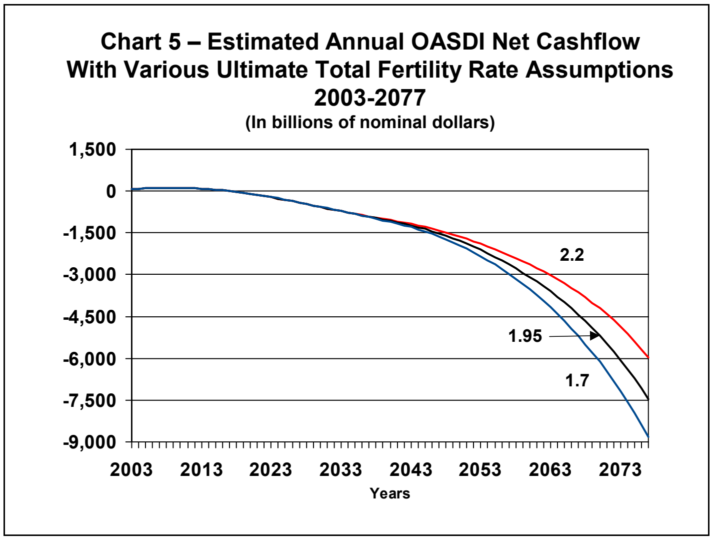
Table 1 demonstrates that, if the ultimate total fertility rate is changed from 1.95 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to cost would increase to $5,397 billion, from $4,927 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to $4,457 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Total Fertility Rate Assumptions
Valuation Period: 2003-2077

Ultimate Total Fertility Rate	1.7	1.95	2.2
Present Value of Estimated Excess (In billions)	-$5,397	-$4,927	-$4,457

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.

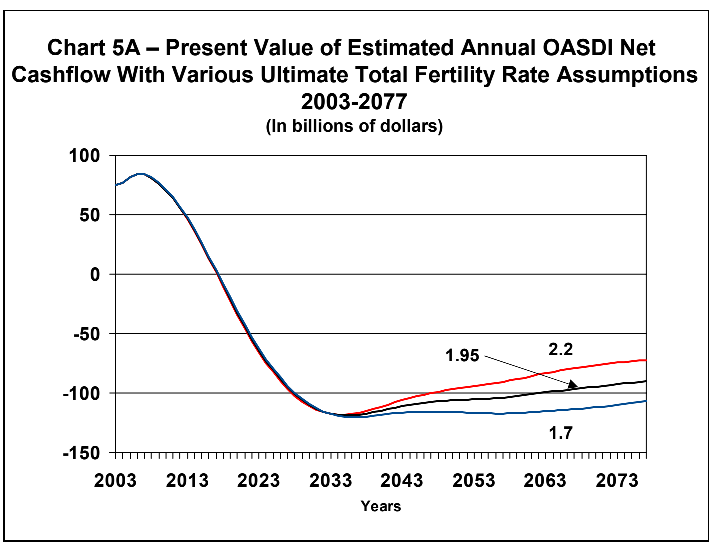
[1]The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first five years, the net cashflow estimates decrease steadily through 2077. They remain positive through 2017 and are increasingly negative thereafter. 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 the first 39 years before the OASDI trust funds are depleted.

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 2034 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from that year 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. After increasing for four years, the present values decrease steadily through the early 2030's. They remain positive through 2017 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2036 for 1.95 and 2.2, 2037 for 1.7). 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 example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2037 than it would to cover the annual deficit in 2036.

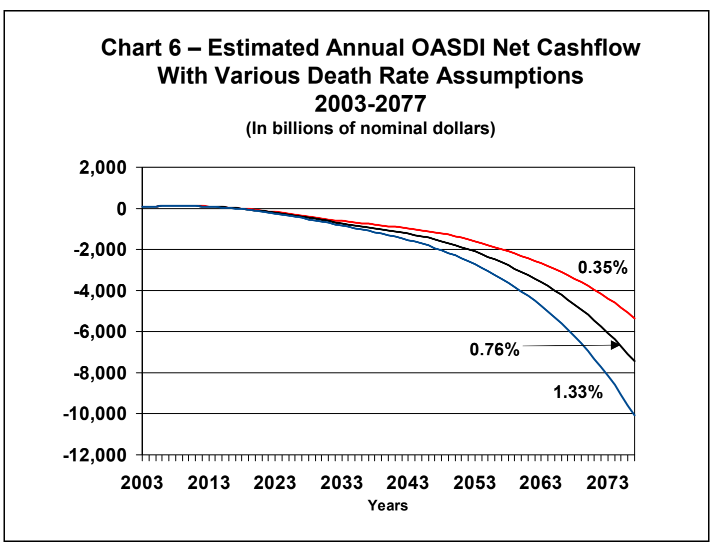
Death Rates - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2002-2077 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.35, 0.76 and 1.33 percent per year, where 0.76 percent is the intermediate assumption in the 2003 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 21, 43 and 63 percent, respectively.)

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.76 percent, the Trustees' intermediate assumption, to 0.35 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $3,635 billion, from $4,927 billion; if the annual reduction were changed to 1.33 percent, meaning that people live longer, the shortfall would increase to $6,478 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2003-2077

Average Annual Reduction in Death Rates (from 2002 to 2077)	0.35 Percent	0.76 Percent	1.33 Percent
Present Value of Estimated Excess (In billions)	-$3,635	-$4,927	-$6,478

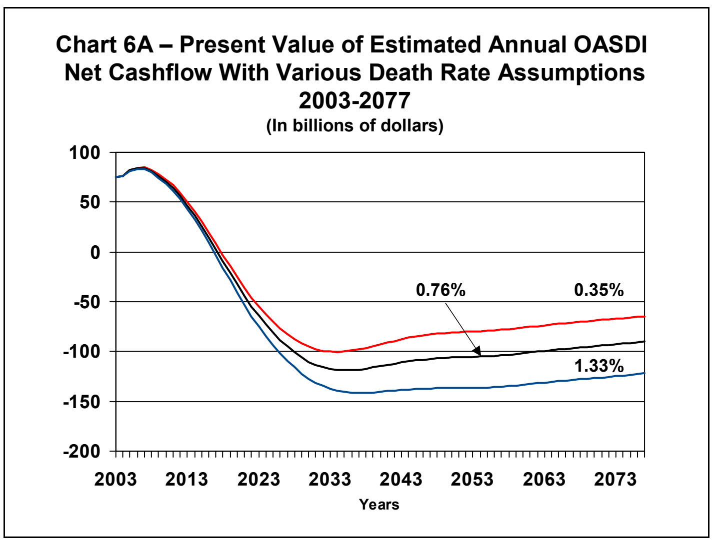
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing slightly in the first several years, the net cashflow estimates decrease steadily through 2077. They remain positive through 2016 for an assumed average annual reduction of 1.33 percent and through 2017 for the other assumptions, after which the annual net cashflow estimates are negative. 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). Although reductions at ages 50 to 62 add significantly to the number of covered workers, the increased payroll tax income is not large enough to offset the additional retirement and disability benefits resulting from the increased number of people surviving to age 50 and over. At ages under 50, 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.



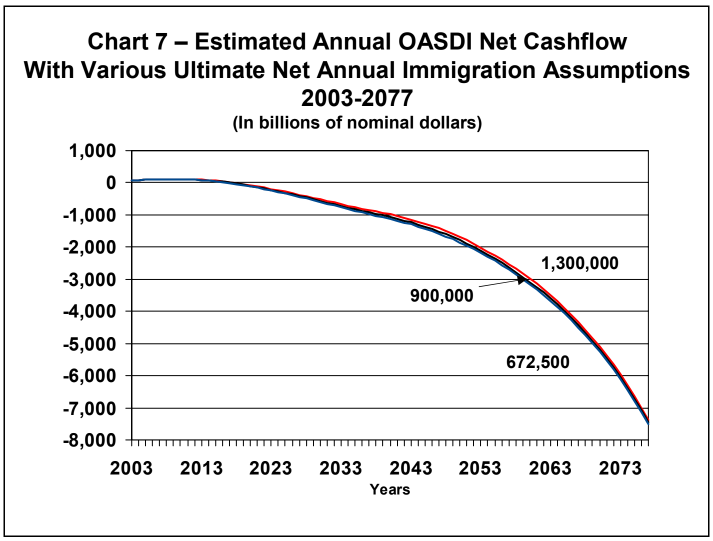
The three patterns of the present values shown in Chart 6A are similar. After increasing for four years, the present values decrease steadily through the early 2030's. They remain positive through 2016 for an assumed average annual reduction of 1.33 percent and through 2017 for the other assumptions, after which the present values are negative. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2036 and 2038 for assumptions of reductions of 0.35, 0.76 and 1.33 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.

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 net annual immigration. These assumptions are that the ultimate net annual immigration (legal and other-than-legal) will be 672,500 persons, 900,000 persons and 1,300,000 persons, where 900,000 persons is the intermediate assumption in the 2003 Trustees Report.

Table 3 demonstrates that, if net annual immigration is changed from 900,000 persons, the Trustees' intermediate ultimate assumption, to 672,500 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $5,217 billion, from $4,927 billion. If the net annual immigration were changed to 1,300,000 persons, the present value of the shortfall would decrease to $4,526 billion.

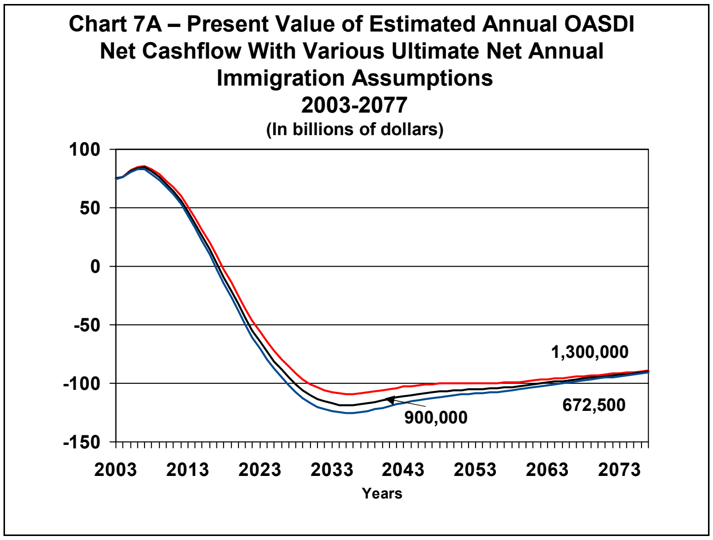
Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2003-2077			
Ultimate Net Annual Immigration	672,500 Persons	900,000 Persons	1,300,000 Persons
Present Value of Estimated Excess (In billions)	-$5,217	-$4,927	-$4,526

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 slightly in the first few years, the net cashflow estimates decrease steadily through 2077. They remain positive through 2016 for an annual immigration of 672,500 and through 2017 for the other assumptions. Very little difference is discernible among the estimates of net cashflow based on the three assumptions about net 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 for three to four years, the present values decrease steadily through 2035. They remain positive through 2016 for assumed ultimate net annual immigration of 672,500 persons and through 2017 for the other assumptions, after which the present values are negative. Present values based on all three assumptions about net annual immigration begin to increase (become less negative) in 2036.

