Performance and Accountability Report

SOCIAL SECURITY ADMINISTRATION

USA

For Fiscal Year 2001

SSA joins the rest of the nation in mourning the victims of the September 11, 2001 tragedies.

"There are singular moments in history, dates that divide all that goes before from all that comes after."

President George H.W. Bush
State of the Union Address, 1990

A Message From the Commissioner

The Social Security Administration's (SSA) Performance and Accountability Report for Fiscal Year (FY) 2001 shows how SSA managed its finances and how we performed in administering our programs during this past year - a year in which the fabric of our nation has been tested. The events of September 11, 2001 have changed our country forever. Never in our nation's history has the role of public servants been more important. During these trying times SSA, like many other civilian agencies, has been called to perform extraordinary duties. Following the terrorist attacks in New York and Washington, SSA undertook an unprecedented outreach effort to contact the survivors and families of the victims to inform them of their eligibility for benefits. It is because of this responsiveness to the changing needs of the American public that Social Security continues to be the most successful domestic government program in our nation's history.

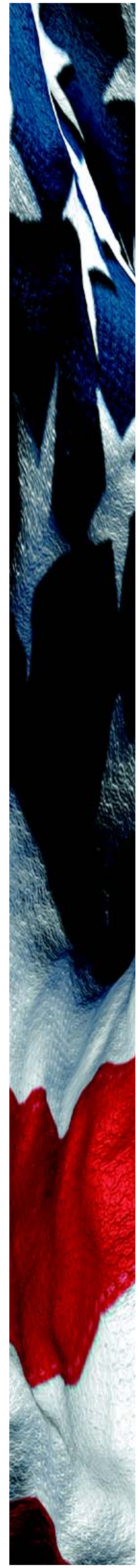
"Performance and accountability were the cornerstones of our efforts and achievements during FY 2001."

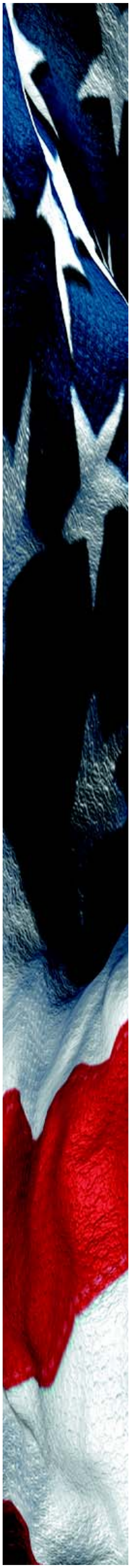
Performance and accountability were the cornerstones of our efforts and achievements during FY 2001. I am pleased to report that this is the eighth consecutive year SSA's financial statements have received an unqualified opinion and the third consecutive year that SSA has produced a combined performance and accountability report. This report demonstrates that although the Agency faces many management challenges in administering the Social Security programs in the 21st century, we maintain our steadfast commitment to our stewardship responsibilities and continue to make strides in meeting our strategic goals and objectives.

For over 60 years, SSA has ranked among the premier agencies in government for service and its "can-do" spirit. During FY 2001, we carried on our tradition of excellence when our web site, SSA Online, was identified as a "Best of the Web" financial site by Forbes Magazine. Also, recently, SSA was one of only five Federal agencies to receive the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" Award for its FY 2000 Performance and Accountability Report. SSA holds the distinction of being the only Federal agency to receive this award for three consecutive years since its inception in 1998.

SSA has a long record of outstanding public service, achieved through the dedication, resourcefulness and commitment of our workforce. We recognize that we live in trying times, but our employees are prepared to face the challenges of the future and will continue to provide the best possible service to the American People.

Jo Anne B. Barnhart
Commissioner





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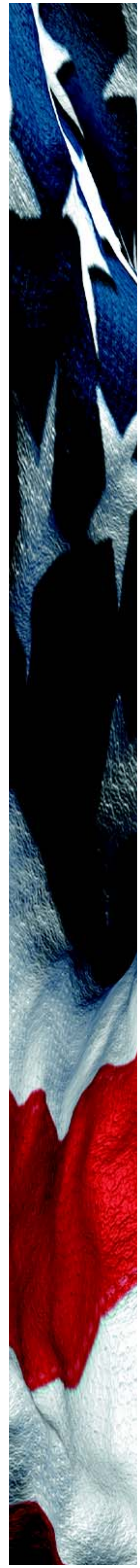


Ten-Year Summary of Financial Highlights

(Data for the FYs ended September 30, unless otherwise noted. Dollars in billions, except for unit costs)

Assets

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Investments	$319.4	$365.7	$419.5	$483.2	$549.5	$631.0	$730.3	$854.9	$1,007.2	$1,170.0
Total Assets[1]	329.2	376.4	450.1	499.1	565.9	648.6	748.4	874.9	1,029.2	1,198.3

1. See balance sheet on page 65 for breakout of Total Assets.

Financing Sources

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Revenues	$308.2	$316.5	$340.8	$356.2	$381.2	$405.3	$432.0	$462.7	$501.7	$528.2
Interest Income	24.6	27.4	30.1	34.2	37.6	42.5	48.0	53.7	62.2	70.9
Total Exchange Revenue and Financing Sources	363.5	378.0	407.9	427.4	449.5	477.4	510.9	548.2	599.1	626.9

Expenses

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Benefit:										
OASI	$252.6	$265.9	$277.3	$290.0	$300.6	$313.7	$325.0	$332.3	$349.9	$369.1
DI	30.8	34.1	37.9	40.4	43.4	44.5	47.7	50.4	54.7	59.2
SSI	17.5	20.4	24.2	24.5	24.9	26.6	27.5	28.2	30.5	27.7
Administrative	4.9	5.3	5.4	5.6	6.0	6.9	7.5	7.4	7.5	7.3

Ratios

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Return on Trust Fund Investments[2]	8.7%	8.3%	8.0%	7.8%	7.6%	7.5%	7.2%	6.9%	6.9%	NA
Long Range OASDI Actuarial Deficit as % of Taxable Payroll by Year of Trustees Report	1.46%	1.46%	2.13%	2.17%	2.19%	2.23%	2.19%	2.07%	1.89%	1.86%
Administrative Expenses as % of Benefit Expenses	1.6%	1.6%	1.6%	1.6%	1.6%	1.8%	1.9%	1.8%	1.7%	1.6%
% Change in SSA's Overall Productivity	9.7%	7.5%	2.1%	5.2%	2.3%	2.2%	7.4%	1.4%	6.8%	(2.3%)

2. Data shown are for calendar year; see http://www.ssa.gov/OACT/ProgData/effectiveRates.html for earlier data.

Number of Beneficiaries (*In Millions*)[3]

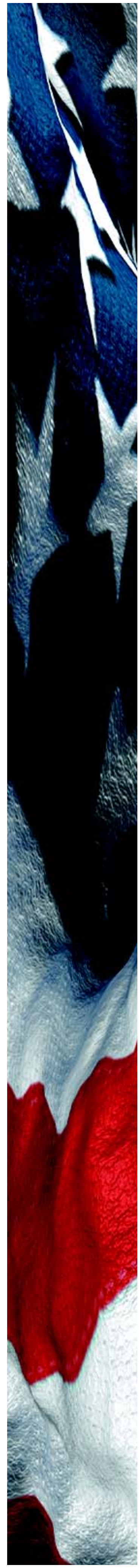
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
OASI	36.5	36.9	37.2	37.5	37.6	37.8	37.9	38.0	38.7	38.9
DI	4.8	5.2	5.5	5.8	6.0	6.1	6.3	6.5	6.6	6.8
SSI	5.5	5.9	6.2	6.5	6.6	6.6	6.6	6.6	6.6	6.7

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

Unit Costs (*Current Dollars*)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Issue Social Security Cards	$13.77	$13.90	$14.36	$14.19	$15.46	$16.70	$15.86	$15.55	$16.10	$16.26
Process Annual Wage Reports	.60	.63	.70	.65	.56	.47	.40	.33	.26	.23
Issue Earnings Statements[4]	4.71	4.77	5.63	2.04	1.32	2.07	1.01	.73	.48	.34
Process Initial Claims (Overall Average)	506.84	469.86	473.00	440.47	436.41	450.87	487.35	415.53	391.76	399.21
Maintain Benefit Rolls (Overall Average Per Work Unit)	25.52	23.08	18.48	18.67	19.39	21.71	22.49	25.52	23.08	23.17
Provide Due Process (Overall Average)	839.36	746.28	775.17	801.52	855.16	875.32	888.65	910.70	882.85	1,059.71
Cost to Collect $1 (all receivables)	.13	.13	.13	.13	.12	.09	.11	.11	.10	.11

4. SSA began issuing legislatively mandated Social Security Statements in FY 1995; those costs are reflected in the FY 1995-2001 unit costs.



AGA

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

Presented to the

Social Security Administration

In recognition of your outstanding efforts in preparing SSA's Accountability Report for the fiscal year ended September 30, 2000.

A Certificate of Excellence in Accountability Reporting is presented by the Association of Government Accountants to federal government agencies whose annual Accountability Reports achieve the highest standards in presenting their programs and financial affairs.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS
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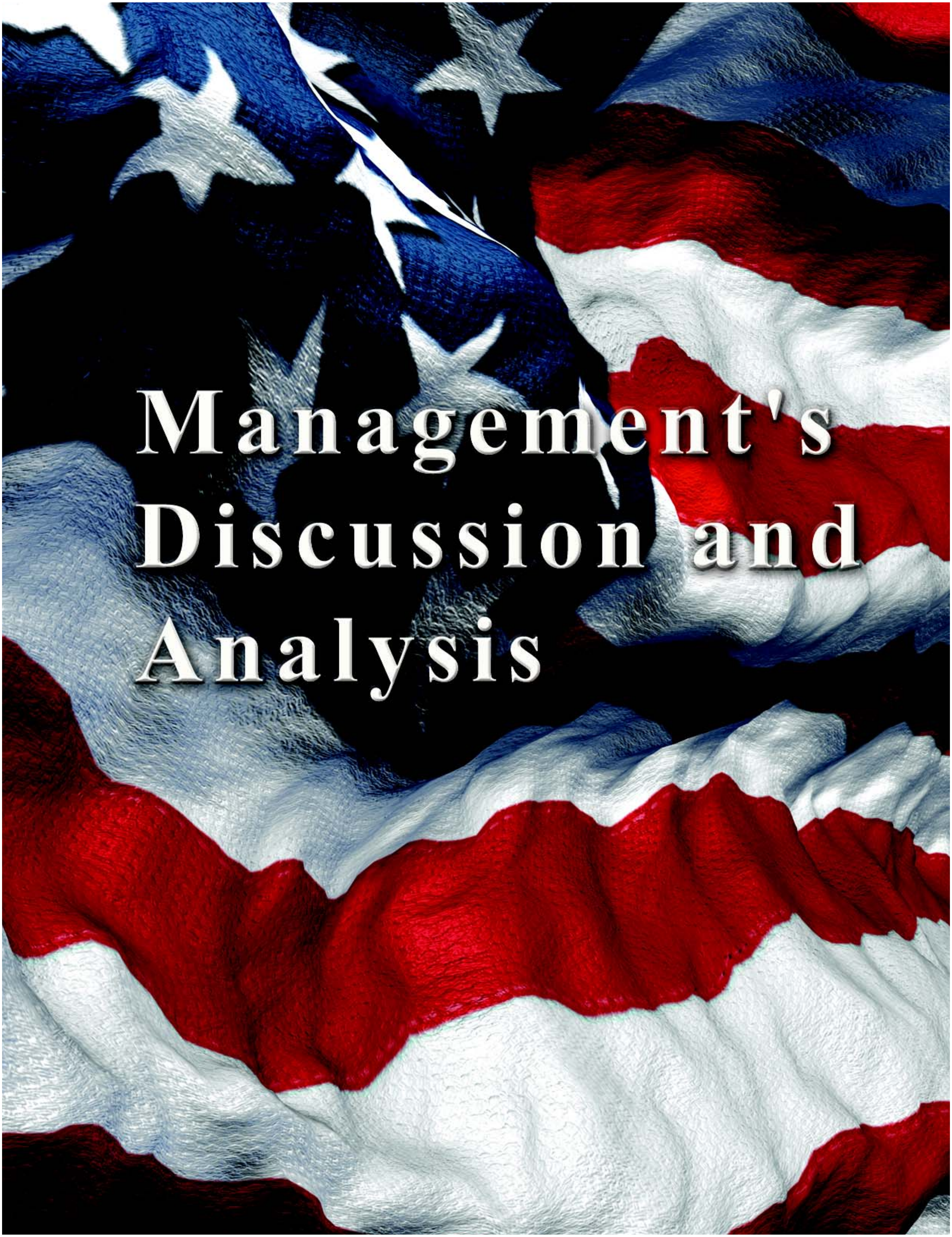
John H. Hummel, CGFM
Chair, Certificate of Excellence
in Accountability Reporting Board

Charles W. Culkin Jr., CGFM
Executive Director



Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is considered Required Supplementary Information for the audit of 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 Mission, Programs and Agency Organization section highlights SSA's mission as set forth in the Agency's Strategic Plan. This section also discusses the major programs we administer: the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) programs (commonly known as Social Security) as well as the Supplemental Security Income (SSI) program.