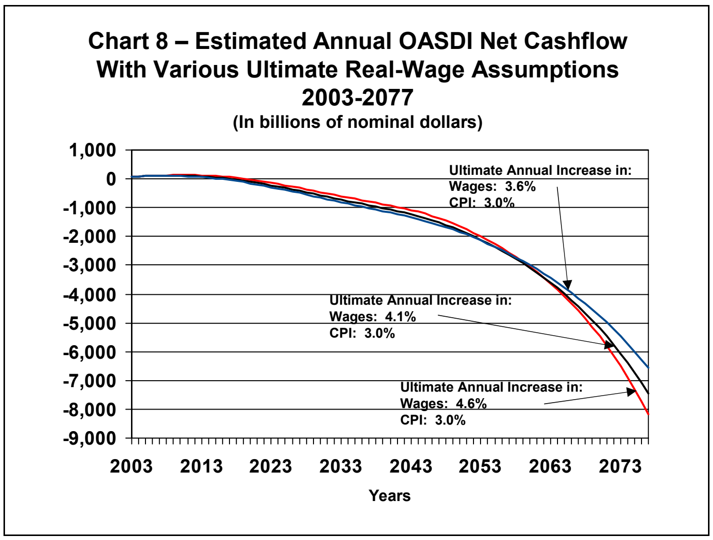
Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three assumptions about net annual immigration. However, as these three levels of net annual immigration accumulate, variations in present values become more apparent. Because 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 workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are higher (less negative in later years) for higher net annual immigration. Because a constant number of net immigrants is assumed each year, 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 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). 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, 1.1 and 1.6 percentage points, where 1.1 percentage point is the intermediate assumption in the 2003 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 3.0 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.6, 4.1 and 4.6 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.1 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 $5,418 billion from $4,927 billion; if the ultimate real-wage differential were changed from 1.1 to 1.6 percentage points, the shortfall would decrease to $4,219 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2003-2077			
Ultimate Annual Increase in: Wages , CPI	3.6% , 3.0%	4.1% , 3.0%	4.6% , 3.0%
Present Value of Estimated Excess (In billions)	-$5,418	-$4,927	-$4,219

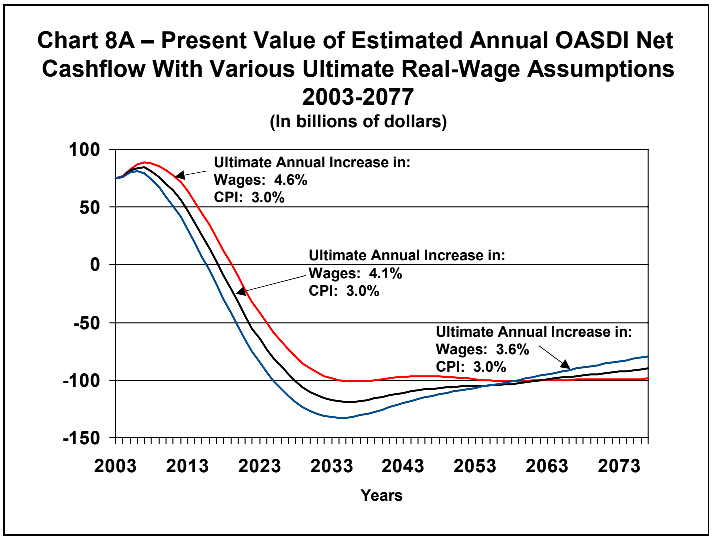
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 8 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 increase in the early years, and then decrease steadily thereafter. Estimated net cashflow remains positive through 2015, 2017 and 2019 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and is negative thereafter.

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, around 2060, 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 exceed 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.



The three patterns of the present values shown in Chart 8A increase for several years, and then, decrease steadily through the early 2030's. They remain positive through 2015, 2017 and 2019 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2036 and 2037 for an assumed ultimate real-wage differential of 0.6, 1.1 and 1.6 percentage points, 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-wage differential of 1.6 percentage points, the present values continue increasing temporarily until 2059 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 values patterns.

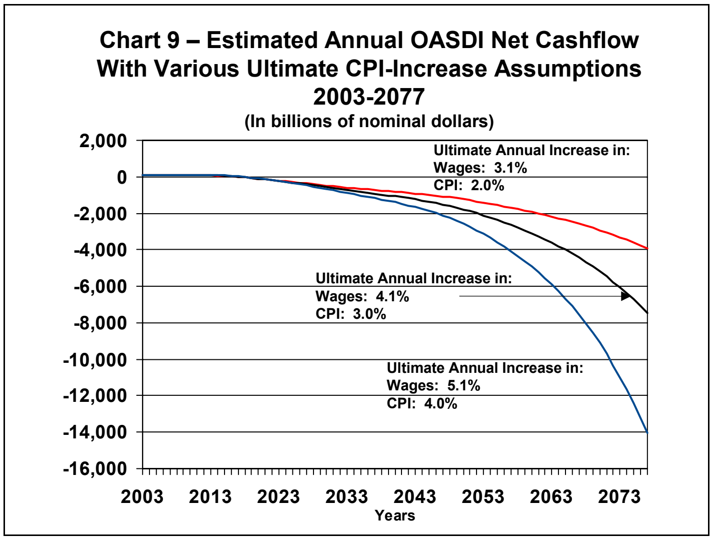
Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.0, 3.0 and 4.0 percent, where 3.0 percent is the intermediate assumption in the 2003 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.1 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.1, 4.1 and 5.1 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 3.0 percent, the Trustees' intermediate assumption, to 2.0 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $5,290 billion, from $4,927 billion; if the ultimate annual increase in the CPI were changed to 4.0 percent, the shortfall would decrease to $4,552 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: 2003-2077

Ultimate Annual Increase in: Wages , CPI	3.1% , 2.0%	4.1% , 3.0%	5.1% , 4.0%
Present Value of Estimated Excess (In billions)	-$5,290	-$4,927	-$4,552

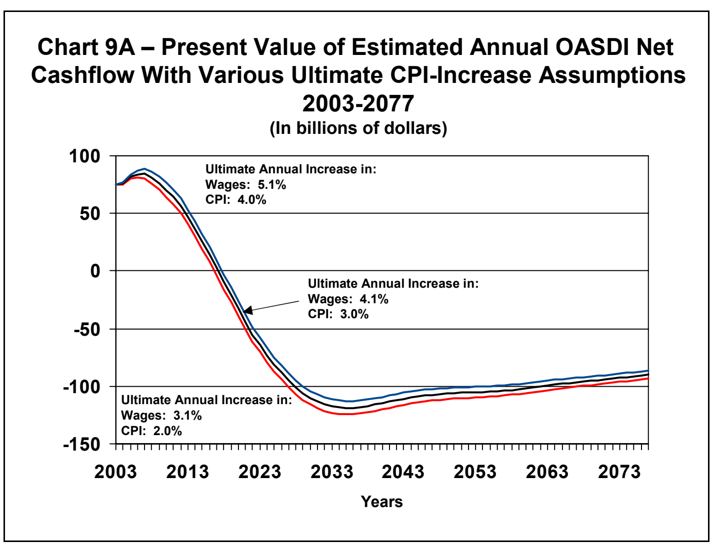
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2077. Annual net cashflow remains positive through 2016 for an assumed ultimate annual increase in the CPI of 2.0 percent and 2017 for the other two assumptions, and is negative thereafter. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher initial benefits. 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.

Larger increases in the CPI cause income to increase sooner, and thus by more in each year, than cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. However, shortly after 2020, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because the effect of benefits becomes more fully realized.

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



The three patterns of the present values shown in Chart 9A are similar. After increasing for three to four years, present values decrease steadily through 2035 before beginning to increase once again. They remain positive through 2017 (2016 for assumed ultimate annual increase in the CPI of 2.0 percent) and are negative thereafter.

Present values begin to increase (become less negative) in 2036 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.

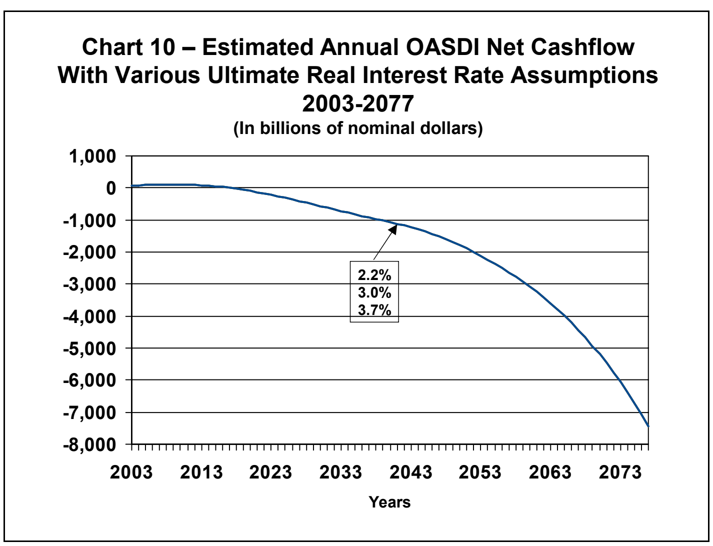
The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all 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 only to the trust funds. These assumptions are that the ultimate annual real interest rate will be 2.2, 3.0 and 3.7 percent, where 3.0 percent is the intermediate assumption in the 2003 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 3.0 percent, the Trustees' intermediate assumption, to 2.2 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to $7,180 billion, from $4,927 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to $3,548 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real-Interest Assumptions
Valuation Period: 2003-2077

Ultimate Annual Real Interest Rate	2.2	3.0	3.7
Present Value of Estimated Excess (In billions)	-$7,180	-$4,927	-$3,548

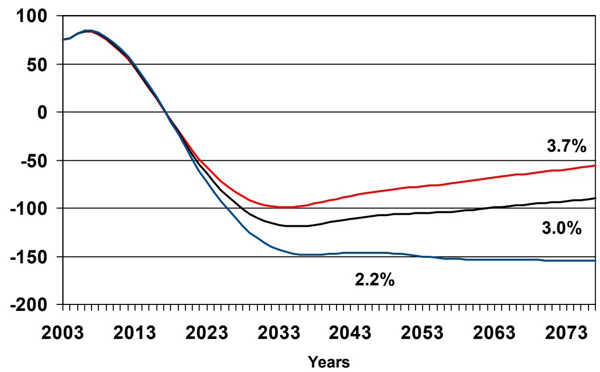
Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 10 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 10 are identical, because interest rates do not affect cashflow. After increasing through 2008, the net cashflow estimates decrease steadily through 2077. They remain positive through 2017 and are negative thereafter.

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

Chart 10A – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate Real Interest Rate Assumptions 2003-2077
(In billions of dollars)



The three patterns of the present values shown in Chart 10A are similar. After increasing for four years, the present values decrease steadily through the early 2030's. They remain positive through 2017 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2039, 2036 and 2035 for assumed ultimate real interest rates of 2.2, 3.0 and 3.7 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 2.2 percent, the present values continue increasing temporarily, through 2045, and then decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

Chart 10A shows a crossover in the patterns of the present values of the net cashflow. The crossover occurs at the time the net cashflow changes from positive to negative, which happens in 2018. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

Social Security Assumptions

The estimates used in this presentation are based on the assumption that the programs will continue as presently constructed. They are also based on various economic and demographic assumptions, including those in the following table:

Table 7: Social Security Assumptions

	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)	Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In:				Average Annual Interest Rate[8]
			Male	Female			Average Annual Wage in Covered Employment	CPI[5]	Total Employment[6]	Real GDP[7]	
2003	2.04	796.0	74.3	79.5	1,200,000	1.5	3.9	2.4	1.1	2.9	5.1%
2005	2.03	786.6	74.6	79.6	1,150,000	1.6	4.3	2.7	1.4	3.5	6.3%
2010	2.01	758.1	75.2	80.0	1,025,000	1.2	4.2	3.0	0.8	2.5	6.0%
2020	1.98	697.1	76.3	80.9	950,000	1.1	4.1	3.0	0.3	1.9	6.0%
2030	1.95	641.5	77.3	81.8	900,000	1.1	4.1	3.0	0.3	1.9	6.0%
2040	1.95	592.6	78.3	82.6	900,000	1.1	4.1	3.0	0.3	1.9	6.0%
2050	1.95	549.6	79.2	83.4	900,000	1.1	4.1	3.0	0.2	1.8	6.0%
2060	1.95	511.7	80.0	84.2	900,000	1.1	4.1	3.0	0.2	1.8	6.0%
2070	1.95	478.0	80.8	84.9	900,000	1.1	4.1	3.0	0.2	1.8	6.0%

1. The total fertility rate for any 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 observed in, or 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 2027.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 1990, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in a given 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 observed in, or 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. The real-wage differential is the difference between the percentage increases, before rounding, in the average annual wage in covered employment, and the average annual Consumer Price Index.
5. The Consumer Price Index (CPI) is the annual average value for the calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
6. Total employment represents total of civilian and military employment in the U.S. economy.
7. The real Gross Domestic Product (GDP) is the value of total output of goods and services, expressed in 1996 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
8. The average annual interest rate is the average of the nominal interest rates, which, in practice, are compounded semiannually, for special public-debt obligations issuable to the trust funds in each of the 12 months of the year.