Following the Mission, Programs and Agency Organization section is a discussion of the Major Issues that SSA will be facing in the future. We used the Performance and Accountability Report to provide a snapshot of the performance we achieved in FY 2001. However, the status of SSA would not be complete without providing a sense of the challenges tomorrow brings. These challenges include long-term solvency of the Social Security program and fulfilling our commitment to world-class service as well as topics that have a more immediate impact on our operations such as SSI and DI management improvement and fraud prevention and detection. While these issues are challenging, we believe we have the policies and plans in place to help ensure they will be adequately addressed.

Next, the MD&A discusses SSA's ability to achieve the five strategic goals contained in our current strategic plan. In March 2000, we provided Congress with our FY 2001 Annual Performance Plan (APP) outlining the performance indicators we used to assess our ability to meet these five strategic goals. In April 2001, we provided Congress with our FY 2002 APP and Revised Final FY 2001 APP, which revised several FY 2001 Government Performance and Results Act (GPRA) performance indicators. The Performance Goals and Results section provides a discussion of SSA's GPRA strategy and includes a summary of FY 2001 performance. It also includes selected indicators from the APP, targeted performance for FY 2001 and actual performance achieved.

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. Finally, the Systems and Controls section of the MD&A provides the Commissioner's Federal Managers' Financial Integrity Act (FMFIA) assurance statement, the actions SSA has taken to address our management control responsibilities and a discussion of the Agency's FMFIA material weakness and plan to correct this weakness.

Mission, Programs and Agency Organization

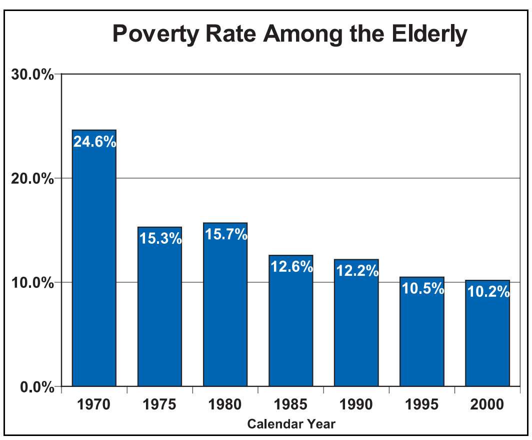
Mission

To promote 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

The Social Security Act established a program to help protect aged Americans against the loss of income due to retirement. Protection for survivors of deceased retirees was added by the 1939 amendments, thus creating the OASI program. Social Security protection for workers was expanded again in 1956 to include the DI program. SSA's responsibilities were further expanded in 1972 to include the SSI program and again in 1999 to include Special Benefits for Certain World War II Veterans (title VIII).

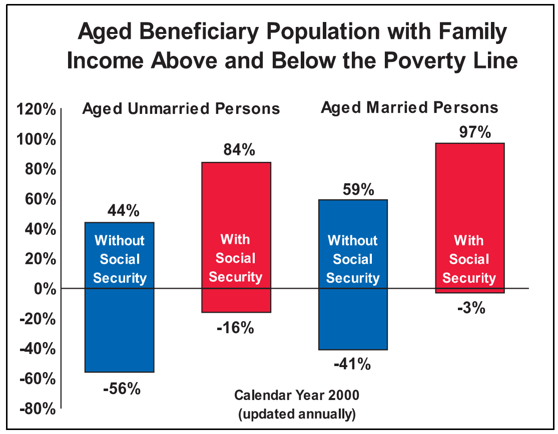
The combined Old-Age, Survivors and Disability Insurance (OASDI) programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers 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.



Social Security benefits have significantly improved the economic well being of the nation. Poverty among the elderly has been reduced by 59 percent over the past 30 years. 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 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 2000 was $76,200 and increased to $80,400 in 2001.

OASI Program: In 2000, the family income of 16 percent of aged, unmarried beneficiaries fell below the poverty line. Without Social Security benefits, 56 percent of those beneficiaries would have income below the poverty line – a difference of 40 percent due to receipt of Social Security.



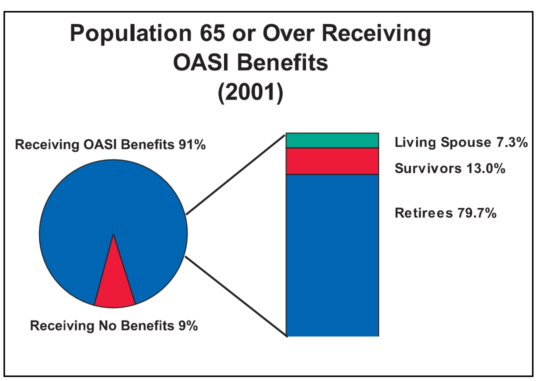
Social Security also lifted many aged married beneficiaries out of poverty. In 2000, 3 percent of aged beneficiaries who were members of a married couple had income below the poverty line. Without Social Security benefits, 41 percent of these beneficiaries would have income below the poverty line – a difference of 38 percent.

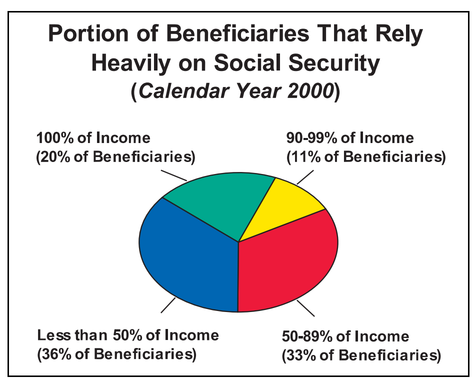
To qualify for OASI benefits, a worker must have paid Social Security taxes (Federal Income Contributions Act and/or Self-Employment Contributions Act) for at least 10 years (or 40 credits) over the course of his/her lifetime. Individuals born before 1929 need fewer credits to qualify. Nine out of 10 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 below on the left, 91 percent of people age 65 or over in calendar year 2001 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.

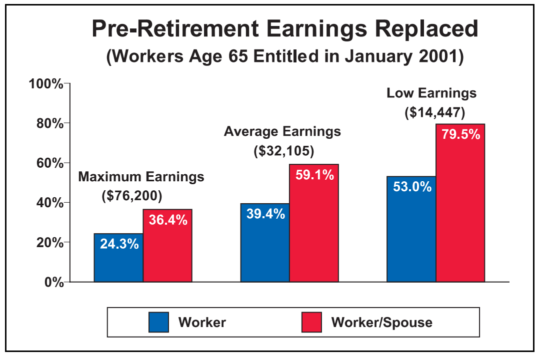
Social Security benefits comprised 38 percent of the aggregate share of all income to the aged population 65 and over of which 90 percent were Social Security beneficiaries. Other sources of income include assets (18 percent), earnings (23 percent), and pensions (18 percent) both Government and private.

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 20 percent of beneficiaries, it is the only income; for 11 percent of the population, it contributes almost all of the income; and for another 33 percent of the beneficiaries, it is the major income source (see chart below on right).





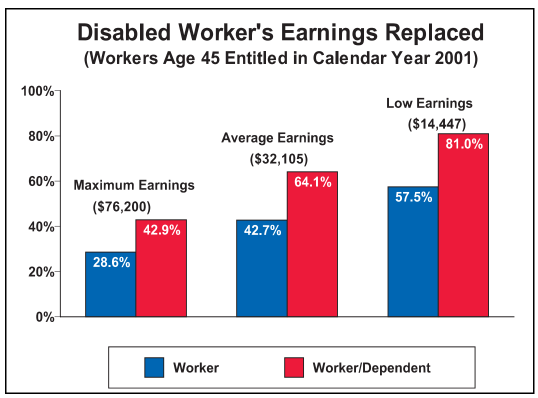
The level of preretirement earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted in favor of workers with low levels of earnings. The chart to the right shows the replacement rate in 2001 for individuals and couples (i.e., worker with a spouse who is not insured) at various earnings levels (2000 earnings levels are shown since that is the assumed last year of earnings).



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. Three of four working Americans age 21 through 64 can count on receiving 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 to determine if the worker continues to be disabled.

The chart to the right shows the replacement rate in 2001 for disabled workers and their dependents at various earnings level (2000 earnings levels are shown since that is the assumed last full year of earnings).



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

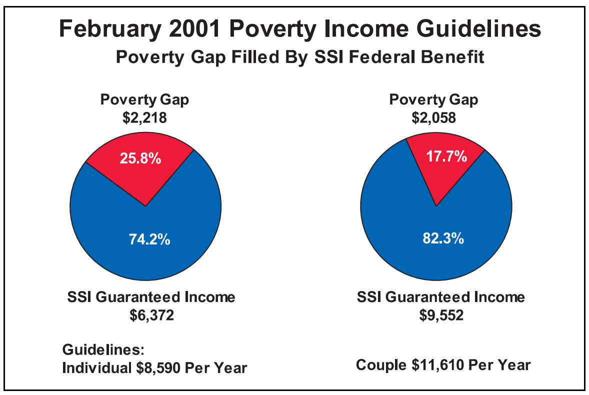
Average Earnings Replaced
Historical Perspective

	1951	1961	1971	1981	1991	2001
Disabled Worker[1]	NA	32.3%	36.6%	43.9%	43.0%	42.7%
Retired Worker	27.3%	32.3%	36.6%	54.4%	43.0%	39.4%

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

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.

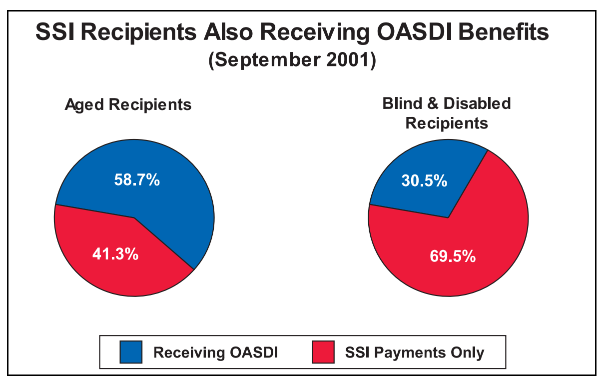


As shown in the chart to the left, SSI recipients with no other income receive the full SSI Federal benefit which is 74.2 percent of the poverty level for an individual and 82.3 percent for a couple.

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 2001, 35.9 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.4 percent of the recipients, earnings were a source of additional income, and 11.7 percent had unearned income from other sources, such as Veterans' pensions.

OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 35.9 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (58.7 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.5 percent).



Special Benefits for Certain World War II Veterans: Title VIII of the Social Security Act, enacted December 14, 1999 as part of the Foster Care Independence Act of 1999, provides a monthly cash payment to certain World War II veterans who are eligible for SSI in both December 1999 and the month in which he or she files an application for the special benefits and who reside outside of the 50 States, the District of Columbia and the Northern Mariana Islands. Payments began in May 2000.

Support to Other Programs

In addition to its basic programs, SSA also provides a significant measure of service delivery support to other programs, particularly Black Lung, Medicare, Medicaid, Food Stamps and Railroad Retirement.

Black Lung Program: The Black Lung (BL) program pays monthly cash benefits to coal mine workers and their dependents and survivors. SSA is responsible for administering Part B of the BL program under title IV of the Federal Coal Mine Health and Safety Act. Part B covers claims filed by miners before July 1973 and survivor claims filed before January 1974 or within 6 months of the death of a miner or widow on the SSA rolls, whichever is later. Any claims filed after these dates generally are the responsibility of the Department of Labor (DOL) covered under Part C of the program.