These assumptions and the other values on which these displays are based reflect the intermediate assumptions of the 2003 Trustees Report. Estimates made in certain prior years have changed 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.

Auditor's Reports

SOCIAL SECURITY

Inspector General

November 10, 2003

To: The Honorable Jo Anne B. Barnhart
Commissioner

This letter transmits the PricewaterhouseCoopers LLP (PwC) *Report of Independent Auditors* on the audit of the Social Security Administration's (SSA) Fiscal Year (FY) 2003 and 2002 financial statements. PwC's Report includes the firm's *Opinion on the Financial Statements, Report on Management's Assertion About the Effectiveness of Internal Control,* and *Report on Compliance with Laws and Regulations.*

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.

PwC's examination was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. The audit included obtaining an understanding of the internal control over financial reporting and testing and evaluating the design and operating effectiveness of the internal control. Because of inherent limitations in any internal control, there is a risk that errors 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 (SSI) 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

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576), as amended, requires SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), PwC, an independent certified public accounting firm, audited SSA's FY 2003 financial statements. PwC also audited the FY 2002 financial statements, presented in SSA's Performance and Accountability Report for FY 2003 for comparative purposes. PwC issued an unqualified opinion on SSA's FY 2003 and 2002 financial statements. PwC also reported that SSA's assertion that its systems of accounting and internal control are in compliance with the internal control objective in OMB Bulletin 01-02 is fairly stated in all material respects. However, the audit identified one reportable condition in SSA's internal control:

SSA Needs to Further Strengthen Controls to Protect Its Information

This is a repeat finding from prior years. It is PwC's opinion that SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures to SSA operations.

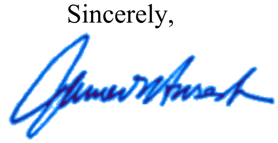
OIG Evaluation of PwC Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored PwC's audit of SSA's FY 2003 financial statements by:

- Reviewing PwC'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 and assessing SSA's internal control;
- Reviewing PwC's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin 01-02;
- Coordinating the issuance of the audit report; and
- Performing other procedures that we deemed necessary.

PwC is responsible for the attached auditor's report, dated November 7, 2003, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding PwC'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 PwC did not comply with applicable auditing standards.

Sincerely,



James G. Huse, Jr.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1301 K Street, NW
Washington, DC 20005
Telephone (202)414-1000

REPORT OF INDEPENDENT AUDITORS

To the Honorable Jo Anne B. Barnhart
Commissioner
Social Security Administration

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

- The consolidated balance sheets of SSA as of September 30, 2003 and 2002, and the related consolidated statements of net cost, of changes in net position, of financing and the combined statements of budgetary resources for the fiscal years then ended 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 systems of accounting and internal control in place as of September 30, 2003, are in compliance with the internal control objectives in the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, requiring that (a) transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with Federal accounting standards and the safeguarding of assets against loss from unauthorized acquisition, use or disposition and (b) transactions are executed in accordance with (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements and (ii) any other laws, regulations and governmentwide policies identified in OMB Bulletin No. 01-02;
- No reportable instances of noncompliance with the laws and regulations we tested.

The following sections outline each of these conclusions in more detail.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2003 and 2002, and the related consolidated statements of net cost, of changes in net position, of financing and the combined statements of budgetary resources for the fiscal years then ended. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above and appearing on pages 118 through 139 of this performance and accountability report, present fairly, in all material respects, the financial

position of SSA at September 30, 2003 and 2002, and its net cost, changes in net position, reconciliation of net cost to
budgetary resources, and budgetary resources for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

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

We have examined management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, requiring that (a) transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with Federal accounting standards and the safeguarding of assets against loss from unauthorized acquisition, use or disposition and (b) transactions are executed in accordance with (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements and (ii) any other laws, regulations and governmentwide policies identified in OMB Bulletin No. 01-02. SSA's management is responsible for maintaining effective internal controls. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted 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. 01-02 and, accordingly, included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination was of the internal control in place as of September 30, 2003.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control 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 systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, requiring that (a) transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with Federal accounting standards and the safeguarding of assets against loss from unauthorized acquisition, use or disposition and (b) transactions are executed in accordance with (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements and (ii) any other laws, regulations and governmentwide policies identified in OMB Bulletin No. 01-02, is fairly stated, in all material respects, as of September 30, 2003.

However, we noted certain matters involving the internal control and its operation, set forth below, that we consider to be a reportable condition under standards established by the AICPA and by OMB Bulletin No. 01-02. A reportable condition is a matter coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Agency's ability to meet the internal control objectives described above.

A material weakness, as defined by the AICPA and OMB Bulletin No. 01-02, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the consolidated and combined financial statements being audited or to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that the reportable condition that follows is not a material weakness as defined by the AICPA and OMB Bulletin No. 01-02.

SSA Needs to Further Strengthen Controls to Protect Its Information:

Over the past year, SSA has made significant progress in addressing the information protection issues raised in prior years. Specifically, during fiscal year 2003 SSA has:

- Implemented "risk models" to standardize platform security configuration settings for the Windows NT, Windows 2000, AS 400, Unix and WANG platforms;
- Enhanced the risk models to further strengthen the security settings for new security weaknesses;
- Implemented new tools and procedures to monitor adherence to platform security configuration standards for the Windows NT, Windows 2000, AS 400, Unix and WANG platforms;
- Reduced the number of Windows NT, Windows 2000, AS 400, Unix, and servers with known high risk security weaknesses;
- Maintained strong access-based rule settings and standardized monitoring and logging procedures for firewalls;
- Continued progress on the Standard Security Profile Project (SSPP - the project consists of a full scale comparison of system user access assignments to job responsibilities to ensure accuracy) and expanded the SSPP to include non-IT employees;
- Continued progress on the Dataset Naming Standards project, including setting naming conventions, determining tools for compliance and enforcement, and establishing data ownership;
- Improved and implemented new reports and procedures for enhanced review of security violations on the mainframe; and,
- Continued progress in the area of continuity of operations planning for the Regional Offices (RO)/Program Service Centers (PSC) and state Disability Determination Services (DDS) sites.

Although significant progress has been made regarding logical security controls, we note the need for further progress regarding (a) the review of security access assignments, including vetting of assignments for access to transactions and data, (b) the establishment and full use of dataset naming conventions, (c) the establishment of a dataset dictionary for existing datasets and transactions, and (d) the enforcement of the new dataset naming rules and standards for sensitive systems. We also note the need to test the newly drafted high level procedures to move workloads between RO/PSC and DDS sites to maintain continuity of operations by testing the processes and procedures up to the actual transfer of the workloads. Disclosure of more detailed information about these exposures might further compromise controls and is therefore not provided in this report. Rather, the specific details of weaknesses noted are presented in a separate, limited-distribution management letter.

Management has made concerted efforts to address these issues; however, the completion of the SSPP is a time consuming task that will require substantial resources to complete. Further, the physical controls over the state DDS sites continue to be a challenge because many of the sites are co-located with state agencies, or are housed in buildings with inherent physical security issues.

The need for a strong security program to address threats to the security and integrity of SSA operations continues to grow as the Agency continues to progress with plans to increase dependence on the Internet and Web-based applications to serve the American public. Clear progress has been made towards the implementation of a strong overall security program. However, to more fully protect SSA from risks associated with the loss of data, loss of other resources and/or compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs, SSA must complete the strengthening of its security program in the areas of assigning access to transactions and data and physical security over DDS sites.

Recommendations

We recommend that SSA implement the remaining portions of its entity-wide security program. Specifically, we recommend that SSA:

- Continue the SSPP program to ensure that sensitive systems, as defined by the SSA systems accreditation and certification process, are adequately addressed regarding proper access assignments, dataset naming standards, and inclusion in the dataset dictionary;
- Continue to improve physical security controls for the DDS sites; and
- Continue to enhance continuity of operations activities, including testing of newly developed procedures for RO/PSC and DDS sites.

More specific recommendations addressing the individual exposures we identified are included in a separate, limited-distribution management letter.

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

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 OMB Bulletin No. 01-02.

The management of SSA is responsible for complying with laws and regulations applicable to the Agency. As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of SSA's compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to SSA.

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether 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.

The results of our tests disclosed no instances in which SSA's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

The objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions of laws and regulations and, accordingly, we do not express such an opinion.

PRICEWATERHOUSECOOPERS

INTERNAL CONTROL RELATED TO KEY PERFORMANCE MEASURES

With respect to internal control related to those performance measures determined by management to be key and included on pages 29 to 54 of this performance and accountability report, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on the internal control over reported performance measures, and accordingly, we do not express an opinion on such control.

OTHER INFORMATION

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements of SSA taken as a whole. The Schedule of Budgetary Resources, included on page 144 of this performance and accountability report, is not a required part of the consolidated and combined financial statements but is supplementary information required by OMB Bulletin No. 01-09*, Form and Content of Agency Financial Statements*. This information, and the consolidating and combining information included on pages 140 to 143 of this performance and accountability report are presented for purposes of additional analysis of the consolidated and combined financial statements rather than to present the financial position, changes in net position, reconciliation of net cost to budgetary resources, and budgetary resources of the individual SSA programs. 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.

The required supplementary information included on pages 1 and 2, 6 to 64, 115 to 117 and 145 of this performance and accountability report and the required supplementary stewardship information included on pages 146 to 163 of this performance and accountability report, are not required parts of the financial statements but are supplementary information required by OMB Bulletin No. 01-09 and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures to such information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other accompanying information included on pages 3 to 5, 65 to 114, 164 to 166 and 172 to the end of this performance and accountability report, are presented for purposes of additional analysis and are 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.

* * * * *

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

PricewaterhouseCoopers LLP

November 7, 2003

SOCIAL SECURITY

The Commissioner

October 31, 2003

PricewaterhouseCoopers LLP
1301 K Street, NW
Washington, D.C. 20005

Ladies and Gentlemen:

We have reviewed the draft combined report containing the Fiscal Year (FY) 2003 Report of Independent Accountants, the Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations. We agree with all of the findings and recommendations contained in the report, and our response and comments are enclosed.

We are pleased that the report indicates that the Social Security Administration (SSA) has made significant progress in addressing the information protection issues raised in prior years as part of a reportable condition and that no new reportable condition or material weakness was found. We are also pleased that you believe that SSA has made progress to the extent that five of the eight elements of the reportable condition from FY 2002 were removed. This confirms that we continue to greatly improve the security over SSA's systems security environment. Although significant progress has been made, we agree that further improvements are needed. As you recommended, we will continue to strengthen the Agency's security controls and will plan to meet with you soon to work toward a commonly understood goal.

Please direct any questions on our comments to Jeffrey C. Hild, Associate Commissioner for Financial Policy and Operations at (410) 965-0613.

Sincerely,

JoAnne B. Barnhart

Jo Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Comments of the Social Security Administration (SSA) on PricewaterhouseCoopers' Draft Combined Report Containing the Fiscal Year (FY) 2003 Report of Independent Accountants, the Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations

General Comments

Thank you for the opportunity to comment on your combined draft report containing the Report of Independent Accountants, the Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations.

We welcome your opinion that management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in Office of Management and Budget Bulletin No. 01-02 is fairly stated, in all material respects as of September 30, 2003 and your report that SSA has no reportable instances of noncompliance with the laws and regulations tested.

We are pleased that the report indicated that SSA has made significant progress in addressing the reportable condition concerning the need to further strengthen controls to protect its information and that no new reportable condition was found. We are also pleased that you believe that SSA has made sufficient progress to support the removal of five of the eight elements of the reportable condition from FY 2002. We worked very hard during the year to improve security controls.

As you recognized in the report, SSA implemented and enhanced the risk models to standardize platform security configurations of its systems platforms, implemented new tools and procedures to monitor adherence to platform security configurations and reduced the number of servers with known high-risk security weaknesses. We also maintained strong access-based rule settings and standardized monitoring and logging procedures for firewalls. You acknowledged that SSA continued progress on the Standardized Security Profile Project (SSPP) to ensure proper access assignments to our systems and improved and implemented new reports for enhanced review of security violations of the mainframe and continued progress in the area of continuity of operations for field activities. Concerning dataset naming standards, we believe we have completed improvements in that area. We implemented dataset naming standards for mainframe datasets in February 2003 and automated enforcement of these standards in August 2003. Supporting the standard and its enforcement, a dataset naming dictionary was created, housing not only the new standards, but the existing dataset names, as well.

The report confirms that SSA continues to greatly improve the security over SSA's systems security environment. Over the last year SSA addressed the highest risk elements of our sensitive systems, or will do so in the near term. We agree that work remains, but we also believe that our highest risks have been mitigated, thereby lessening the degree of significance of this finding. As you recommended, we will continue to strengthen the Agency's security controls. We appreciate your evaluation of our controls and will continue to work with you to improve their effectiveness.

SSA agrees with all of the recommendations, but plans a different approach from that recommended in one case. The following comments are provided.

Recommendations

We recommend that SSA explore methods to accelerate and continue to build on its progress to enhance information protection by continuing to implement the remaining portions of its entity-wide security program. Specifically, we recommend that SSA:

- **Continue the acceleration of the SSPP program to ensure that sensitive systems, as defined by the SSA systems accreditation and certification process, are adequately addressed regarding proper access assignments, dataset naming standards and inclusion in the dataset dictionary.**

SSA Comment

SSA will continue with its SSPP program to ensure proper access assignments. The objective is to ensure that users have only been granted access to transactions and data necessary to fulfill their job responsibilities and nothing more. As noted earlier, SSA established and enforced dataset naming standards for mainframe application production datasets created after January 2003. The dataset name dictionary with enforcement capability was implemented in August 2003. The Agency's Executive Internal Control Committee will continue to monitor the status of corrective actions for this finding to ensure completion as fast as resources permit.

- **Continue to improve physical security controls for the Disability Determination Services (DDS) sites.**

SSA Comment

SSA will continue to improve physical security controls for the DDS sites. In September 2003, SSA updated the DDS Security Document addressing most of the findings and recommendations contained in the FY 2003 management letters and will continue to look for ways to improve that security control guidance to the DDSs. SSA is addressing the recommendations for improving physical security at the specific sites visited and is also looking for possible nationwide improvements in physical security. The capabilities for addressing physical security weaknesses identified by the auditor depend on many factors, such as fund availability, State requirements, lease requirements, etc. Therefore, in many cases SSA is forced to deal with physical security weaknesses on a site by site basis.

- **Continue to enhance continuity of operations activities, including testing of newly developed procedures for regional office/program service center and DDS sites.**

SSA Comment

In August 2003 SSA released an appendix to SSA's Continuity of Operations Plan (COOP) that documented who is responsible for reconstitution of each type of office within the Agency's field structure and who is responsible for determining if workloads would need to be redistributed and how. This document reflects the procedures followed by the Agency in the past.

Although you recommended that these newly documented procedures be tested, we believe that they have been exercised through SSA's reaction to real life emergencies. In the past, we have continued to operate effectively and serve the public in all situations, whether it is a local event that shuts down a single office or a major event such as the recent Northeast power blackout that affected three regions. We have been able to meet these challenges by the appropriate executives following the documented procedures, assessing the situation and taking the necessary corrective action. After such major events, we also conducted post-mortems, shared the lessons learned and made appropriate changes to regional COOPs. Our real-world experiences afford us ample opportunity for review and practical application of the COOP.

SSA also continued developing and updating contingency and recovery plans for individual Agency activities and organizations. These plans currently exist and are being improved over time. SSA will continue to work to improve its contingency plans.

Inspector General Statement on SSA's Major Management Challenges

SOCIAL SECURITY

Inspector General

November 6, 2003

The Honorable Jo Anne B. Barnhart
Commissioner

Dear Ms. Barnhart:

In November 2000, the President signed the Reports Consolidation Act of 2000 (Public Law No. 106-531), which requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This document responds to the requirement to include this statement in the Fiscal Year (FY) 2003 *Social Security Administration's Performance and Accountability Report*.

In February 2003, we identified 10 significant management issues facing the Social Security Administration for FY 2003. Since that time, we have recategorized some issue areas. Our assessment will focus on the following six challenges.

- **Social Security Number Integrity and Protection**
- **Management of the Disability Process**
- **Improper Payments**
- **Budget and Performance Integration**
- **Critical Infrastructure Protection and Systems Security**
- **Service Delivery**

The areas formerly entitled Homeland Security, Social Security Number Integrity and Misuse and Integrity of the Earnings Reporting Process have been combined under Social Security Number Integrity and Protection. The Human Capital, E-Government, and Representative Payee issue areas are now combined under the Service Delivery issue area. The Fraud Risk issue area has been removed, and we have noted that each challenge contains elements of fraud risk.

I congratulate you on the progress you have made during FY 2003 in addressing these challenges. I look forward to working with you in continuing to improve the Agency's ability to meet its mission in an efficient and effective manner. Our assessment of the status of these six management challenges is enclosed.

Sincerely,

James G. Huse, Jr.

Inspector General Statement on the Social Security Administration's Major Management Challenges

A-02-04-14034

NOVEMBER 2003

Social Security Number Integrity and Protection

In Fiscal Year (FY) 2003, the Social Security Administration (SSA) issued over 17 million original and replacement Social Security number (SSN) cards. In FY 2003 SSA received over $533 billion in employment taxes. Protecting the SSN and properly posting the wages are critical to ensuring eligible individuals receive the full retirement, survivors and/or disability benefits due them.

The SSN is the single most widely used identifier for Federal and State governments and the private sector. It has become the de facto national identifier. Given its importance, the possession of an SSN may allow criminals to steal identities and commit other criminal acts. In fact, the lack of protection of the SSN has often led to identity theft and SSN misuse. Being the immediate victim of SSN misuse and/or identity theft may cause an individual years of difficulty and cost financial and commercial institutions a great deal of money. SSN misuse may disguise a dangerous felon or a terrorist as a law-abiding citizen. The possession of an SSN provides a criminal the identification and seeming legitimacy he or she needs to go about nefarious business, perhaps putting dozens, hundreds, or even thousands of lives in jeopardy.

The risks associated with SSN misuse and identity theft have led the Office of the Inspector General (OIG) to develop plans for a SSN Integrity Protection Team (Team). The Team, which will be created pending funding, combines the skills of auditors, investigators, computer specialists, analysts and attorneys. In addition to supporting homeland security initiatives, the Team will focus its efforts on identifying patterns of SSN misuse; locating systemic weaknesses that contribute to SSN misuse; recommending legislative or other corrective actions to ensure the SSN's integrity; and pursuing criminal and civil enforcement provisions for individuals misusing SSNs.

We believe that SSA can take some steps to better protect the integrity of the SSN. Outstanding audit recommendations include the need to establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime and expedite systems controls that would interrupt SSN assignment when SSA mails multiple cards to common addresses or when parents claim an improbably large number of children. Additionally, SSA needs to continue to address identified weaknesses within its information security environment to better safeguard SSNs and educate SSA staff about counterfeit documents.

Another important part of ensuring the integrity of the SSN is the proper posting of earnings reported under SSNs. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, the Disability Insurance (DI) and Supplemental Security Income (SSI) programs depend on this earnings information to determine (1) whether an individual is eligible for benefits and (2) the amount of the disability payment. SSA spends scarce resources trying to correct earnings data when incorrect information is reported.

While SSA has limited control over factors causing the volume of erroneous wage reports submitted each year, there are still areas where SSA can improve its processes. Prior accomplishments may be enhanced by continuing to educate employers on reporting criteria, identify and correct employer reporting problems, and encourage greater use of the Agency's SSN verification programs. SSA also needs to improve coordination with other Federal agencies with separate, yet related, mandates. For example, SSA's ability to improve wage reporting is related to the Internal Revenue Service's sanctioning of employers for submitting invalid wage data and the Bureau of Citizenship and Immigration Services' procedures used by employers to verify eligible employees.

Another issue of concern is SSA's Earnings Suspense File (ESF). The ESF is the Agency's record of annual wage reports that include wage earners' names and SSNs that fail to match SSA's records. Between 1937 and 2000, the ESF grew to represent about $374 billion in wages, which included about 236 million wage items with an invalid name and SSN combination. As of July 2002, SSA had posted 9.6 million wage items to the ESF for Tax Year (TY) 2000, representing about $49 billion in wages. We requested updated information on the number and dollar amount of wage items posted to the ESF, but the Agency has not provided them.

SSA Has Taken Steps to Address this Challenge

In our Management Advisory Report entitled *Social Security Number Integrity: An Important Link in Homeland Security*, we concluded that it was critical for SSA to independently verify the authenticity of documents presented by SSN applicants. SSA has taken steps to address this issue, including the establishment of a task force to address the integrity and protection of the SSN. One result of the task force's efforts includes SSA's decision to stop assigning SSNs to non-citizens without first verifying the authenticity of their documents. We are currently assessing the Agency's compliance with these new procedures. SSA also has tightened evidentiary requirements for SSN applicants. SSA requires mandatory interviews for all applicants over the age of 12 for original SSNs and requires evidence of identity for all children, regardless of age. SSA also established a pilot center in Brooklyn, New York that focuses exclusively on enumeration of citizens and non-citizens.

SSA has taken steps over the past year to reduce the size and growth of the ESF. SSA has expanded its Employee Verification Service to include an on-line service called the Social Security Number Verification Service, which allows an employer to verify the name and SSN of employees prior to reporting their wages to SSA. The Agency has also modified its systems to help identify the number holder related to suspended items. Whereas previous internal edits used only the name and SSN related to the suspended wage, SSA stated that the new processes would use information stored on the earnings and benefits records. Furthermore, SSA has established a performance goal to remove 30 million items from the ESF by 2005.

SSA also increased the number of "no-match" letters—or educational correspondence—sent to employers who submitted W-2s containing name and/or SSN information that did not agree with SSA's records. While we found this to be an encouraging step, SSA announced a new policy change effective for TY 2002 wage reporting that reduced the number of "no-match" letters sent to employers. As a result of this change, SSA estimates that it will send 129,000 letters to employers for TY 2002, or about 820,000 fewer letters than were sent for TY 2001.

Management of the Disability Process

SSA needs to improve critical parts of the disability process—determining disabilities, the accuracy of disability payments, and the integrity of the disability programs. In January 2003, the General Accounting Office (GAO) added the modernizing of Federal disability programs including SSA's to its 2003 high-risk list.

Fraud is an inherent risk in SSA's disability programs. Some unscrupulous people view SSA's disability benefits as money waiting to be taken. A key risk factor in the disability program is individuals who feign or exaggerate symptoms of illness to become eligible for disability benefit payments. Another key risk factor in SSA's disability programs is the monitoring of medical improvements for disabled beneficiaries to ensure that individuals who are no longer disabled are removed from the disability program.

Over the last several years, SSA has tested several improvements to the disability determination process as a result of concerns about the timeliness and quality of its service. The disability improvements combine initiatives that have been tested and piloted over the last few years and include all levels of eligibility determination—beginning with State Disability Determination Services (DDS) and going through the hearings and appeals processes. To date, SSA's initiatives have shown some progress in making improvements to the disability determination process. In FY 2003, average processing time was 97.1 days for initial disability claims, 344 days for hearings, and 294 days for decisions on appeals of hearings. In FY 2000, average processing time was 102 days for initial disability claims, 297 days for hearings, and 505 days for decisions on appeals of hearings.