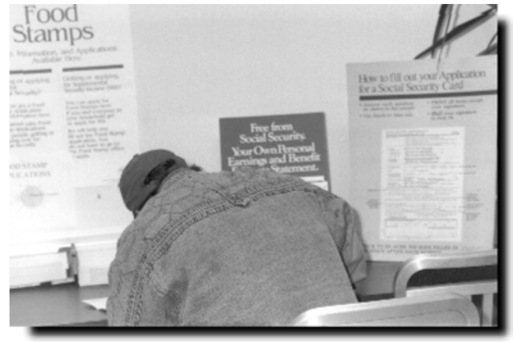
SSA is also responsible for taking claims for, and performing certain other services related to, Part C benefits. In FY 2001, SSA field offices took 555 claims for Part C benefits and transferred them to DOL for payment, as required by law. SSA received full reimbursement from DOL for these services. Beginning in FY 1998, DOL provided administrative services for the Part B program under an interagency agreement with SSA and certified for payment all Part B benefits from funds appropriated to SSA. However, SSA retains responsibility for these payments.

Medicare: Being a primary public contact point for the Centers for Medicare and Medicaid Services (CMS), SSA provides key services to the Medicare program. SSA staff determine and answer questions regarding Medicare eligibility, maintain the computerized records of Medicare eligibility, and collect Medicare premiums through withholdings from Social Security payments. Annually, SSA devotes about 1,485 workyears to supporting these workloads and funds for these services are drawn from the Medicare trust fund. In addition, Administrative Law Judges in SSA's Office of Hearings and Appeals provide hearings and adjudicate disputed appeals of Medicare reimbursements.

Medicaid: In 32 States and the District of Columbia, eligibility for SSI benefits confers automatic entitlement to Medicaid. Thus, the SSI eligibility determination made by SSA saves a significant number of workyears for these States. SSA also provides information and referral services in support of Medicaid and is directly funded by the States and CMS.

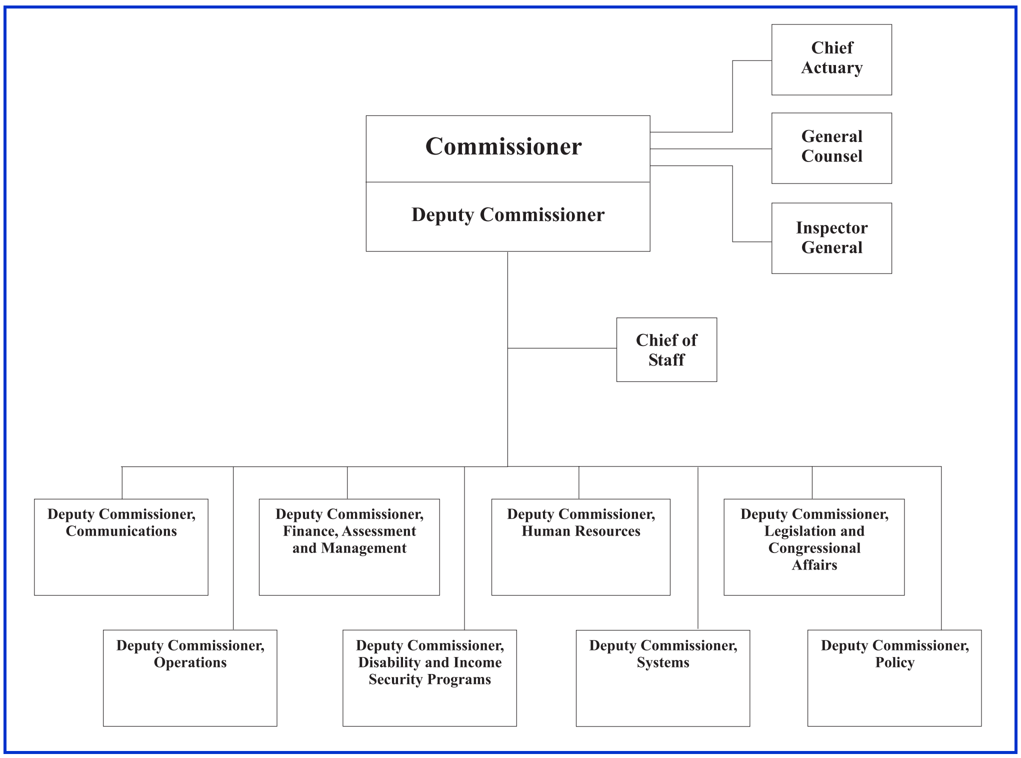
Railroad Retirement: SSA provides services in connection with entitlement to benefits from the Railroad Retirement Board (RRB). SSA takes the applications, determines jurisdiction and coordinates benefit payments with the RRB. The latter organization, as required by statute, issues a combined monthly benefit payment when a retiree is entitled to both Railroad and Social Security retirement benefits due to having worked for both the railroad and other industries prior to retirement. SSA reimburses the RRB for OASI and DI benefits paid on SSA’s behalf. In addition, SSA arranges an annual financial interchange with the Railroad Retirement Trust Fund to place the Social Security trust funds in the same position they would have been in had railroad employment been covered by Social Security.

Food Stamps: SSA assists the Department of Agriculture by providing information about the food stamp program and taking food stamp applications for qualified OASI, DI and SSI claimants. In FY 2001, SSA processed 19,176 food stamp applications and recertifications.



State and Local Programs: SSA regularly provides information from Social Security records needed to make eligibility and payment decisions for a variety of State and local welfare programs, and provides automated data exchanges with over 100 State and Federal agencies.

Agency Organization

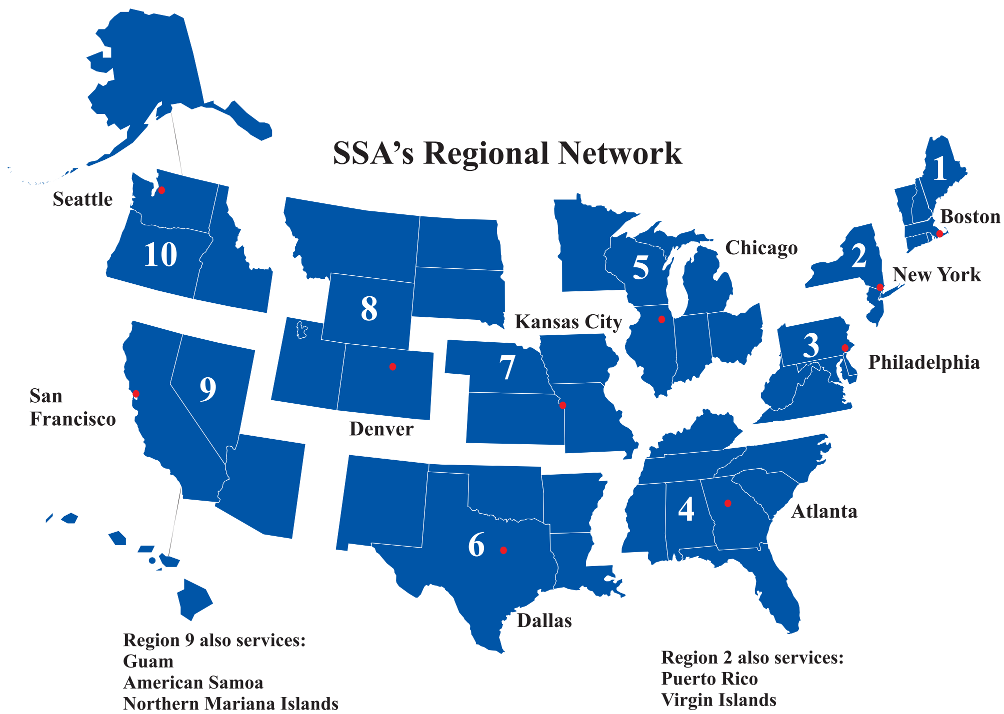


SSA's organization features centralized management of the national Social Security programs and a decentralized nationwide network of 10 Regional Offices overseeing 1,337 field offices (FO), 138 hearings offices, 36 teleservice centers, 7 processing centers and 1 data operations center.

SSA's unique organizational structure is designed to provide responsive, swift and accurate world-class service to the public. All components within SSA's central office perform a supporting role to SSA FOs by providing uniform directions, guidance and material resources needed by the FOs. By integrating services for all the programs we administer, we are able to enhance efficiency, avoid duplication of effort and increase opportunities to provide one-stop service to the public.

FOs are located in cities and rural communities across the nation and are the Agency's main physical point of contact with beneficiaries and the public. Additionally, the Social Security disability program depends on the work of 54 Disability Determination Services which include all 50 States, the District of Columbia, Guam and Puerto Rico.

To meet the needs of non-English-speaking persons, SSA recruits bilingual individuals to serve as a public contact for persons visiting SSA field offices and calling SSA's 800-number telephone service. During FY 2001, 15 percent of the Agency's new hires were bilingual. At year end, SSA had public contact employees who could provide service in English and at least one of 23 other languages.



Major Issues Facing SSA

SSA's Performance and Accountability Report summarizes the Agency's achievements in administering its programs and managing the resources entrusted to it. In addition to the retrospective information provided by the report, we believe a full picture of the Agency's and the program's status must also consist of a discussion of those current issues with possible major impact on future operations. These issues include long-term program financing, as well as human resource challenges, stewardship responsibilities and fair and equitable administration of our programs.

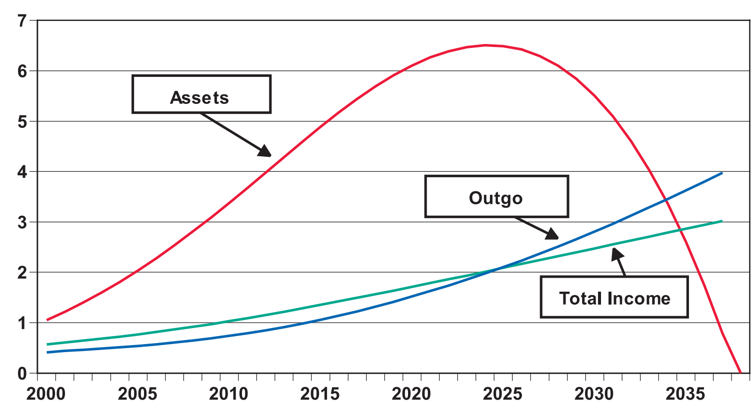
Long-Term Program Financing

The Social Security program has helped provide economic security for American workers and their families for more than 60 years. However, the program faces serious financial challenges over the next several decades. Addressing Social Security's long-term financing shortfall is essential because of the important role Social Security plays in the lives of so many people. At the end of 2000, 45.4 million people were receiving monthly Social Security benefit payments. And these benefits keep many Americans out of poverty. For example, in 1999, only about 8 percent of Social Security beneficiaries age 65 or older fell below the poverty line. But without Social Security, approximately 48 percent of those over age 65 would have been in poverty. Social Security is the major source of income for two-thirds of all retirees. For one-third, it's virtually all of their income.

Social Security is more than just a retirement program, however. About one-in-three Social Security beneficiaries is not a retiree. Approximately 7 million are survivors of deceased workers, and 6.7 million are disabled workers and their families.

The Scope of the Financing Shortfall

Estimated OASDI Trust Fund Assets, Total Income (Including Interest), and Outgo Based on Intermediate Assumptions, by Calendar Year (2001-2038) (in trillions of current dollars)



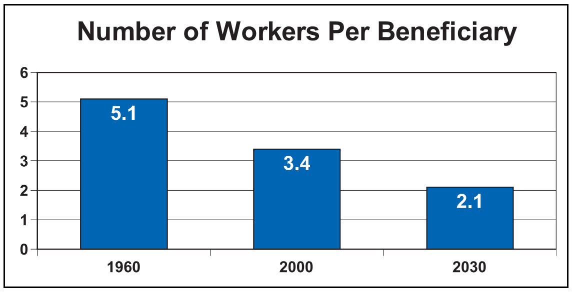
Currently, Social Security tax revenues exceed benefit payments, and the system is building large trust fund reserves to help finance the retirement of the baby boom generation. Under current estimates, benefit payments will begin to exceed taxes in 2016, and Social Security will start using annual Trust Fund interest to help pay benefits. Starting around 2025, Social Security will need to use the Trust Fund reserves themselves to help pay benefits; by about 2038, the Trust Fund reserves will be exhausted. At that time, it is estimated that current Social Security tax receipts will provide sufficient funds to meet only about 73 percent of benefit obligations.