SSA also needs to improve the accuracy of its benefit payments. During FY 2003, we informed SSA that a significant number of disabled DI beneficiaries continued to receive benefits despite having earnings that should have resulted in benefit suspension or termination. As a result of this weakness, we estimated that SSA did not assess overpayments totaling approximately $791 million for 45,620 disabled beneficiaries.

SSA Has Taken Steps to Address this Challenge

SSA continues to focus on improving the disability process. The Commissioner announced short-term decisions regarding the disability process which included: pursuing the expansion of the Single-Decision Maker authority nationwide, ending the requirements for the claimant conference in sites testing the prototype disability process, evaluating the elimination of the reconsideration level of the claims process nationwide, making additional improvements to the hearings process, and implementing an Electronic Disability System by 2004. According to SSA, the Electronic Disability System is expected to improve processing times, reduce costs, improve productivity, lower backlogs, and improve the Agency's capacity to better handle growing workloads. In September 2003, the Commissioner announced long-term initiatives to address the Agency's disability related challenges, which she stated are predicated on the successful implementation of the Electronic Disability System.

According to GAO, SSA's cost-benefit analysis of the Electronic Disability System may have underestimated the costs, while overstating the corresponding benefits. Specifically, GAO reported that the cost-benefit analysis did not fully consider the costs associated with certain critical information technology infrastructure such as scanning, imaging, telecommunications, disaster recovery, and on-site retention and destruction of source documents.

Another area in which SSA has taken an active role is addressing the integrity of its disability programs through the Cooperative Disability Investigations (CDI) units. The focus of the CDI process is to obtain evidence that may prevent fraud in SSA's disability programs. SSA's Office of Operations, Office of Disability Programs, and Office of Disability Determinations, along with the OIG, manage the CDI process. There are currently 18 CDI units operating in 17 States. In FY 2003, CDI units saved SSA approximately $100 million by identifying fraud or similar fault in initial and continuing claims in SSA's disability programs.

Improper Payments

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments. Since SSA is responsible for issuing over $400 billion in benefit payments per year under the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs to over 50 million individuals, SSA is at-risk of making significant improper payments. Considering the volume and amount of payments SSA makes each month, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

The President and Congress have expressed interest in measuring the universe of improper payments within the Government. Specifically, in August 2001, the Office of Management and Budget (OMB) published the FY 2002 President's Management Agenda, which included a Government-wide initiative for improving financial performance. In November 2002, the *Improper Payments Information Act of 2002* (Public Law No. 107-300) was enacted.

SSA and the OIG have had on-going discussions on improper payments—on such issues as detected versus undetected improper payments and avoidable overpayments versus unavoidable overpayments which are outside the Agency's control and a "cost of doing business." In August 2003, OMB issued specific guidance to SSA to only include avoidable overpayments in the Agency's improper payments estimate because these payments could be reduced through changes in administrative actions. Unavoidable overpayments that result from legal or policy requirements are not to be included in SSA's improper payment estimate. In accordance with the Improper Payments Information Act and OMB's specific guidance, SSA is required to estimate its annual amount of improper payments and report this information in its Performance and Accountability Report for FYs ending on or after September 30, 2004. OMB will use this information while working with SSA to establish goals for reducing improper payments for each program.

One of the ways SSA measures payment accuracy is through its stewardship report. The stewardship review measures payment accuracy based on non-medical eligibility factors. SSA's stewardship report showed the OASDI accuracy rate was 99.87 percent for FY 2002. This accuracy rate translates to an expected $588.6 million in OASDI overpayments. However, SSA reported actual OASDI overpayments that were newly discovered in FY 2002 to be $1.6 billion, which included overpayments for benefits paid in FY 2002 as well as benefits paid before FY 2002 but that were discovered as overpayments in FY 2002. Further, over each of the last 5 years, SSA has identified and reported in its financial statements over $700 million more in overpayments than what the Agency's payment accuracy rate would reflect.

In September 2003, the OIG prepared an issue paper on improper payments—where we analyzed overpayments from SSA, other Federal agencies, and private sector disability insurers. To continue our work in this area, we will initiate a comprehensive and statistically valid review in FY 2004 to quantify the amount of undetected overpayments in SSA's disability programs. Additionally, preliminary results from one of our audits at the end of FY 2003 show significant overpayments related to earnings by disabled beneficiaries went undetected by SSA.

SSA Has Taken Steps to Address this Challenge

SSA has been working to improve its ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program. Additionally, working with SSA, we have helped the Agency reduce improper payments to prisoners and fugitive felons. These efforts continue.

Budget and Performance Integration

This area encompasses SSA's efforts to provide timely, useful, and reliable data to assist internal and external decisionmakers in effectively managing Agency programs, as well as both evaluating performance and ensuring the validity and reliability of performance, budgeting, and financial data.

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, the general public, and other interested parties also need sound and credible data to monitor and evaluate SSA's performance. The President's Management Agenda has placed great emphasis on the management and performance integration of Federal agencies. SSA has demonstrated a strong commitment to the *Government Performance and Results Act of 1993* (Public Law No. 103-62) by developing strategic plans, annual performance plans and annual performance reports. However, we believe SSA can further strengthen its use of performance information by fully documenting the methods and data used to measure performance and by improving its data sources.

Our audits of 18 performance measures in FY 2003 found the data for 13 of the measures reviewed were reliable. We concluded that the data for five of the measures was found not reliable. Although the majority of performance measures were determined to be reliable, our audits found that SSA had inadequate documentation for 5 of its 18 performance measures regarding the methods used to measure its performance. Considering the critical role of the underlying data in all of SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

We have previously noted that SSA needs to better link costs with performance. In its FY 2003 Annual Performance Plan (APP), SSA acknowledged that costs are specifically aligned with outcome measures for only a few activities. SSA needs to further develop a cost accounting system to better link costs with performance. Since most goals are not aligned by budget account, the resource, human capital, and technology necessary to achieve many performance goals are not adequately described.

SSA Has Taken Steps to Address this Challenge

Our audits and reviews of SSA's financial statements, annual performance plans and reports, and individual performance measures disclosed that SSA has demonstrated commitment to the production and use of reliable performance and financial management data. For example, SSA has begun development of its new cost accounting system, Managerial Cost Accountability System, and expects development to be completed in FY 2005. SSA is the only Federal agency to receive the *Certificate of Excellence in Accountability Reporting* for its *Performance and Accountability Report* every year since the award program began for FY 1998. Additionally, OMB updated the President's Management Agenda scorecard in FY 2003, changing SSA's status in Financial Management from yellow to green—the highest rating.

SSA has continually refined its annual performance plans to develop performance measures that more accurately reflect performance and are more outcome-based. In FY 2002, SSA revamped its Tracking Report used by Agency executives to manage key workloads at the national level and made it available to all employees on-line. The revised report tracks key performance measures and provides alerts as to whether performance is significantly different from the goals established. In FY 2003, SSA released its FY 2004 APP and Revised Final FY 2003 APP to Congress. The plans reflect Commissioner Barnhart's priorities and describe performance levels the Agency is committed to reaching, along with strategies for achieving them. This includes an alignment of strategic goals, performance measures, and budget with major functional responsibilities.

Critical Infrastructure Protection and Systems Security

The information that SSA needs to conduct its mission is one of its most valuable assets. The Agency is depending on technology to meet the challenges of increasing workloads with fewer resources. A physically and technologically secure Agency information infrastructure is a fundamental requirement. Growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools and opportunities than ever.

SSA has been given responsibility to protect sensitive information for virtually every American. This information includes earnings data the Agency uses to post earnings for 266 million wage items and medical information for millions of claimants filing for disability benefits. Strong systems security and controls are essential to protecting SSA's critical information infrastructure. Although no significant event has occurred to date, the level of risk is so great that should something occur, it could have national security implications.

Since 1997, SSA has had an internal controls reportable condition concerning its protection of information. The reportable condition came about because of weaknesses in the following areas:

- Technical Security Configuration Standards
- Security Monitoring Enforcement
- Access Control
- Physical Security and Security Policy for DDS Sites
- Suitability
- Continuity of Operations

The most important of the issues listed above is access control. As long as access control to SSA's systems is not fully resolved, the reportable condition will remain. The resolution of this reportable condition remains a priority for the Agency. To remedy this issue, SSA needs to perform periodic reviews of everyone who has access to production data and assign data ownership or responsibility.

SSA Has Taken Steps to Address this Challenge

SSA addresses critical information infrastructure and systems security in a variety of ways. The Critical Infrastructure Protection work group, created in FY 2000, continually works toward compliance with Presidential Decision Directive 63. Presidential Decision Directive 63 and other significant legislation, requires Federal agencies to identify and effectively protect their critical systems and the information they hold. SSA has several other components throughout the organization that handle systems security including the newly created Office of Information Technology Security Policy within the Office of the Chief Information Officer. SSA also routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

SSA has taken some specific steps to address the information protection issues raised in prior years. Specifically SSA has:

- Issued final risk models to standardize platform security configuration settings for the Windows NT, Windows 2000, AS400, and Unix platforms;
- Established and implemented ongoing monitoring tools and procedures to ensure the consistency of platform security configuration standards for Windows NT, Windows 2000, AS400, and Unix platforms;
- Established procedures for shifting and handling Agency workloads;
- Improved the security policy and procedures for DDS sites;

- Continued progress on the Standard Security Profile Project—a full scale comparison of Information Technology user access assignments to job responsibilities;

- Continued progress on the Dataset Naming Standards project including setting naming conventions and determining tools for compliance and enforcement;

- Strengthened physical security controls over SSA offices; and

- Established and implemented procedures for enhanced review of security violations on SSA's mainframe computers.

SSA needs to take additional steps to address its access control weaknesses to remove the reportable condition. Data ownership and individual responsibility must be assigned for the different systems that control and monitor production data. Management must perform periodic reviews of those who have access to sensitive data and ensure that individuals only have access to the data necessary to complete their jobs. SSA is taking steps to address the access control weaknesses, but there is not a specific schedule or timeframe for when the weakness will be resolved.

Service Delivery

The Agency's goal of "service" encompasses traditional and electronic services provided to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations including financial institutions and medical providers. SSA's service related goal supports the delivery of "citizen-centered" services through the use of "E-Government," and therefore affords SSA opportunities to advance the level of its service. Given the complexity of the Agency's programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, the Agency is challenged to provide quality, timely, and appropriate services consistently to its clients and the public-at-large. E-Government, Human Capital, and the representative payee process pose significant challenges that impact service delivery.

By 2012, workloads are anticipated to increase to unprecedented volumes. Specifically, DI beneficiaries are expected to increase by 35 percent. Additionally, it is estimated that Old-Age and Survivors Insurance beneficiaries and SSI recipients will increase by 18 and 12 percent, respectively. Along with the workload increase, technological change will have a profound impact on the public's expectations, as well as SSA's ability to meet those expectations.

The President's Management Agenda calls for improved service delivery through the use of E-Government in creating more cost-effective and efficient ways to provide service to citizens. The increased use of E-Government will be vital as the Agency addresses rising workloads associated with the aging of the baby-boom generation.

Another challenge to service delivery is human capital. In January 2001, GAO added strategic human capital management to its list of Federal programs and operations identified as high-risk. The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services, must be addressed by succession planning, strong recruitment efforts, and the effective use of technology, as previously discussed. SSA estimates that during this decade over 28,000 of its approximately 65,000 Federal employees will retire and another 10,000 will leave the Agency for other reasons. This is approximately 58 percent of the current workforce. SSA expects that this "retirement wave" will affect its ability to deliver service to the American public.

Another specific challenge in this area is the integrity of the representative payee process. When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who manages and solely uses the payments for the beneficiary's needs. There are about 5.3 million representative payees who manage about $44 billion in benefits for approximately 6.7 million beneficiaries. SSA has experienced problems with the selection, monitoring and accountability of representative payees. While representative payees provide a valuable service for beneficiaries, SSA must continue to ensure representative payees meet their responsibilities to the beneficiaries they serve.