The Demographic Challenges Facing Social Security

Social Security is basically a pay-as-you-go system, whereby Social Security taxes collected from today's workers and their employers pay the benefits of today's beneficiaries. But changing demographic factors—including increased longevity and lower birth rates—are straining the system's financing.

Americans are living longer, healthier lives. In 1946, 11 million Americans were 65 or older. Today, there are 35 million older Americans, and that number will double in the next 30 years. Life expectancy also continues to rise. In 1940, life expectancy for a 65-year-old was 12 1/2 years; today, it's 17 1/2 years, and by 2030, it is projected to be about 19 years.

At the same time, birth rates are lower. The result of these demographic trends is a continued decline in the ratio of workers to beneficiaries. In 1960, there were about 5 workers per beneficiary; today there are 3.4 workers per beneficiary, and that ratio is projected to decrease to about 2 workers per beneficiary by 2030 (see chart to the right), placing a strain on the pay-as-you-go system.



Social Security Strengthening and Modernization Initiatives

President Bush stated in his Inaugural Address that "We will reform Social Security and Medicare, sparing our children from struggles we have the power to prevent." To meet this commitment, on May 2, 2001, President Bush signed an Executive Order creating the President's Commission to Strengthen Social Security. President Bush listed six principles to guide the Commission's reform efforts:

- Modernization must not change Social Security benefits for retirees or near-retirees.
- The entire Social Security surplus must be dedicated to Social Security only.
- Social Security payroll taxes must not be increased.
- The Government must not invest Social Security funds in the stock market.
- Modernization must preserve Social Security's disability and survivors components.
- Modernization must include individually controlled, voluntary personal retirement accounts, which will augment the Social Security safety net.

On July 24, the Commission issued an interim report on its findings, and is scheduled to issue a final report by the end of the calendar year with recommendations to preserve Social Security while also providing for personal savings and investment accounts.

Disability Program Issues

Disability Process Management Improvement

SSA strives to deliver the highest levels of service by making fair, consistent and timely eligibility determinations and decisions at all adjudicative levels. However, applicants and beneficiaries sometimes find the current process complex, fragmented, confusing, impersonal and time consuming. Some also perceive the process as one in which different decisions are reached on similar cases at different levels of the administrative review process, thus some applicants must maneuver through multiple appeals steps before they receive a final decision.

To remedy these concerns and perceptions, the Agency announced a plan to test revisions to the disability eligibility determination process. The plan is a combination of initiatives that have demonstrated significant promise through testing and piloting over the last few years. It includes all levels of eligibility determination, beginning with the Disability Determination Services (DDS) in each State which perform initial disability determinations and going all the way through the hearing and appeal processes.

The DDS initiatives include the following:

- Providing more complete development and improved explanations of how the disability determination was made in order to enhance the quality of determinations.
- Enhancing the role of the State agency medical or psychological consultant to function as a true consultant in the disability determination process by providing information and advice to the disability examiner deciding the case.
- Providing the claimant with an increased opportunity to interact with the disability decisionmaker earlier in the process and to submit further information.
- Testing the elimination of the reconsideration step in order to streamline the process.

These initiatives were combined to form a new disability claims process for which the Agency has developed a prototype in 10 States.

Throughout this prototype, the Agency will further analyze and refine its improvements to the disability process. The Agency is continuing to gather and analyze data.

Similarly, SSA implemented the Hearings Process Improvement (HPI) plan. This includes: a national workflow model that combines pre-hearing activities so that fewer handoffs occur; early case screening and analysis; early claimant contact through pre-hearing conferences; certification of cases as ready-for-hearing; processing time benchmarks for critical steps within the process; group-based accountability for case processing from start to finish; and improved automation and data collection.

SSA is currently undertaking a broad scale evaluation of all aspects of the new hearing process. The Agency is closely monitoring progress, soliciting and considering feedback about the process from within and outside the Agency. A Steering Committee, in consultation with the Social Security Advisory Board, is responsible for leading the evaluations of HPI and has multi-component representation, including employee representatives.

The final step in the administrative appeals process rests with the Appeals Council and its Administrative Appeals Judges. The Appeals Council level of review represents an important link between the administrative appeals process and the judicial system. When a claimant requests the Appeals Council to review a hearing decision, the Appeals Council considers the evidence of record, any new and material evidence submitted to it which relates to the period on or before the date of the Administrative Law Judge's (ALJ) hearing decision, and the ALJ's findings and conclusions.

The Appeals Council Process Improvement (ACPI) plan is designed to provide high quality service to more claimants in less time. The plan includes a series of short-term initiatives designed to reduce the number and age of cases pending at the Appeals Council, and longer term structural and technological improvements designed to enable the Appeals Council to keep pace with future requests for review.

Implementation of the ACPI plan began in March 2000. The number of requests for review pending at the Appeals Council has declined from a high of nearly 156,000 in January 2000 to less than 95,355 by the end of September 2001. The average time to process a case has declined from 556 days to 447 days during that period, and more than 12 percent of all request for review actions processed in FY 2001 have been processed within 105 days.

These disability management initiatives are progressing at different rates. The DDS initiatives seem to be proceeding as planned, but we do not yet have the complete data needed to assess their success and future direction. HPI results have been uneven. ACPI is making good progress, but longer-term improvements have not yet been initiated. Formal evaluation of these initiatives, to validate initial expectations with actual results, is in progress and will provide additional opportunities for improvement.

The Supreme Court has accepted an appeal by SSA on a case that could have far-reaching implications for the Social Security Disability Insurance (SSDI) and SSI programs. The case, called *Barnhart v. Walton* (No. 00-1937), addresses two issues: Whether a claimant is entitled to SSDI or SSI based only on a medical condition that has lasted or can be expected to last for at least 12 months, even though the inability to do substantial gainful activity has not lasted and can not be expected to last for 12 months; and whether some people who go to work (or become able to go to work) before we decide their claims can be found to be disabled and entitled to a "trial work period." We expect a decision by the summer of 2002.

Return to Work

The Ticket to Work and Work Incentives Improvement Act of 1999 provided a number of new programs and initiatives for disabled beneficiaries. Return to Work is part of the President's New Freedom Initiative--and a priority for the Administration.

In early 2002, we expect to begin a three-year national rollout, a few States at a time, of the "Ticket to Work and Self-Sufficiency" program (Ticket program). Return-to-work service providers, called Employment Networks, will give beneficiaries greater access to rehabilitation and employment services. Employment Networks will be paid only if the beneficiary leaves the disability rolls due to work or meets certain work-based milestone criteria specified in regulations. The law also makes it easier for beneficiaries who leave the disability rolls because they return to work to receive benefits again if they become unable to continue working because of their medical condition. They will have five years to request reinstatement without having to file a new application.

A program of cooperative agreements in each State and territory, called the Benefits Planning Assistance and Outreach program, helps beneficiaries understand SSA's work incentives, become aware of any benefits of other programs for which they may be eligible, and gain employment. SSA has funded cooperative agreements with 117 organizations, providing complete coverage across the United States. The law also provides for payments to State Protection and Advocacy systems for the purpose of providing services, including information and advice about obtaining vocational rehabilitation and employment services, and advocacy that a disabled beneficiary may need to secure or regain gainful employment.

Another provision of the law enables Social Security Disability Insurance beneficiaries who return to work to be eligible for expanded Medicare coverage. The provision extends Part A premium-free coverage from 39 months to 93 months after the end of the trial work period for most SSA disability beneficiaries who work as long as the individual still has a disabling impairment. Without this provision, disability beneficiaries might otherwise have to decide between working or keeping the health care coverage they need. The law also provides States the option of expanding Medicaid coverage for working disabled or blind SSI beneficiaries; SSA and the Centers for Medicare and Medicaid Services are encouraging States to adopt these expansions in medical care.

As mandated in the legislation, SSA has created a new field office position, called the Employment Support Representative (ESR), to provide front-line work incentives consultation to beneficiaries and others in the disability community. A pilot of the position was conducted in FY 2001. Information from the pilot will be used to guide the rollout of the ESR position.

Another pilot project explores a unique continuing disability review process for youth aged 16-25 that will assist SSA in evaluating their work potential. This initiative is part of a developing Youth Employment Strategy (YES) which will be a major inter-agency effort to make the school-to-work transition more effective for youth and young adults. A significant part of YES will establish a youth research initiative to test improvements in the delivery of services and in the efficacy of alternative service payment systems. As a first part of that research, in 2000, SSA awarded a cooperative agreement to perform a three-year test of a hospital-based program for youth in transition in Washington, D.C.

Finally, SSA is developing two demonstration projects that are required by the Ticket legislation. The $1-for-$2 Benefit Offset demonstration project is intended to provide beneficiaries with the support necessary to return to work and achieve financial independence. This demonstration will remove the "cliff" effect that cuts off cash benefits to beneficiaries who work and, after completion of a trial work period, earn above the substantial gainful activity level. The benefit offset will gradually reduce benefits by $1 for every $2 earned above a specified level to make it easier for beneficiaries to reenter the workforce. The second project, the Early Intervention demonstration, will provide return-to-work services before awarding benefits to applicants with impairments that reasonably may be presumed disabling. The intent of this project is to avert long-term benefit receipt in those instances where it appears rehabilitation may produce a better outcome.

In addition to initiatives generated by the Ticket legislation, SSA is conducting the National Study of Health and Activity (NSHA), a national survey intended to provide critical data on the prevalence of disability among people of working age. Its major goals are to provide information on the number and characteristics of people potentially eligible for Social Security DI on the basis of their impairment, the factors that enable people with disabilities to remain in the workforce, the number of people who would be induced to apply for DI benefits under a $1-for-$2 benefit offset and the effect of increasing the age for full or reduced retirement benefits on the DI program. The results of the pilot study are being analyzed, and further refinement and testing will be concluded early in 2002. If the tests are successful, the main study will be initiated later that year.

Commitment to World-Class Service

The American public has come to expect continually improved service from SSA and other Federal agencies. To meet that expectation, SSA is committed to continuing to provide responsive, world-class service to the public. We have many initiatives under way that will improve service to the public. But we recognize that changes in people's preferences, emerging technologies and other factors will result in modifications to the way we deliver service in the future.

To support our service commitments and to keep pace with rapidly changing technology, SSA has taken steps to significantly upgrade and refresh our systems infrastructure. Employee desktop computers are being replaced every three years. We're also upgrading our computer network, telecommunications and security infrastructure. Taken together, these enhancements will allow us to better serve the public whether they choose to contact us in person, over the phone or via the Internet.

The following discussions are just some of the examples of the initiatives under way to improve our service to the public.

SSA's Service Vision

As the baby boom generation approaches retirement over the next few years, SSA faces dramatic increases in workloads and significant losses within an expert workforce looking to retirement. At the same time, people in all age groups are relying upon and demanding the convenience of world-class electronically-based service. The challenge is daunting.

We created a long-range vision of service to guide how we will manage our work and provide service a decade from now. Our *Service Vision* includes key features such as efficient, one-stop shopping, and reduced burden and cost for our partners in business and government to share information and to coordinate service delivery. It envisions substantial increases in efficiency through e-Government. We are currently working to develop the detailed plans and the cross-cutting human capital and e-Government strategies that will serve as the roadmap for achieving the service vision of the future.

This long-term service vision and the related performance objectives and strategies in the Agency Strategic Plan will drive our near-term initiatives toward long-term goals.

Electronic Service Delivery

SSA's website, *Social Security Online*, provides the American public with one-stop shopping for information and services regarding the Social Security programs. Using state-of-the-art tools, SSA seeks to improve the interaction between our organization and the public, regardless of where and how that interface takes place. We are committed to continuing our legacy of providing personalized service by ensuring that our electronic service delivery channels are as satisfying to each individual as our traditional methods. Electronic Service Delivery is one of the governmentwide management and performance initiatives in the President's Management Plan.

Social Security Online began by providing electronic access to information products. We then added over 65 SSA forms and 4 Internal Revenue Service forms available for downloading. The emphasis now is on the availability of transactional services on the website.

FY 2001 has been very active for *Social Security Online*; six applications have been added or enhanced. The *Benefit Eligibility Screening Tool* helps individuals determine eligibility for benefits. The *Internet Social Security Benefit Application* (ISBA) is an evolution of the retirement claim (IRIB) implemented last year and now enables a spouse to file. *Password Services* allows ISBA filers, and selected others, to obtain a password to access the new post-entitlement applications: *Check Your Social Security Benefit* to view current account information; *Internet Change of Address* which also permits phone number changes; and *Start or Change Direct Deposit.*

As we continue to add new services, there are many challenges to overcome. These include training of our workforce, integration of varying authentication mechanisms, and enhancing our partnerships with other government organizations. Privacy and security are still significant considerations as we add more transactional services to the website. We continue to consult with privacy/security experts on our plans for new applications. In addition, the Agency has established a methodology for research and development efforts, to test the potential impact of new electronic services technologies in the SSA environment.

We are focusing on better ways to collect feedback, gain more insight into user concerns and address usability issues. We are working on a comprehensive redesign of *Social Security Online* to provide easier access to information and online services. To fully support our electronic services, SSA recognizes the need to build a robust software development environment and hardware infrastructure.

Building the Internet Service Delivery Mechanisms

This year SSA will begin to rapidly increase the number of its services delivered directly to the American people. The Internet will be the primary method for delivering those services. Although SSA already has a significant number of Internet-based services available, the planned increase in both the quantity of those services and their use will need to be supported by up-to-date software development practices and by a technical infrastructure appropriate for a large-scale operation.

SSA's strategy centers on building Internet services that link to its existing business processes and core systems. This will allow SSA to address the new technical and organizational challenges on a priority basis as their character and magnitude become known while still satisfying current system needs in the more traditional manner.

These plans will require significant information technology funding for a step-by-step upgrade of networks, computing capacity, software, application development tools, staff training and experienced contractor support. This solution will provide the Agency with a reliable infrastructure and the ability to keep pace with the rapid changes in this area of technology.

Electronic Payment Services

SSA is the leader in electronic payment delivery throughout the Federal Government. Currently, 75 percent of benefit payments are made electronically. SSA programs have experienced considerable growth in electronic payment delivery in recent years. Specifically, in December 1995, 60 percent of all OASDI and 26 percent of SSI benefit payments were made by direct deposit. As of June 2001, the OASDI participation rate had risen to 79 percent and the SSI participation rate to 50 percent.

To achieve this success, SSA has aggressively pursued its direct deposit strategy to convey to beneficiaries the advantages of using direct deposit; i.e., direct deposit is safe, convenient and reliable. In FY 2001, SSA implemented a pilot to allow beneficiaries to enroll in direct deposit over the Internet.

Direct Deposit Public Information Material

SSA was the first Federal agency to make cross-border payments with the start of its International Direct Deposit (IDD) service in 1987. Since 1987, SSA has expanded its IDD services to 37 countries providing fast and economical electronic payment delivery to over 134,000 beneficiaries living in foreign countries.

SSA has partnered with the Department of the Treasury to implement an Electronic Transfer Account (ETA) program for beneficiaries who do not have an account at a Federally insured financial institution or who cannot obtain one. The ETA program will ensure recipients an account at a reasonable cost and with consumer protections comparable to other accounts at the financial institution. The ETA program, which became operational in 1999, continues to expand its number of participating financial institutions, and now has over 10,000 providers nationwide.

Market Measurement Program

SSA's ability to deliver quality service is based in part in knowing the public's expectations. Through our Market Measurement Program (MMP), we routinely collect information from the public as well as SSA's workforce and other interested parties through regularly scheduled satisfaction surveys and detailed studies. This information helps us decide where to best focus our limited resources and make improvements in areas that will have the greatest positive impact on satisfaction.

Feedback obtained through the MMP has guided us to:

- Focus significant resources to improve 800-number telephone service since we know that: (1) The public is showing an increasing preference for dealing with SSA by telephone, and (2) overall satisfaction with SSA is significantly influenced by how quickly the public gets through to us by telephone;
- Respond to individuals who told us they would be more satisfied if they could complete business in one contact by implementing a new immediate claims taking capability for people who call our 800-number and want to file certain claims; and
- Undertake efforts to improve our notices since notice clarity is continually identified as one of the most important aspects of public service.

Using MMP data, we continue to identify and address such service problems and issues. We are looking at ways to expedite the data collection process, to conduct more special studies, and to broaden our focus to include more employee and other interested party issues. The employee focus is particularly important because research has shown a direct link between high employee engagement and employee retention, productivity and public satisfaction.

Human Resource Challenges

Human Capital Management

Human Capital Management is a governmentwide initiative in the President's Management Plan, and the General Accounting Office (GAO) has also designated Human Capital Management as a high-risk area governmentwide. SSA established a multi-faceted response to this challenge as a result of our analysis of our own public and employee base. Our Agency faces explosive workload growth as the baby boom generation ages and becomes more prone to disabilities. At the same time, we face our own internal "retirement wave," with the projected loss of more than 38,000 SSA employees to retirement and other attrition over the next decade.

We have identified the occupations in SSA that will experience the most serious losses as employees retire in increasing numbers. To fill the gaps, we have implemented various career development programs to advance the skills of employees and prepare them for leadership and other key positions. In addition, we have established a Future Workforce Transition Plan, a 5-year plan for transitioning from the workforce we have today to the workforce we will need in the future. The plan contains a wide range of actions we are implementing in order to meet our future needs.

Our human capital strategies include a number of initiatives to broaden the capabilities of our current employees, improve employee retention and effectively replace those employees that do leave. We are implementing recruitment strategies that will help us attract top-quality applicants, lead them to a decision to join the SSA workforce and create "brand loyalty" for SSA as an employer.

Retirement Wave Update

Our original "Wave" study was released in October 1998. The purpose was to develop a methodology and report on retirement attrition projections for a mature workforce. In order to do that, we tracked actual retirements from past retirement eligible pools to establish historical retirement patterns. We then applied the historical retirement pattern to current eligible workers, and also prospectively to future eligible employees.

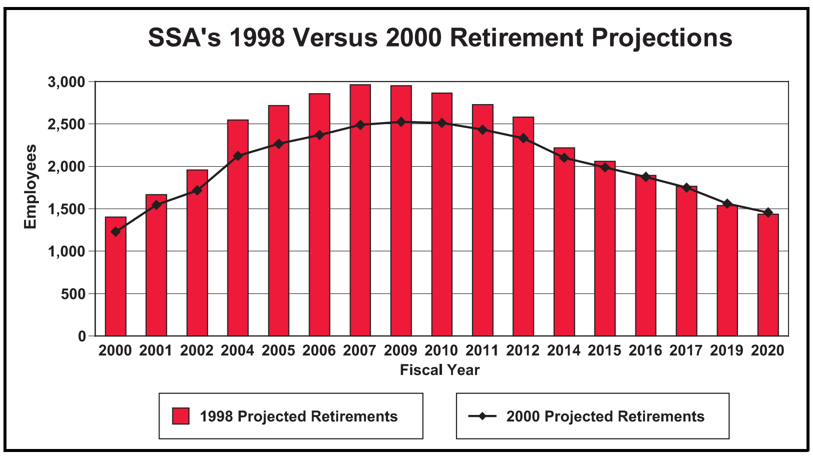
What we found in our 1998 study was a retirement wave that peaked between 2006 and 2010, with about 2,900 estimated annual retirements between 2000 and 2010.

The Agency responded by:

- Replacing early out and regular attrition losses by hiring direct service employees;
- Redeploying staff employees to direct service positions;
- Implementing three national and numerous regional and component-level developmental programs that included over 1,200 employees; and
- Developing the Human Resource Transition Plan for the Workforce of the Future.

Our latest study used current workforce statistics to improve our analysis, added disability retirements and refreshed our projections. We are working to improve our early out projections and exploring a model to project total attrition.

Early out retirements 1998 through 2000 have impacted the original projections. The effect of employees taking early out retirement is the flattening of the "Wave's" peak compared to our 1998 projections. Early outs have allowed us to hire new employees and have them benefit from knowledge transfer from veteran employees still on the job.



Our current projections now show different retirement patterns. Examples are:

- While the "Wave's" peak remains essentially the same, 2007 through 2010, there are about 400 to 500 fewer employees projected to retire each year during the peak period;
- About 23,000 employees or 37 percent of our current workforce of about 62,000 employees will take regular or disability retirement between now and 2010.

Training and Career Development

We have begun a number of initiatives designed to address this challenge from several perspectives. In response to the anticipated significant loss of knowledge and experience in the Agency's managerial ranks, we have revitalized and expanded our career development programs and management training. We are implementing learning strategies that will harness new technologies to better ensure we get the right training to the right person, at the right time. For example, we are extensively utilizing distance learning systems that employ live instruction and/or web-based delivery to train both new and seasoned employees in their offices or at their workstations.

Another integral part of this effort involves being able to better identify skills gaps, determine the best way to close those gaps and develop new learning initiatives that will improve performance. We are addressing this need by developing a Learning Management System that will enhance employee awareness of training needs and opportunities, improve access to training and pay particular attention to training accessibility for employees with disabilities. One part of this strategy is the creation of our new Online University, which is designed to foster a culture of continuous learning by allowing employees access to Agency-sponsored training at home or other external sites.

As can be seen, creation of the proper learning environment for our employees in which they can be highly skilled and performing is an ever-evolving process to which we are fully and actively committed.

Stewardship

SSI Management Improvement

The SSI program provides benefits to approximately 6.6 million needy beneficiaries who are aged, blind or disabled. Like other means-tested programs that respond to changing circumstances of individuals' lives, the SSI program presents challenges to ensure that it is administered efficiently, accurately and fairly. "Sustain Management and Oversight of Long-Standing, High-Risk SSI Issues" is designated a major management challenge by GAO.

In October 1998, SSA issued the first management report on the SSI program, detailing the Agency's aggressive plans to improve payment accuracy, increase continuing disability reviews (CDR), combat fraud and collect overpayments. Two initiatives key to improvement have been executed--new computer matches and processing more redeterminations.

Since October 1998, SSA has conducted computer matches with wage and unemployment compensation data and with nursing home admission data. Both are considerably more complete and timely than the matches they replaced. From 1997 to 2001, there has been a significant improvement in the efficiency of these matches. Wage errors detected through our quarterly match quadrupled, from about 100,000 to about 400,000. The monthly nursing home match increased detection of nursing home admissions detected per year from 2,700 to 75,000.

SSA has had similar success in matches with correctional facilities. In FY 2001, these matches resulted in the suspension of benefits to 61,545 prisoners ineligible for SSI benefits while in a correctional institution. The sharing of this prisoner information with other Federal benefit paying agencies significantly improves fraud prevention and detection capability governmentwide.

In addition to computer matches, SSA is pursuing real time access to a variety of databases. This access will enable SSA field offices to detect inconsistencies and changes in income and resource allegations, significantly improving SSA's ability to prevent payment errors and enhance its ability to detect those errors that do occur.

While computer matches have and continue to provide extraordinary opportunities for improved management of benefit payments, the redetermination of eligibility for benefits and the CDR processes remain two of the most powerful tools available to SSA for improving the accuracy of SSI and DI payments. Initiatives are underway to increase the effectiveness of these processes. In FY 2002, SSA will test a new redetermination form that could lead to improved selection criteria. Statistical modeling and other types of analysis are being pursued to improve selection methodologies for CDRs and ensure SSA can remain current with CDR processing.

Zero Tolerance for Fraud

One of our strategic goals is "to ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse." To achieve this goal, SSA initiated an aggressive anti-fraud program to: 1) Eliminate wasteful practices that erode public confidence in the Social Security system; 2) vigorously prosecute individuals or groups who damage the integrity of the programs; and 3) change programs, systems and operations to reduce instances of fraud.

SSA's National Anti-Fraud Committee, under the leadership of top SSA executives, continues to oversee the implementation and coordination of SSA's strategies to eliminate fraud. Regional Anti-Fraud Committees coordinate anti-fraud strategies at each of our regional offices and identify new projects at the local level. Best practices are shared among the regional committees and with the national committee.

Recent Progress In Combating Fraud

We have major initiatives under way to address fraud, waste and abuse. By moving forward with these agencywide initiatives, we will provide our employees with additional tools and demonstrate our commitment to the integrity of our programs.