Our audits of representative payees have shown that continued SSA oversight and monitoring of representative payees are needed. Our audits identified deficiencies with representative payees' financial management and accounting for benefit receipts and disbursements; vulnerabilities in safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; inappropriate handling of beneficiary-conserved funds; and improper charging of fees. In addition, SSA needs to improve its selection and monitoring of representative payees.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to address its E-Government, Human Capital, and representative payee challenges. By 2005, SSA is expected to have 60 percent of its customer-initiated services available through automated telephone services or the Internet. The Agency recently began allowing the public to file DI claims through the Internet to help achieve its service delivery goals. SSA expects to begin a nation-wide roll-out of its Electronic Disability System in 2004. By 2007, over 80 percent of wage reports will be submitted and processed electronically and employers will be able to identify and correct wage report errors online. Further, SSA has increased the percentage of W-2s filed electronically from 42.5 percent in FY 2002 to 53.4 percent in FY 2003.

The Agency has taken additional steps to meet its future workforce needs. SSA has developed plans and taken other actions to address the expected increase in its workloads and the concurrent loss of staff due to retirement. Studies have been conducted to predict staff retirements and attritions by year for major job positions. SSA has also developed a document detailing how it envisions functioning in the future. Further, SSA planning documents comply with the President's Management Agenda and achieve expected near-term results related to the strategic management of human capital.

The Agency has taken steps to address its representative payee process challenge. SSA reports it has a number of initiatives underway to improve the selection of organizational representative payees. The Agency also conducts site reviews for approximately 1,800 representative payees, which include fee-for-service representative payees, volume representative payees (serving 100 or more beneficiaries) who are subject to expanded monitoring, and individual representative payees serving 20 or more beneficiaries. These reviews are performed on a triennial cycle.

Other Information

Anti-Fraud Activities

SSA is committed to improving financial management by preventing fraudulent and improper payments (see Agency Challenges section for more information). Section 206 (g) of the Social Security Independence and Program Improvements Act, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

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

Disability Quality Assurance Reviews
SSA performs quality assurance reviews to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The following table shows that the State DDSs have consistently made the correct decision to allow benefits.

Quality Assurance Review				
	FY 2000	**FY 2001**	**FY 2002**	**FY 2003**
% of accurate decisions to allow or continue benefits by State DDSs	96.7%	96.8%	96.3%	96.2%
No. of cases reviewed	42,196	39,515	39,188	39,066
No. of cases returned to DDS due to error or inadequate documentation	1,381	1,281	1,455	1,499

SSA also performs preeffectuation reviews of DDS determinations of continuing eligibility 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. The table below shows that over 96% of the decisions made on preeffectuation reviews are accurate.

Preeffecutation Reviews				
	FY 2000	**FY 2001**	**FY 2002**	**FY 2003**
% of State DDS decisions not returned to DDS due to error or inadequate documentation	96.6%	96.8%	96.3%	96.2%
No. of cases reviewed	259,784	298,466	310,683	318,498
No. of cases returned to DDS due to error or inadequate documentation	8,567	9,438	11,186	12,257

Continuing Disability Reviews (CDRs)
A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA's records. The performance accuracy of these CDRs is displayed below.

CDR Performance Accuracy				
	FY 2000	**FY 2001**	**FY 2002**	**FY 2003**
Overall Average	96.1%	96.1%	95.2%	94.2%
Continuances	96.5%	96.4%	95.5%	94.4%
Cessations	93.6%	93.8%	93.5%	93.5%

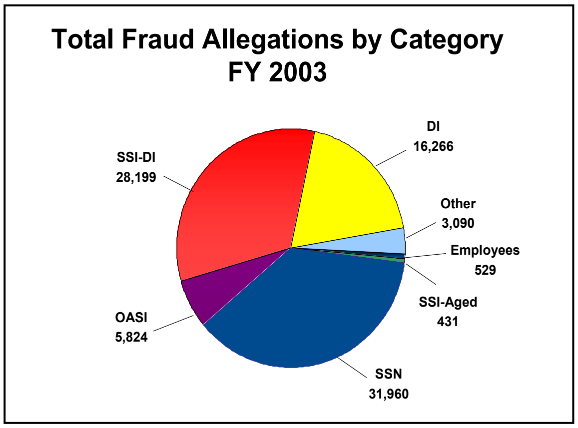
OASI and SSI Quality Assurance Reviews
One of SSA's four GPRA strategic goals is 'to ensure superior stewardship of Social Security programs and resources'. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the GRPA Performance Results section of this report on pages 78 through 81.

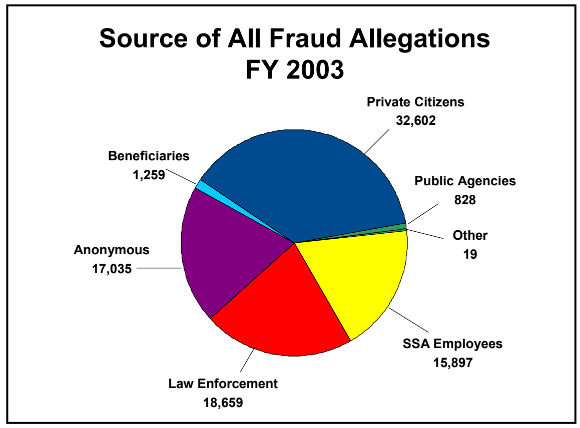
SSI Redeterminations
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA has set a goal for the number of SSI redeterminations to be processed in FY 2003. Detailed discussion on SSI redetermination performance can be found in the Performance Goals and Results section of this report on page 43.

Payment Safeguarding Activities
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In FY 2002, SSA invested more than $1.1 billion in processing over 10 million alerts that are estimated to have provided benefits to trust funds of $7.2 billion in overpayments detected and/or prevented. The FY 2003 results of these payment safeguard activities were not available at the time of the PAR publication. These figures will be available sometime in early 2004.

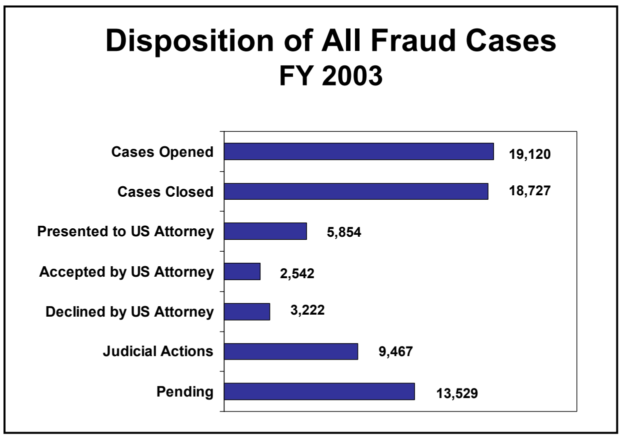
OIG's Anti-Fraud Activities

In FY 2003, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The charts on the following page summarize OIG's involvement in fraud activities throughout the FY.





The integrity of SSA's records and payments is maintained through an overall security program which controls access to SSA databases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection against data security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.



Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of $269 and $265 million in FY 2002 and FY 2003, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 95 percent of user fee revenues are derived from agreements with 24 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2003, SSA charged a fee of $8.59 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $8.77 for FY 2004. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The Chief Financial Officers Act of 1990 requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. During FY 2002, SSA performed a review of user fees and did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. SSA is planning to perform a review of these fees during FY 2004.

Improper Payments Information

INFORMATION ON IMPROPER PAYMENTS FOR OLD AGE, SURVIVORS', DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME PROGRAMS

Background

The Social Security Administration (SSA) reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the nonmedical aspects of old age and survivors' insurance (OASI), disability insurance (DI), and supplemental security insurance (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the Improper Payments Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. The OMB guidance provides that payments resulting from legal or policy requirements are unavoidable and are not to be considered as improper. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the Government Performance and Results Act of 1993.

OASDI payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical factors of eligibility are redeveloped as of the current sample month. Findings are input to a national database for analysis and report preparation. Similarly, the SSI payment outlay rates are determined by an annual review of a statistically valid national sample of the SSI beneficiary rolls, selected monthly. Separate rates are determined for the accuracy of payments in terms of overpayment and underpayment dollars.

Improper payment rates and target goals

The improper payment rates for the OASI, DI and SSI programs for fiscal years (FYs) 2001 and 2002 are presented in Tables 1 - 3, respectively. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. Target goals for FYs 2003, 2004, 2005 and 2006 for the OASDI and SSI programs are presented in Tables 4 and 5, respectively. Estimated improper payment rates for FY 2003 will be available in June 2004. In the SSI program, SSA has established a 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent.

Table 1. Improper payment rates for the OASI program

OASI	FY 2001	FY 2002
Overpayment Rate	0.02%	0.11%
Underpayment Rate	0.22%	0.05%

Table 2. Improper payment rates for the DI program

DI	FY 2001	FY 2002
Overpayment Rate	1.06%	0.26%
Underpayment Rate	0.36%	0.27%

Table 3. Improper payment rates for the SSI program		
SSI	FY 2001	FY 2002
Overpayment Rate	6.74%	6.58%
Underpayment Rate	1.18%	1.35%

Table 4. Improper payment target goals for the OASDI program				
OASDI	FY 2003	FY 2004	FY 2005	FY 2006
Overpayment Goal	0.2%	0.2%	0.2%	0.2%
Underpayment Goal	0.2%	0.2%	0.2%	0.2%

Table 5. Improper payment target goals for the SSI program				
SSI	FY 2003	FY 2004	FY 2005	FY 2006
Overpayment Goal	4.6%	4.6%	4.6%	4.6%
Underpayment Goal	1.2%	1.2%	1.2%	1.2%

Improper Payment Information

Section 1a. - Program-Wide Estimates Program: Old-Age and Survivors Insurance						
	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$348B	100%	$368B	100%	$384B	100%
Underpayments	$0.39B	0.11%	$0.79B	0.22%	$0.17B	0.05%
Overpayments	$0.13B	0.04%	$0.08B	0.02%	$0.43B	0.11%
Total Improper Payments	$0.52B	0.15%	$0.87B	0.24%	$0.6B	0.16%

Notes:
1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, ±0.37% for underpayments and ±0.30% for overpayments; for FY 2001, ±0.37% for underpayments and ±0.30% for overpayments; for FY 2002, +.04% and -0.03% for underpayments and +0.10% and -0.28% for overpayments.

Section 1a. – Program-Wide Estimates Program: Disability Insurance						
	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$54B	100%	$58B	100%	$64B	100%
Underpayments	$0.21B	0.39%	$0.21B	0.36%	$0.17B	0.27%
Overpayments	$0.21B	0.38%	$0.61B	1.06%	$0.17B	0.26%
Total Improper Payments	$0.42B	0.77%	$0.82B	1.42%	$0.34B	0.53%

Notes:
1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, ±1.11% for underpayments and ±0.41% for overpayments; for FY 2001, ±0.13% for underpayments and ±0.33% for overpayments; for FY 2002, +0.26% and -0.29% for underpayments and +0.25% and -0.37% for overpayments.

Section 1a. – Program-Wide Estimates Program: Old-Age, Survivors and Disability Insurance								
	2003 target		2004 target		2005 target		2006 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$467B	100%	$488B	100%	$507B	100%	$526B	100%
Underpayments	$0.93B	0.2%	$0.98B	0.2%	$1.01	0.2%	$1.05B	0.2%
Overpayments	$0.93B	0.2%	$0.98B	0.2%	$1.01	0.2%	$1.05B	0.2%
Total Improper Payments	$1.86B	0.4%	$1.96B	0.4%	$2.02	0.4%	$2.10B	0.4%

Notes:
1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2003 total payments represent actual outlays while the FYs 2004 – 2006 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2004 Budget.