Social Security Number Fraud

Essential to SSA's ultimate goal of preventing fraud is ending the Agency's dependence on documents that can be easily counterfeited or misused in an attempt to acquire a Social Security number (SSN). SSA has identified three basic types of fraud related to the SSN: when someone illegally obtains a number or uses someone else's number; when someone uses fraudulent documents to establish an entirely new identity; and when someone assumes another person's identity (identity theft).

Current initiatives aimed at eliminating these opportunities for fraud include:

- The formation in late September 2001 of an Emergency Enumeration Response Team. The group's initial focus has been on developing recommendations for near-term changes to strengthen the integrity of the process. We expect to implement the changes within 3 months.
- One of the changes is the elimination of driver's licenses as a reason for issuance of a non-work SSN.

- Another change will lower the age tolerance from age 18 to age 12 for the use of mandatory interview procedures in field offices. All applicants for original SSNs over the age of 12 will require a face-to-face interview with an SSA Claims Representative, and the birth record presented as evidence of age will be verified with the custodian of records before issuance of an SSN.
- SSA is also taking the lead in establishing an interagency taskforce with the Immigration and Naturalization Service (INS) and the Department of State (DOS) to focus specifically on issues involving the enumeration of non-citizens. The taskforce will discuss the possibility of accelerating an Enumeration at Entry process that will have INS and DOS collecting SSN data for non-citizens as part of the immigration process.
- We are also making continuing changes to the Modernized Enumeration System to help prevent fraud. For example, software changes planned for 2002-2003 will interrupt issuance of an SSN card where abnormal circumstances exist.

Representative Payees

SSA has a Key Initiative plan in place to address "Critical Projects to Improve the Representative Payment Program." This plan includes projects to improve the representative payment program through a better informed public, a more reliable payee investigation and selection process and a more meaningful payee monitoring program.

Prisoners

With the support of Federal, State and local entities, SSA has made significant progress in ensuring that incarcerations are reported timely and accurately and that benefits are suspended accordingly. Over the past few years, SSA has more than 3,110 reporting agreements in place representing 5,983 facilities, including local correctional and mental facilities, the Federal Bureau of Prisons and all State prisons. These agreements cover 99 percent of the inmate population in the United States and have resulted in hundreds of millions of program savings over the last few years.

Fugitive Felons

As a result of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, fugitive felons and parole or probation violators are not eligible for SSI payments for any month during which they are fleeing to avoid prosecution, or custody or confinement after conviction, or are violating a condition of parole or probation. SSA and the Office of the Inspector General (OIG) are actively pursuing matching agreements to facilitate electronic matching of warrant information with Federal, State and local law enforcement agencies to identify these individuals. We currently have matching agreements with the Federal Bureau of Investigation (FBI), the FBI's National Crime Information Center, the U.S. Marshal's Service, several State agencies and metropolitan police departments, in addition to local fugitive felon programs in each State.

Cooperative Disability Investigations Units

The purpose of the Cooperative Disability Investigations (CDI) program is to develop evidence of material fact sufficient to resolve allegations of fraud or similar fault in the disability program. A typical CDI unit consists of an OIG Special Agent, SSA employees and/or state DDS employees, State or local law enforcement agency personnel and an administrative assistant. The first CDI units began operation in 1998. There are currently 13 units and depending on the availability of funds, 20 CDI units should be in place by the end of FY 2003.

Administrative Sanctions

We successfully implemented the administrative sanction provisions of the Foster Care Independence Act of 1999 nationwide. These provisions allow SSA to impose periods of nonpayment of benefits under OASDI and ineligibility for cash benefits under SSI on individuals who knowingly furnish inaccurate or incomplete information for claims for OASDI and SSI benefits.

Critical Infrastructure Protection

Background

The SSA Critical Infrastructure Protection program resulted from the issuance of Presidential Decision Directives (PDD) 62, 63 and 67 which were to prepare the United States for new physical and cyber threats to our national infrastructure. Physical threats have always existed, however, the rapid growth and massive interconnectivity of the Internet around the world linked with our growing dependency on E-Systems have led to a new cyber threat.

On October 16, 2001, the President signed an executive order establishing the "President's Critical Infrastructure Protection Board." The protection program authorized by this order consists of continuous efforts to secure information systems for critical infrastructure. SSA's Critical Infrastructure Protection program will fully comply with the executive order and will ensure that SSA maintains adequate levels of security for information systems, including emergency preparedness communications systems, for programs under its control.

PDD-63 calls for a national level effort to assure the security of increasingly vulnerable and interconnected infrastructures of the United States, and provides for a protection plan for national assets from both physical and cyber attack. The national initiative is supported by the Critical Infrastructure Assurance Office, and the SSA effort is supported by our agencywide Critical Infrastructure Protection (CIP) Workgroup.

SSA has constructed a CIP Plan, which created a comprehensive program Agency approach, addressing physical security, continuity of operations and information systems security. SSA was the first agency to perform a complete "Project Matrix" analysis of all Agency assets and generate a full list of assets in order of criticality.

All assets identified as critical are being subjected to a vulnerability assessment to identify vulnerabilities, threats which could exploit these vulnerabilities, estimates of the likelihood and documentation of the expected risk. Efforts to remedy any weaknesses identified are under way.

A large proportion of all initiatives were cyber-security initiatives. Many of SSA's systems were reviewed and/or subjected to penetration testing to strengthen and improve information systems security--both at SSA and at State DDSs. The Continuity of Operations plan required by PDD-67 is a major component of the SSA CIP Plan. It establishes a plan to enable the Agency to continue essential functions during an emergency.

Financial Accounting System Replacement

SSA plans to acquire software and support services to replace its existing Financial ACcounTing System (FACTS). Mandates to reinvent Government, to improve the quality of Government services and the need to replace aging systems have impacted the operation of FACTS.

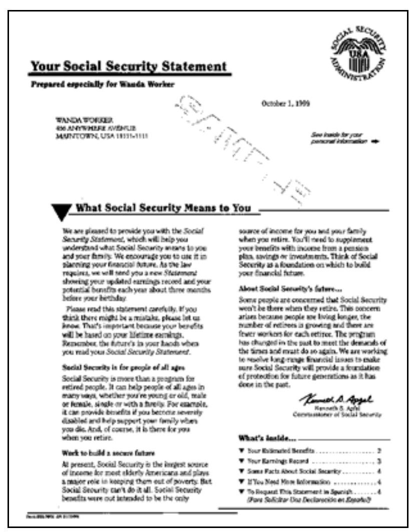
SSA has assembled a comprehensive set of governmentwide and Agency-specific functional and technical requirements that the replacement system must meet upon implementation as the Agency system of record. These requirements were used as commercial off-the-shelf software system evaluation criteria in a market survey begun on March 20, 2000 to identify the Joint Financial Management Improvement Program certified financial systems which could best meet SSA's needs. Of the systems offered by the vendor community at that time, a smaller subset was judged capable of meeting SSA's requirements. SSA is currently in the process of selecting the replacement software and is seeking a best value solution.

The projected implementation date for the replacement system is October, 2003. The proposed financial system will provide substantial benefits, including:

- Improving Business Processes through adoption of commercial [best] practices, cost efficiencies from integration, workflow, self service and e-business;
- Reducing labor cost for data transfers, data entry/update, report generation, and data verification and control, increasing decentralization of data input and enhancing field access to reports and on-line information; and
- Improving service to internal and external users, such as use of the web for doing business with SSA, reducing administrative and cost burden on business partners and ensuring continued support for the Agency accounting system of record.

Public Understanding

Over the coming decade, SSA will face significant challenges in its efforts to strengthen public understanding of Social Security programs. Through our communication activities, we will continue to educate the public about basic Social Security facts, the value of the programs, and how the programs are financed. Our objective is that, by 2005, 90 percent of all Americans will be considered knowledgeable about Social Security.



Your Social Security Statement

Prepared especially for Wanda Worker

SOCIAL SECURITY ADMINISTRATION USA

October 1, 1999

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

See inside for your personal information

What Social Security Means to You

We are pleased to provide you with the *Social Security Statement*, which will help you understand what Social Security means to you and your family. We encourage you to use it in planning your financial future. As the law requires, we will send you a new *Statement* showing your updated earnings record and your potential benefits each year about three months before your birthday.

Please read this statement carefully. If you think there might be a mistake, please let us know. That's important because your benefits will be based on your lifetime earnings. Remember, the future's in your hands when you read your *Social Security Statement*.

Social Security is for people of all ages

Social Security is more than a program for retired people. It can help people of all ages in many ways, whether you're young or old, male or female, single or with a family. For example, it can provide benefits if you become severely disabled and help support your family when you die. And, of course, it is there for you when you retire.

Work to build a secure future

At present, Social Security is the largest source of income for most elderly Americans and plays a major role in keeping them out of poverty. But Social Security can't do it all. Social Security benefits were not intended to be the only source of income for you and your family when you retire. You'll need to supplement your benefits with income from a pension plan, savings or investments. Think of Social Security as a foundation on which to build your financial future.

About Social Security's future...

Some people are concerned that Social Security won't be there when they retire. This concern arises because people are living longer, the number of retirees is growing and there are fewer workers for each retiree. The program has changed in the past to meet the demands of the times and must do so again. We are working to resolve long-range financial issues to make sure Social Security will provide a foundation of protection for future generations as it has done in the past.

Kenneth S. Apfel
Commissioner of Social Security

What's Inside...

- Your Estimated Benefits 2
- Your Earnings Record 3
- Some Facts About Social Security 4
- If You Need More Information 4
- To Request This Statement in Spanish 4
  (Para Solicitar Una Declaración en Español)

Our public education campaign is aggressive and proactive. Our strategic communications for FY 2001 includes six major strategies: (1) To establish SSA as preferred and most reliable source for information about Social Security; (2) to continue use of the *Social Security Statement* as centerpiece for mainstream communications; (3) to engage the community in helping us reach diverse populations; (4) to tailor communications tools and tactics to audience; (5) to effectively use both traditional and emerging technologies to reach the broadest spectrum of the public; and (6) to strengthen internal communications.

To meet our objectives, we will need to respond to communications issues arising from fundamental changes in our society and technology. These include:

- Providing the public useful information related to the future of Social Security. The public must be able to look to SSA for factual information about the program and its financing principles if citizens are to actively participate in national discussions about the future of Social Security. In the words of the Social Security Advisory Board, “SSA has a responsibility to communicate in an authoritative, credible, accurate and accessible manner with two important groups: first, the nearly 147 million workers who pay the taxes needed to finance the Social Security system; and second, the 44 million individuals who are currently receiving Social Security benefits.”
- Increased racial/ethnic diversity of the American population. The Census Bureau estimates that, by 2050, more than one-third of the population will be post-1970 immigrants and their descendants, and the vast majority of these immigrants will be from Latin America and Asian nations. As American society becomes increasingly multi-cultural, SSA will need to engage in more minority outreach, particularly with non-English media, and use innovative methods to get the right message to the right audience in a way that can be understood and used.
- Intensified concerns about retirement among the “baby-boom” generation. Today, the more than 80 million members of the “baby-boom” generation are beginning to think about retirement. SSA anticipates that these individuals will increase their demands for financial planning information, including information about the income-replacement value of Social Security benefits and cost-of-living adjustments. Broad public concern about financial security in retirement and in other life stages presents an opportunity for SSA to work with other government agencies and the private sector, including bank and investment firms and the life insurance industry, to develop cooperative education/information vehicles to assist financial planning.
- Increased technological change. The communications revolution has not only changed the way we distribute information, it has changed the way we do business. SSA must continue to develop new ways to serve the public through technology, including expanded use of the Internet to give, exchange and use information to do more of the Agency’s work. SSA must effectively communicate through the Internet and market our Internet services in ways that will make full use of its public-service potential.

Educating the public is important, because we must help the public understand, in a personal way, how Social Security fits within an individual’s financial planning for the future. We must help individuals know what benefits Social Security provides--and does not provide--and help them know when and how they can apply for those benefits.

Other Management Challenges

The Reports Consolidation Act of 2000 requires that, annually, the Inspector General (IG) prepare a statement that summarizes what he considers to be the most serious management and performance challenges facing the Agency and his assessment of the Agency's progress in addressing those challenges. SSA then reviews that list of “major management challenges” and works with the IG to address our mutual concerns. All topics on the IG's list are discussed in this Major Issues Facing SSA section of the MD&A except for the Earnings Suspense File which is discussed in the Programmatic Information section of this report on page 205. In addition, the General Accounting Office has identified similar major management challenges which SSA addresses each year in the Annual Performance Plan. The complete list of the IG’s Major Management Challenges may be found in this report following the auditor’s report on the FY 2001 financial statements.

Performance Goals and Results

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

Similarly, as the agency charged with managing and delivering these important programs, for over sixty years SSA has ranked among the premier agencies in government for our service and "can do" spirit. In many communities across the country and to many people, SSA has been the primary face of the federal government, and it is fair to say that Americans have generally viewed the Agency's performance and service with approval.

The Agency's pride and flagship, the front line workforce, continues to strive to provide excellent service to the public. Great new challenges lie ahead that would strain any good organization: the looming Baby Boom workload; technology advancing at warp speed along with service expectations; and the loss of expertise and institutional knowledge as our workforce begins to retire in greater numbers. In FY 2000, we created a vision of service in the future---how we will manage our work a decade from now. In FY 2001, we began to address the dual requirements that SSA prepare itself for a vastly different future, and at the same time keep performance and service at its traditional best. While we must invest in tomorrow, we are committed to providing the service the American public has come to expect from us today.

SSA's current strategic plan, *Mastering the Challenge*, charts a course for us to realize by 2005 concrete results in improved service, strengthened program integrity, and increased public knowledge of our programs. At the same time, with investments in technology, the workforce and an expanded base of policy analysis, we position the Agency to meet the needs of tomorrow's customers. Highlights and priorities under this plan for the next five years include the following:

Service to the Public:

- Improve service to applicants for disability benefits by implementing process changes to allow claims that should be allowed sooner, and to reduce the time it takes for decisions on hearings requests and appeals.
- Increase employment opportunities for beneficiaries with disabilities by implementing the Ticket to Work and Work Incentives Improvement Act.
- Increase and maintain overall public satisfaction and improve 800 number service through technological enhancements and process changes that enable customers to complete more business at the first point of contact.
- Establish customer feedback systems and measurement tools that give us a better understanding of customer expectations and a fuller picture of the quality of service we are providing.

Program Integrity:

- Improve Supplemental Security Income payment accuracy through continuing efforts to increase real-time access to data sources on income and resources that affect eligibility and payment amount.
- Clear the backlog and stay current in processing continuing disability reviews (CDRs).

- Increase the payoff from efforts to deter, detect and resolve fraud with a continued emphasis on major vulnerabilities to fraud in the SSI program.

Investments for Tomorrow:

- Build a body of data, research and policy analysis to identify strengths and weaknesses in the programs and the effects of proposals for change, particularly in the area of program solvency.
- Prepare for the growing customer demand to conduct business electronically by making most services available electronically or through automated telephone service and integrating communications channels for seamless customer access.
- Develop a workforce and technology infrastructure to support our long-range vision of service.
- Increase public knowledge of Social Security programs by continuing to promote awareness of the *Social Security Statement* and how it can be used to plan a secure financial future, and by tailoring our messages and strategies to educate all Americans about Social Security.

In FY 2001, we made major strides in addressing those long-term priorities and goals. This FY 2001 Performance and Accountability Report (PAR) is our opportunity to describe that progress. We tell you what we aimed to accomplish in FY 2001, what was in the way, what we actually did and what the consequences of our accomplishments were. We present that progress in the context of the requirements of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. GPRA defines specific efforts, at the highest level, that agencies must undertake to fulfill this requirement.

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

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

The strategic plan in effect for this FY 2001 GPRA performance report, *"Mastering the Challenge"* was published in 2000 and covers the period FY 2000 through FY 2005. This strategic plan states SSA's mission and establishes five broad strategic goals and seventeen supporting objectives that encompass all our program activities. The five strategic goals are:

- To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation
- To deliver responsive, world-class service
- To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse
- To be an employer that values and invests in each employee
- To strengthen public understanding of the Social Security programs.

For each of the supporting objectives, the FY 2001 Annual Performance Plan (APP), submitted to Congress in February 2000, sets forth the performance indicators and annual targets that serve as the measures of our performance in FY 2001. Those FY 2001 performance targets were based on the most recent data and analysis, agency consideration and decisions and were concomitant with the funds requested. The Revised Final FY 2001 Performance Plan, published in April 2001, revised several performance indicators and annual targets based on factors including but not limited to subsequent SSA consideration of actual, full-year performance data for FY 2000 and reductions to SSA's FY 2001 budget request.

Where target performance for an indicator was revised in the Revised Final FY 2001 Performance Plan, that target is used for comparison in this performance report rather than the target in the APP. In addition, where the wording or definition of an indicator or the definition of a target was changed in the Revised Final FY 2001 Performance Plan, that detail is carried over into the annual performance report.

Summary of FY 2001 Performance

In FY 2001 as in every other year, the largest usage of SSA's administrative resources went to processing our substantial day-to-day workloads. These workloads include:

- Paying benefits to 50 million people every month;
- Taking over 5 million claims, evaluating evidence, and making determinations of eligibility for benefits;
- Issuing 18 million new and replacement Social Security Number (SSN) cards;
- Processing 270 million earnings items for crediting to workers' earnings records;
- Handling 59 million calls to SSA's 800-number;
- Issuing 136.7 million Social Security Statements;
- Processing 1.7 million CDRs; and
- Processing over 2 million SSI redeterminations.

At the same time that we met these considerable day-to-day challenges, we made considerable progress in working to achieve our strategic performance commitments, as well as continuing to prepare to meet the future challenges of projected significant workload increases and employee retirements in the near future.

During FY 2001, we made considerable progress in meeting our long-term performance goals. For example:

- We continued to enhance, update, and share information about the value of the Social Security programs and the effects of proposals for change.
- We maintained virtually stable levels of overall public satisfaction, as we worked to maintain service levels in the current budget environment, even as customer demands and expectations continued to rise.
- We continued to make available additional automated and electronic services to our customers. This year we added or enhanced six Internet transactional services. We also continued to address the many challenges, including privacy and security, that will enable our customers to do business with us in an electronic environment.
- We made substantial progress in obtaining online eligibility data from Federal and State agencies, financial institutions and medical providers. This online access produces the benefits of reducing the burden on our customers to provide information, reduces processing time, improves payment accuracy and promotes one-stop Government service.
- We made significant progress in building the infrastructure to implement the new Ticket to Work and Self-Sufficiency Program that will help beneficiaries return to work.

- We stayed on target to complete our 7-year plan to become current with processing all CDRs by FY 2002. CDRs are a key factor in maintaining the integrity of the disability program.
- We continued to obtain significant results in our battle against fraud from Office of Inspector General investigations and other anti-fraud activities.
- We continued to provide our current employees with the support they need to continue to be the highly skilled, high performing and highly motivated workforce that is critical to achievement of our core mission. We also took steps to address our long-term human resource needs as we prepare for the challenges of the next decade.
- We worked to maintain public levels of understanding of Social Security programs at 75 percent and began to implement strategies to raise the level of knowledge among various segments of the population who are more difficult to reach with our messages.

In addition, there are a few areas where we did not make progress, or in which we fell back, due to a variety of reasons, either environmental and/or management. Specifically:

- Because of both external and internal factors, we continued to struggle to improve timeliness and productivity in our processing of hearing requests. The main barriers were litigation that continued to prevent us from hiring needed Administrative Law Judges (ALJs) to fill existing vacancies, and implementation of a new hearing process. We do not expect much improvement in average processing time in FY 2002 as an unavoidable result of the steady rise in pending levels experienced during FY 2001 and a higher actual average processing time in FY 2001 than projected. However, recent hiring of ALJs should have a positive impact beginning in FY 2003.
- We did not improve timeliness (i.e., average processing time) or productivity in our processing of decisions on appeals of hearings. This was due to several factors, including our focus in FY 2001 on clearing aged cases, which are more complex and take longer to process, as well as delays in realizing efficiencies from our newly implemented process improvements. We expect that our actions in FY 2001 will begin to result in benefits beginning in FY 2002.

During FY 2001, SSA used 68 distinct GPRA performance indicators to manage and track our progress in meeting our long-term strategic plan goals. These measures were established in our FY 2001 APP and/or, as appropriate, Revised Final FY 2001 Performance Plan. Some of these indicators have more than one sub-goal for FY 2001, and we report on each of those individually and in combination in this report. For four of the 68 indicators, we did not establish targets, and they were not measured in FY 2001. Our performance related to all of the 68 indicators is reported in the “GPRA Performance Results/Individual Performance Indicator Results” section or in this section as Key Performance Indicators.

For a limited number of performance measures, actual levels of full year performance data are not available as of the publication of this report. For those measures, actual performance for FY 2001 will be reported in the FY 2002 PAR.

In addition to GPRA performance indicators, we also tracked a number of budgeted workloads which were processed in FY 2001 in support of our strategic goals. Our performance is reported and discussed for those workloads in the “GPRA Performance Results/Selected Budgeted Workloads in Support of Strategic Goals” section. One of those budgeted workloads is also a Key Performance Indicator and is discussed on pages 44-45.

FY 2001 Performance by Strategic Goal

This section presents a summary discussion of FY 2001 performance for each of SSA's five strategic goals. We discuss our FY 2001 results and the actions we took during FY 2001 to accomplish the results. We also discuss the impact of actual FY 2001 performance on expected FY 2002 strategies and performance, as well as its contribution to achieving our longer-range goals and objectives.

This section also presents our FY 2001 performance related to one or more key performance indicators for each strategic goal. For each key performance indicator, we compare the target level of performance as set out in SSA's FY 2001 APP or Revised Final FY 2001 APP, as appropriate, with the actual level of performance we attained. We describe the activities we undertook in FY 2001 to achieve the results, describe any relevant underlying factors that may have affected performance and describe remedial and/or future strategies, as appropriate.

We provide additional detail on performance in the section "GPRA Performance Results/Individual Performance Indicator Results." In that section, we present similar FY 2001 performance information for the balance of SSA's FY 2001 GPRA performance indicators.

The "GPRA Performance Results/Individual Performance Indicator Results" section is organized by strategic goal. Under each strategic goal are several supporting strategic objectives under which we discuss the performance indicators that are used to measure our performance under that objective. Indicators are quantifiable in most cases. In other cases, our indicators are still measurable; they are milestones of initiatives expected to have a positive impact on performance.

For all indicators, we display the measure and FY 2001 target (i.e., goal), present a discussion of actual performance relative to the target and, as appropriate, future actions. We also explain the relevance of the measure to SSA's mission and the impact of FY 2001 performance on the overall performance trend and targeted FY 2002 performance. For quantifiable indicators, we also display available longitudinal data back to FY 1999 and to FY 1998 where available. In addition, we present data definitions and data sources for all the performance indicators, including key performance indicators. For any indicator that is discontinued effective FY 2002, such discontinuance and its basis are noted.

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

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

In FY 2001, SSA continued to provide timely and useful research and analysis in support of our mission to promote the economic security of the Nation's people. Notably, the Agency updated its barometer measures and provided analyses of options for modernizing and strengthening Social Security to meet future economic and demographic challenges.

SSA met all but two of the targets under this goal in FY 2001, and those targets will be accomplished in FY 2002. In support of this goal, the Agency devoted $18 million of its FY 2001 administrative budget to research, evaluation, statistical activities and policy analysis and another $29 million to extramural research.

Key Performance Indicator 1:

Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of Old-Age, Survivors and Disability Insurance (OASDI) programs

FY 2001 Goal: Prepare summary and analysis on the barometer measures

Our FY 2001 Performance: We met our goal.

A key deliverable in support of this goal is an annual set of barometer measures, which provide valuable information on program coverage and eligibility, benefit adequacy and equity, reliance on Social Security and SSI benefits, return to work among beneficiaries with disabilities, and private provision for retirement. SSA published its initial barometer measures in the Agency's strategic plan, *Mastering the Challenge*, and in our FY 2000 performance report. Beginning with this FY 2001 performance report, we are fulfilling our commitment to publish annual updates and analysis of our barometer measures.

This year we have added new barometer measures, including labor force participation (which is the basis for Social Security benefits and other retirement saving), replacement rates based on actual earnings and three measures of private provision for retirement (pension coverage, financial assets and net worth). We are using the barometer measures to help identify areas where our programs may be strengthened. For example, the barometers confirm the need to strengthen work opportunities for disabled beneficiaries, and return-to-work will continue to be a major focus of our research, demonstration projects and policy development activities.

Data Definition: Self-explanatory.