Section 1a. - Program-Wide Estimates Program: Supplemental Security Income						
	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$31B	100%	$33B	100%	$34B	100%
Underpayments	$0.43B	1.4%	$0.39B	1.2%	$0.47B	1.4%
Overpayments	$1.66B	5.3%	$2.20B	6.7%	$2.27B	6.6%
Total Improper Payments	$2.09B	6.7%	$2.59B	7.9%	$2.74B	8.0%

Notes:
1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, ±0.29% for underpayments and ±0.48% for overpayments; for FY 2001, ±0.25% for underpayments and ±1.06% for overpayments; for FY 2002, ±0.3% for underpayments and ±1.1% for overpayments.

Section 1a. – Program-Wide Estimates Program: Supplemental Security Income								
	2003 target		2004 target		2005 target		2006 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$36B	100%	$39B	100%	$40B	100%	$41B	100%
Underpayments	$0.43B	1.2%	$0.46B	1.2%	$0.48	1.2%	$0.50B	1.2%
Overpayments	$1.66B	4.6%	$1.77B	4.6%	$1.84	4.6%	$1.90B	4.6%
Total Improper Payments	$2.09B	5.8%	$2.24B	5.8%	$2.32	5.8%	$2.40B	5.8%

Notes:
1. FY 2003 data will not be available until June 2004; therefore, the rates shown are targets (goals).
2. FY 2003 total payments represent actual outlays while the FYs 2004 -2006 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2004 Budget.

Improper payment in the OASI program

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years (FYs 1998-2002), a total of over $1.75 trillion was paid to OASI beneficiaries, and over 99.82 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented less than 0.18 percent of the total dollars paid or just over $3 billion. Major causes of improper payments in the OASI program over this 5-year period are listed below and accounted for over 63 percent of the improper payments identified.

- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Computations
- Annual Earnings Test (AET)

- Wages/Self-Employment Income (SEI)

The major causes of improper underpayments in the OASI program have been:

- Computations
- Wages/SEI

While the improper payment rate in the OASI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments. In the relationship/dependency area, SSA has redesigned its student eligibility process. Starting in March 2001 for students born 6/2/83 or later, SSA now verifies a student's school attendance information by obtaining a school official's certification before awarding benefits. The student must leave a reporting form with the school, and then SSA requests the school, as well as the student, to advise SSA of changes in the student's school attendance that could affect the student's entitlement to benefits.

Over the last several years, SSA has undertaken a series of initiatives to correct computation errors in benefit payments that have accumulated over many years. The corrections affected more than one million beneficiaries and $4 billion in past and future benefits. These initiatives resulted in SSA identifying and processing payment increases for: (1) beneficiaries who had not received benefit increases that were due, based on additional earnings after entitlement, yet these earnings were used for deductions (benefit losses) under the AET; (2) other beneficiaries who did not receive benefit increases that should have resulted from additional covered earnings posted to their earnings records; and (3) beneficiaries who were eligible for a different type of benefit that was higher than the benefit they were receiving, but were not converted to this higher benefit.

Beginning in FY 2000, the AET no longer applied to beneficiaries who are at the full retirement age or older. Annual earnings test improvements that reduce improper payments include:

- The reduction in the age at which the annual earnings test no longer applies (from age 70) eliminates the possibility of annual earnings test error for beneficiaries who have reached the full retirement age;
- Establishing an earnings estimate for the current year based on prior earnings when no estimate is given should substantially reduce overpayments; and
- Providing employers with a pamphlet about special wage payments will improve their understanding and thereby reduce incorrect withholdings due to failure to obtain special payment information.

Wages or self-employment error results when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. SSA added language to the improved Social Security Statement to remind the public to inform SSA of incorrect earnings postings. By FY 2000, all workers born before 1958 received their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits. SSA has also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled SSA to receive almost 126 million W-2s electronically for tax year 2002 (over 54 percent of all W-2s filed). By 2004, SSA expects to receive over 55 percent of all W-2s electronically. Earnings that remain in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. SSA is working to develop highly automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings;
- Match and move items from suspense to the beneficiaries earnings record; and
- Pay benefit increases.

SSA has initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file. SSA has established a goal to find the correct earnings record and post 30 million suspense items for years 2000 and earlier before 2005.

Improper payment in the DI program

Over the last 5 years (FYs 1998-2002) $271.2 billion was paid to DI beneficiaries and over 99.84 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented 0.16 percent of the total dollars paid or $4.2 billion. Major causes of improper overpayments in the DI program over this 5-year period are listed below and accounted for over 90 percent of the improper payments identified.

- Substantial Gainful Activity (SGA)
- Unreported Death
- Workers' Compensation (WC)

The major causes of improper underpayments in the DI program have been:

- WC
- Wages/SEI
- Computations

For FYs 1998 through 2001, the three error categories of SGA, unreported death and WC accounted for about 85 percent of the total overpayment deficiency dollars in the DI program. For FY 2002, these three categories accounted for only about 11 percent of total deficiency dollars. The "Other" category of deficiency dollars accounted for over 88.6 percent of total overpayment deficiency dollars for FY 2002, which were projected from a single case where a child had attained age 18 and was no longer entitled because the child was not a full-time student in a secondary school.

For FY 2002, SGA overpayment errors decreased dramatically from FY 2001. Most errors occurred because the beneficiaries failed to notify SSA that they had returned to work and were earning an amount above the SGA level, or SSA failed, in some cases, to act in a timely manner on those reports it did receive. A new software tool is now available to every SSA field office where reports of return to work by disabled beneficiaries can be monitored automatically to ensure proper handling of SGA in these cases. SSA currently has the authority to impose civil monetary penalties (CMP) against individuals who make false statements to SSA. However, in order to pursue a case under this provision, there must be an affirmative false statement made by the subject, preferably in writing. This means that cases where the person's failure to inform SSA of a reportable event, such as return to work, cannot currently be pursued under the CMP provision.

SSA is giving high priority to correcting workers' compensation (WC) errors. Some people who receive Social Security disability benefits also receive Federal or State workers' compensation payments. When a person is eligible to receive both types of payments, the law imposes a limit on the total amount the person can receive each month. When that occurs, SSA withholds a portion of the person's Social Security disability payments.
SSA identified disability insurance beneficiaries whose workers' compensation payments changed. Some of these people had been paid incorrect amounts of Social Security disability benefits while others had been underpaid since their WC had stopped and their SSA benefit amount had not been increased accordingly. SSA is reviewing these cases, verifying the amount of workers' compensation payments, and correcting Social Security disability benefits as appropriate. Refresher training, new procedures requiring processing centers to verify WC payments every 3 years and systems' improvements that allow field offices to input WC changes for a more accurate benefit computation have served to markedly reduce the amount of WC errors, both overpayments and underpayments.

More timely and accurate death data would enable SSA to more effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments to improve the current paper-based process. The most efficient manner to improve timeliness of State data is by using Electronic Death Reporting (EDR) -- a web-based automation of the death registration process. EDR electronically links the participants in death registration, providing more timely and accurate data. SSA's goal is to receive verified death data within 24 hours of receipt in the State repository and within 5 days of death. EDR would also improve the accuracy of the death master file that we share with other Federal agencies.

SSA began a national rollout of its EDR in FY 2001. Currently, 3 States are providing EDR "online" to SSA. SSA has identified funds for this initiative and is proceeding with contract activities with additional States.

SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SI benefits. To keep this from happening in the future, we have rewritten computer programs and retrained technical employees to identify eligibility as it occurs.

Improper payment in the SSI program

Over the past 5-years (FYs 1998-2002) almost $157 billion was paid to SSI recipients and about 92.5 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 7.5 percent of the dollars paid or about $11.8 billion. For FY 2002, the major causes of overpayments in the SSI program were:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of underpayments in the SSI program were:

- Living Arrangements
- Wages
- In-kind Support and Maintenance

For the last 5 years, financial accounts, along with wages, have represented the two leading causes of preventable SSI overpayments. For FY 2002, financial account overpayment deficiencies accounted for about 24 percent of all overpayment deficiencies. These errors are usually the result of the recipient's financial account, either singularly or in combination with other resources, causing the resource limit to be exceeded. When this occurs, the recipient may become ineligible for SSI. For FY 2002, the recipients' failure to advise SSA that their resources were over the resource limit is responsible for 92 percent of the deficiency dollars in this category. The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. SSA has developed regulations that will allow us to query financial institutions electronically.

For the last 10 years, wage errors have accounted for about one-fourth of the total improper overpayment dollars. Historically, accurate projections of wage income for a large number of SSI recipients have been problematic because the amount of the wages fluctuates from month to month. Fluctuating wage deficiencies, which represent about 46 percent of all wage deficiencies for FY 2002, continue to be responsible for the major portion of improper payments due to wages. From another perspective, the recipient's or representative payee's failure to report a payment affecting change accounted for about 82 percent of all wage deficiencies.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. But even these data are at least 4 months old when accessed. In an effort to learn more quickly about unreported work, SSA is also exploring the usefulness of a quarterly match with the "new hires" file from OCSE.

In another effort to achieve more timely and accurate reporting of wages, SSA began a test, in April 2003, to determine the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA will test whether SSI recipients (or their representatives, parents or spouses, where deemed wages affect benefit payments) will report wages, monthly, using this new technique. The key issues will be the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. Timely and accurate reporting on this issue offer the opportunity to prevent substantial amounts of SSI overpayments, which accounted for over $350 million in deficiencies in FY 2002.

Deficiencies due to living arrangements (LA), wages and in-kind support and maintenance (ISM) accounted for 63 percent of all underpayment deficiencies for FY 2002. LA deficiencies accounted for over 23 percent of all underpayment deficiencies for FY 2002. Most LA deficiencies were due to the recipient not reporting that their living arrangement has changed to one where they are living in their own household. This is a complex area where recipient understanding of reporting requirements is very difficult to address. For this reason, a portion of the annual redetermination workload is targeted to addressing improper underpayments due to living arrangement changes.

Over 20 percent of all FY 2002 underpayments were due to wages (which were previously discussed, above, for overpayments).

ISM deficiencies accounted for over 19 percent of all underpayment deficiencies for FY 2002. The major factor accounting for these deficiencies is a change in the recipient's contribution to household expenses, which are mostly due to a change in the household composition that was not reported to SSA.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. To detect incorrect payments, SSA regularly reviews cases to ensure that the nondisability factors of eligibility continue to be met and payment amounts are correct. The selection process is based on the likelihood that a case will be in error. Since 1997, SSA has initiated several actions that increased estimated overpayments found or prevented because of the "High Error Profile" (HEP) redeterminations by increasing the volume of HEPs and the effectiveness of the profiling system. The total overpayments collected or prevented because of all the FY 2002 redetermination and limited-issue cases was $2.3 billion, with an additional $1.6 billion in underpayments paid or prevented. If SSA had sufficient resources to conduct HEP redeterminations on all 6.5 million SSI recipients, total overpayments found or prevented that would accrue are estimated to be about $4.1 billion.

Medical aspects of the DI and SSI programs

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The actual allowance and denial accuracy rates for FYs 2001, 2002 and 2003 are presented in Table 6. These rates are determined by SSA's quality assurance review of initial claims. In compliance with Section 221(a) of the Social Security Act, SSA reviews samples from each State to determine whether the DDS is in compliance with Federal policy and procedural requirements. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, SSA will have a combined allowance and denial goal for net accuracy. The goal for FYs 2003 and 2004 is 97 percent. FY 2003 data will be available in January 2004.

Table 6. DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2001	FY 2002
Allowance	98.3%	98.5%
Denial	94.7%	95.1%
Combined	96.2%	96.4%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2001, the Actuary has produced estimates that PER saved the trust funds $464 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 14:1.

SSA's budget includes a proposal to extend PER reviews of favorable adult disability decisions to the SSI program. This proposal supports the President's management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this new workload.

Collection of Overpayments in the OASI, DI and SSI Programs

In FY 2003, SSA collected $1,891.5 million in program debt. Generally, SSA has two types of debt, which are determined by entitlement status:

(1) Current pay debt, owed by individuals who continue to receive benefits and

(2) Nonpay debt, owed by those who are no longer on the benefit rolls.

SSA's collection process depends mainly upon the entitlement status of the debtor. When the debtor is on the benefit rolls, SSA's initial overpayment letter informs the individual that if full repayment is not made recovery will be accomplished through offset of future benefits. This does not begin until after the initial 60-day due process period has expired. If the debt has not been repaid, benefit offset begins. In the OASDI program we offset benefits in full unless the person can demonstrate a financial need to receive partial benefits each month. In the SSI program, we recover at the statutory rate of 10 percent of benefits, or a reduced rate if the debtor requests and qualifies for one based upon financial hardship.

When the debtor is no longer on the benefit rolls, SSA first attempts to collect the overpayment on its own. SSA sends an initial overpayment letter requesting payment in full or by regular installments. If no payment has been received, SSA uses its own billing and follow-up system to send a series of progressively stronger follow-up notices, then has debt collectors attempt personal contact to establish a repayment agreement. At any time during this process that the individual contacts SSA to establish a repayment arrangement, SSA's debt collectors negotiate an arrangement with the individual and set up the account for monthly billing. If the individual misses any of the monthly payments, a follow-up process is set in motion.

When a debt becomes "Past-Due" it is considered for referral to the Treasury Department for offset under the Treasury Offset Program (TOP) as well as for referral to credit bureaus. These referrals are preceded by statutorily required notices warning the debtor of our plans to make the referrals and providing him or her the opportunity to avoid the referrals by repaying the debt or establishing a repayment arrangement. The notice also advises the individual of applicable due process rights.

When SSA's debt collectors determine that the debt will not be collected, either because the debtor cannot be located or because further recovery efforts are determined not to be cost effective, the debt is written-off. Written-off debt is still eligible for further benefit offset should the individual return to the benefit rolls. For FY 2003, debt written-off due to termination of collections efforts was $471.5 million or 4.2 percent of $11,205.1 million in debt available for collection. Where applicable, written-off debt remains at Treasury for offset until the delinquency reaches 10 years. We continue to report to the credit bureaus on the delinquency until it is 7 years old. The statutes governing administrative offset preclude its use on debts delinquent more than 10 years, while those governing credit bureau reporting set a limit of 7 years.

In addition to using TOP and credit bureau reporting for delinquent OASDI and SSI debts, SSA has developed and implemented mandatory cross-program recovery. Mandatory cross-program recovery will enable SSA to collect an SSI debt owed by a former recipient from any OASDI benefits being paid to that person. SSA will integrate the use of Administrative Wage Garnishment, Federal salary offset, cross-servicing and interest charging in its collection process. For more information, see the section entitled Debt Management which follows.

Additional Actions that Could be Taken to Prevent Erroneous Payments and Correct Improper Payments

Program Integrity Fund

The FY 2004 President's budget request for SSA includes earmarked funding for the costs of CDRs, SSI redeterminations, and detecting and collecting overpayments, with the intent that cap adjustment funding will be proposed. This would provide a consistent funding source that would not be in competition with resources needed to process claims and other ongoing SSA workloads.

This special funding for program integrity is essential because, unlike a corporation, SSA does not have a single "bottom line". SSA's administrative budget funds the competing demands of both service and stewardship. Currently there is no way to ensure adequate funding for stewardship activities when they compete with service delivery for the same scarce discretionary dollars. We know that program integrity efforts pay for themselves many times over. The significant return delivered by these investments demands that we find a way to ensure that now and into the future they are adequately financed in the Federal budget structure.

SSA's Corrective Action Plan

In June 2002, SSA released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased detection and prevention, new measurement strategies, potential changes in SSI policies and Agency accountability. We are extremely pleased that the General Accounting Office (GAO) has removed the SSI program from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA's progress to improve the management of the program. We are continuing our efforts to improve our management of the SSI program across three fronts – improved prevention of overpayments, increased overpayment detection, and increased collection of debt.

Debt Management

During FY 2003, SSA continued to use the aggressive debt collection tools available to the Agency. These authorized recovery mechanisms include:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund;
- Administrative Offset that enables collection of a delinquent debt from a Federal payment other than a tax refund;
- Mandatory Cross-Program Recovery which is the collection of a former SSI recipient's debt from any OASDI benefits due that person; and
- The use of Credit Bureau Reporting to encourage repayment of delinquent debts.

These tools continue to demonstrate their significance in the collection of delinquent program debt. As of September 2003, SSA has collected over $790 million from tax refunds and other Federal payments since the program's inception in January 1992. Since implementation of mandatory cross program recovery in February 2002, SSA has collected over $78 million.

In FY 2003, SSA continued its development of administrative wage garnishment (AWG), or the collection of OASDI and SSI debts from wages of people working in the private sector. The Agency published draft regulations as a Notice of Proposed Rulemaking. AWG promises to be a significant addition to SSA's debt collection program.

The new system, developed in FY 2002, for analyzing and monitoring SSA's debt portfolio was instrumental in the creation of a new performance measure for debt collection in FY 2003. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. Using the new debt portfolio monitoring system, we plan to move toward a more ambitious goal for FY 2004 by developing more efficient processes to deal with our outstanding debt. Our objective is to increase the percent of outstanding debt that is in a collection arrangement and to increase collections. To accomplish these objectives, we will continue to use the aggressive debt collection tools available.

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

FY 2003 Quarterly Debt Management Activities (In Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	$13,707.5	$12,793.2	$13,074.3	$13,418.4
Total collections (cumulative)	597.9	1,147.8	1,762.9	2,307.6
Total write-offs (cumulative)	223.2	431.0	662.7	918.7
TOP collections (cumulative)	1.6	43.6	71.8	79.4
Aging schedule of delinquent debts:				
- 180 days or less	829.3	698.9	749.9	864.0
- 181 to 10 years	1,419.5	1,439.9	1,436.3	1,634.4
- Over 10 years	35.0	32.6	33.2	38.8
- Total delinquent debt	$2,283.8	$2,171.4	2,219.4	2,537.2

SSA Debt Management Activities					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Total debt outstanding end of FY (millions)	$6,524.4	$7,107.7	$11,437.1	$12,531.0	$13,418.4
% of outstanding debt					
- Delinquent	13.5%	15.5%	9.3%	16.5%	18.9%
- Estimated to be uncollectible	30.2%	33.9%	25.3%	18.9%	21.1%
New debt as a % of benefit outlays	1.0%	0.9%	1.7%	0.9%	0.8%
% of debt collected	34.0%	33.5%	19.9%	18.5%	17.2%
Cost to collect $1	$0.11	$0.10	$0.11	$0.11	$0.10
% change in collections from prior FY	16.5%	7.6%	(4.4%)	1.5%	(0.3%)
% change in delinquencies from prior FY	5.4%	25.6%	(3.5%)	94.4%[1]	22.4%
Collections & write-offs as a % of Total Debt	30.8%	31.0%	21.5%	21.0%	19.4%
Collections as a % of clearances	73.3%	73.7%	70.8%	70.8%	71.5%
Total write-offs of debt (in millions)	$807.6	$850.8	$941.3	$954.0	$918.7
Average number of months to clear receivables:					
- OASI	12	12	14	14	18
- DI	25	26	32	34	33
- SSI	20	27	4	26	52

1. In September 2001, SSA implemented a new process FY 2002 that identifies, ages, and reports delinquent debt on an individual debt basis in the SSI program. This new process increased the amount of delinquent SSI debt reported from about $61 million at the close of FY 2001 to about $1.1 billion at the close of FY 2002.

Glossary of Acronyms

A

AC	Appeals Council
ACAPS	Appeals Council Automated Processing System
ADP	Automated Data Processing
AeDIB	Accelerated Electronic Disability
AET	Annual Earnings Test
AICPA	American Institute of Certified Public Accountants
AIME	Average Indexed Monthly Earnings
ALJ	Administrative Law Judge
APP	Annual Performance Plan
APR	Annual Performance Report
ASEC	American Savings Education Council
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment
AWIC	Area Work Incentive Coordinator

B

B&D	Blind and Disabled
BCIS	Bureau of Citizenship and Immigration Services
BL	Black Lung
BPAO	Benefit Planning, Assistance and Outreach

C

CAP	Competency Assessment Program
CAS	Cost Accounting System
CCNS	Call Center Network Solution
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CHIP	Customer Help and Information Program
CIO	Chief Information Officer
CMP	Civil Monetary Penalty
CMS	Centers for Medicare and Medicaid Services
COOP	Continuity of Operations Plan
COTS	Commercial Off-The-Shelf Software
CPI	Consumer Price Index
CPI-W	Consumer Price Index – Urban Wage Earners
CPS	Current Population Survey
CSQ	Customer Service Query
CSR	Customer Service Record
CSRS	Civil Service Retirement System

D

D&T	Deloitte & Touche
DCM	Differential Case Management
DDS	Disability Determination Service
DI	Disability Insurance
DOC	Data Operations Center
DoD	Department of Defense
DOL	Department of Labor
DT	Department of Treasury

E

EAB	Enumeration at Birth
EDR	Electronic Death Reporting
EIC	Executive Internal Control
EMIS	Executive Management Information System
EMODS	Earnings Management Information Operational Data Store
EN	Employee Network
EPE	Extended Period of Eligibility
ESF	Earnings Suspense File

F

FAIR	Federal Activities Inventory Reform
FAQ	Frequently Asked Questions
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FedCIRC	Federal Computer Incident Response Center
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Fee-For-Service
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FWTP	Future Workplace Transition Plan
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GDP	Gross Domestic Product
GISRA	Government Information Security Reform Act
GPRA	Government Performance and Results Act
GS	General Schedule
GSA	General Services Administration

H

HCPS	Human Capital Planning Staff
HEP	High Error Profile
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
HO	Hearings Office
HOTS	Hearings Office Tracking System

I

IG	Inspector General
IPT	Intrusion Protection Team
IRA	Individual Retirement Account
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
IT	Information Technology
IVT	Interactive Video Training
IWMS	Integrated Workload Management System

K

KPI	Key Performance Indicator

L

LA	Living Arrangements
LAE	Limitation on Administrative Expenses

M

MCAS	Managerial Cost Accounting System
MD&A	Management's Discussion and Analysis
MS	Military Service
MSWC	Military Service Wage Credit

N

NRA	Normal Retirement Age

O

OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCSE	Office of Child Support Enforcement
OCO	Office of Central Operations
ODS	Operational Data Store
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OMB	Office of Management and Budget

P

P&F	Program and Financing
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PE	Post Entitlement
PEODS	Post-Eligibility Operational Data Store
PIN	Personal Identification Number
PMA	President's Management Agenda
POMS	Program Operations Manual System
PP&E	Property, Plant and Equipment
PPWY	Production Per Workyear
PSC	Program Service Center
PTF	Payments to the Trust Funds
PUMS	Public Understanding Measurement System
PwC	PricewaterhouseCoopers LLP
PWS	Performance Work Statements

Q

QA	Quality Assurance
QC	Quarters of Coverage

R

RO	Regional Office
ROAR	Recovery of Overpayments, Accounting and Reporting System
RPS	Representative Payee System
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSDI	Retirement, Survivor, Disability Insurance
RSI	Retirement and Survivors Insurance
RZ SDO	Redeterminations Service Delivery Objective

S

SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SDW	Special Disability Workload
SECA	Self-Employment Contributions Act
SEI	Self Employment Income
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SOF	Status of Funds
SSA	Social Security Administration
SSASRT	SSA Security Response Team
SSI	Supplemental Security Income

SSICR	SSI Claims Report
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSPP	Standard Security Profile Project
SSR	Supplemental Security Record
SUMS	SSA Unified Measurement System

T

TOP	Treasury Offset Program
TRO	Tax Refund Offset
TSC	Tele-Service Center
TWP	Trial Work Period

U

UI	Unemployment Information

V

VIP	Visitor Intake Process

W

W-2s	Employee Wage Reports
WBDOC	Wilkes-Barre Data Operations Center
WC	Workers' Compensation
WMDW	Work Measurement Data Warehouse

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