Following is a very brief summary of the barometer measures. The full set of barometer measures are organized under five barometer categories, and an analysis of each of five areas is in the "GPRA Performance Results" section of this report.

The five barometer 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

The barometers 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 men.
- One-third of women receive benefits only as wives or widows.
- Another 28 percent of women receive both worker and auxiliary benefits.

The effects on the well-being of subgroups should be assessed when changes to benefits are considered.

II. Benefit Adequacy and Equity

- Poverty rates have been reduced but still vary greatly.
- The young, women, and minorities are more likely to be poor.
- The current benefit formula provides higher replacement rates to low earners.
- Higher lifetime earners receive higher benefits but lower replacement rates.

Although Social Security has helped to reduce poverty rates, both adequacy and equity issues are important to continuing public support.

III. Reliance on Social Security and SSI

- 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 low-income beneficiaries.
- For two-thirds of SSI beneficiaries, SSI payments provide 50 percent or more of their income.

Too much reliance on OASDI and SSI benefits can result in inadequate income for beneficiaries; plans for diverse sources of income are critical.

IV. Return-to-Work Among Persons with Disabilities

- About 16 percent of SSI beneficiaries and 7 percent of SSI disabled beneficiaries work.
- Less than 1 percent of SSDI and SSI disabled beneficiaries lost benefits due to work.

Implementing the Ticket to Work legislation, national work incentive grants and demonstration projects should remain an important priority.

V. Private Provision for Retirement

- About half of today's workers have pension coverage.
- Increasingly, these plans are defined contribution plans, increasing the potential of higher returns together with individual risk.
- Levels of financial assets and net worth indicate that many have little private savings to supplement Social Security.

Planning for retirement should be a priority to ensure greater economic security.

Key Performance Indicator 2:

Preparation of research and policy evaluation necessary to assist the Administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs

FY 2001 Goal: Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress, and other policy makers. (We will analyze new proposals and/or modify analyses of previous proposals based on new data.)

Our FY 2001 Performance: We met our goal.

We met our goal by providing data and analyses related to Social Security reform in response to requests from the Administration and the Congress. For example:

- The Agency's Modeling Income in the Near Term (MINT) model provides demographic, income and benefit projections for future beneficiaries. In June 2001, we released a baseline analysis of demographic projections of future beneficiaries using data from MINT to Congressional requesters and the General Accounting Office (GAO).

- In the summer of 2001, we provided MINT data to GAO to assist in responding to a Congressional request on the adequacy of Social Security benefits.
- In September 2001, we conducted an analysis using MINT data to examine proposals designed to reduce poverty among the elderly, particularly women.
- We also used MINT data to prepare a distributional analysis of the Gramlich proposal from the 1994-1996 Advisory Council on Social Security.

In addition to fulfilling requests from the Administration and Congress, SSA prepared a paper estimating the administrative costs of individual accounts and made the paper available on our Website.

Data Definition: Self-explanatory.

Strategic Goal: To deliver customer-responsive world-class service

Virtually everyone in the nation has been or will become a customer of SSA at some point in their lives. This goal is directed specifically toward the way we deliver service to the people who conduct business with SSA.

By committing to "world-class" service, we mean to provide service that is equal or superior to that provided anywhere in the public or private sector. In defining world-class service, we look first to the American public to determine what they desire most from our service. We then balance their feedback with necessary resource considerations and other competing mission responsibilities to set our service objectives. We express our outcomes for this goal both in terms of overall public satisfaction and the results we aim to achieve in response to their needs and preferences. The measures and the strategies we employ focus on maintaining or improving service, even while demands grow and resources are constrained.

Our FY 2001 administrative expenses in support of this goal were $5,286 million and includes our return-to-work efforts as we continued to establish and implement SSA's new Ticket to Work and Self-Sufficiency program.

At SSA, we are continuously seeking to improve our interactions with the public, regardless of where and how the interface takes place. We strive to use state-of-the art tools for our electronic and automated services. We want these services to meet the broad range of needs of the public.

One way we are doing this is by continuing to expand the services we offer by telephone and electronically via the Internet that will allow customers to complete their business with SSA at the initial point of contact. We are pursuing an aggressive strategy that will provide on-line functionality while addressing resource issues and privacy and security safeguards. This will enable SSA to improve service and realize some administrative efficiencies by increasing access to public information and forms, while developing more complete on-line data collection and processing functions. We have already implemented 65 high-volume forms which can be downloaded on http://www.ssa.gov. In FY 2000, we implemented a service of benefit planners on SSA's website as well as our new electronic retirement benefit application. In FY 2001, we continued to make additional services available to the public via Internet, adding six new self-initiated actions that can be processed on the Internet. These new services are described in the Electronic Service Delivery narrative of the "Major Issues Facing SSA" section of this report. We will continually adjust our overall Internet strategy based on public input and activity on the Internet.

While several of our FY 2001 service delivery targets were not met, many "misses" were by a small amount and the progress made during the year was substantial. Even where our performance declined as compared to FY 2000, we understand the reasons why and in many cases, expect that the initiatives we undertook or continued during FY 2001 will have the intended payoffs in FY 2002 or FY 2003 and beyond. And in all cases of missed targets, the lessons learned inform us that we must continue to improve our processes and data collection methods, identify and implement efficiencies, and otherwise modify strategies so as to be more responsive to public needs and expectations.

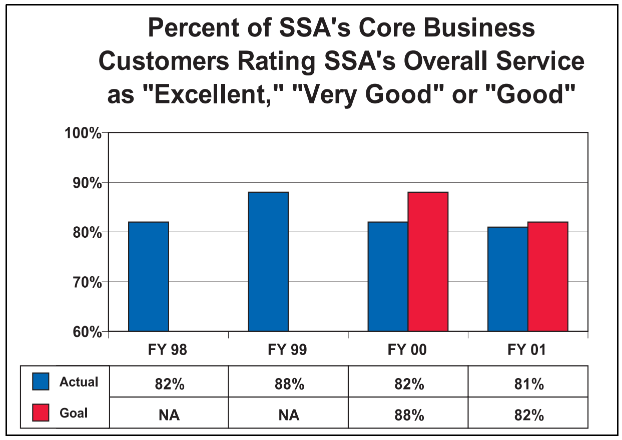
SSA is currently in a transition period. As we test and acquire new technologies expected to make significant service improvements in the long term, we struggle to maintain service levels in the current budget environment, even as public demands and expectations continue to rise. We are confident, however,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

Key Performance Indicator 3:

FY 2001 Goal: 82 percent

**Our FY 2001 Performance:
81 percent**

The overall public satisfaction rate for FY 2001 remained virtually the same as the FY 2000 rate, i.e., down one percentage point from FY 2000. Actual performance was one percentage point lower than the target.



Although the Agency continues with numerous service improvement initiatives, there have been no service enhancements significant enough during the past year to counterbalance the negative influences on overall satisfaction, most significantly telephone access issues. Analysis of our public interaction surveys indicates that the perception of access is the factor that has the strongest negative impact on the overall rating. Other factors that may be preventing a higher overall satisfaction rate this year: no significant notice improvements, fewer hearings being processed and longer initial disability claims and hearings processing times. Due to these factors, the overall satisfaction rate remained relatively stable.

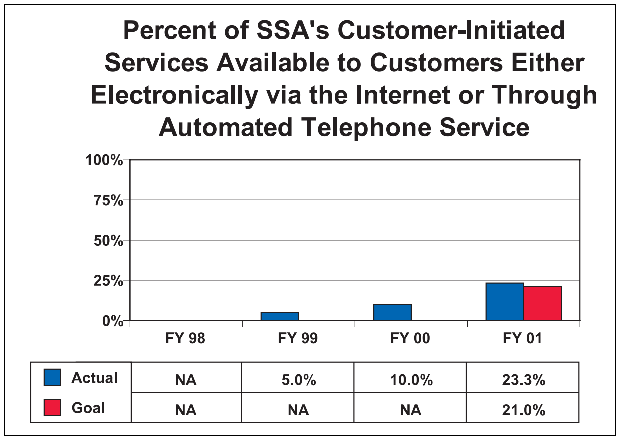
As we continue to pursue service improvements to address evolving public expectations, we expect satisfaction levels to remain relatively constant through FYs 2002 and 2003.

Data Definition: The number of core business customers 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 Customer Satisfaction Survey. For FY 2000 and on, the Interaction Tracking Surveys that capture customer satisfaction shortly after service contacts (either by telephone or in-person) take place.

<u>Key Performance Indicator 4:</u>

FY 2001 Goal: 21 percent



Our FY 2001 Performance: We exceeded our goal, with actual performance at 23.3 percent, and we are on target to meet our FY 2002 goal for having 30 percent of our services available through the Internet or automated telephone service by FY 2002.

In FY 2001, six new Internet applications were added or enhanced for the public's use. We implemented a benefit eligibility screening tool which helps individuals determine their potential eligibility to Social Security and SSI benefits based on answers to basic questions. We modified our flagship Internet application for retirement benefits to enable a spouse to file for benefits. Using an SSA-issued password, filers for retirement benefits can now use the Internet to check on the status of their social security benefit, change their address and/or telephone number and make changes to direct deposit information for their benefit check. The addition of these applications brought the total self-initiated actions available on the Internet to 17. Having identified 73 unique potential self-initiated services that might be made available electronically, these 17 applications equate to a total of 23.3 percent.

In FY 2002, we will expand and enhance our citizen-centered collection of services to at least 22 applications. Currently proposed services for development in FY 2002 include disability benefit applications, death reports, representative payee accounting, earnings corrections and the online Social Security Statement. The first password-based automated 800-number service, enabling a beneficiary to check the amount and date of the next benefit check due, became available in late October 2001.

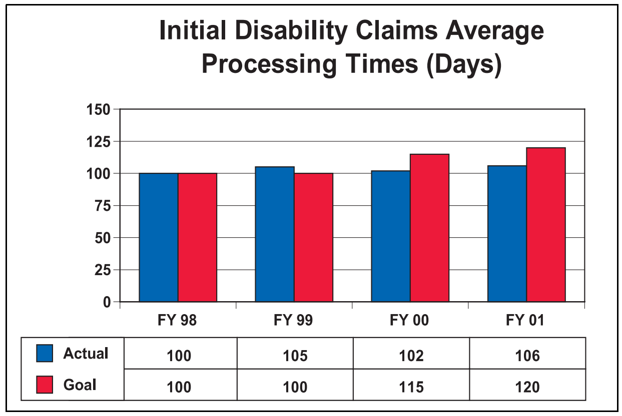
Expanding electronic government is one of the five key elements in the President's Management and Performance Plan. While our goal of providing 30 percent of our customer-initiated services electronically by FY 2002 remains unchanged, in evaluating our performance in FY 2001, we recognized that for FY 2003 we might need to expand this goal to include other factors beyond counting the number of services we offer electronically.

Data Definition: Percent of 73 customer-initiated services that will be available electronically via the Internet or through automated telephone service.

Data Source: List of SSA services initiated by customers; Internet schedule: Internet Site: ssa.gov.

<u>Key Performance Indicator 5:</u>

FY 2001 Goal: 120 days



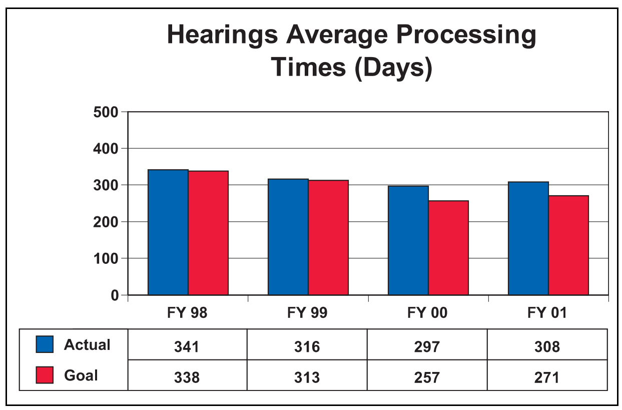
Our FY 2001 Performance: With FY 2001 average processing time at 106 days for initial disability claims, we met our goal. A number of factors contributed. First, we reallocated over $30 million to the State Disability Determination Services (DDSs) for processing claims, and this enabled the DDSs to increase case processing capacity. Second, a special project to rework 70,000 SSI disability cases did not materialize this year, so the DDSs were able to concentrate on clearing pending disability cases. We expect that the DDSs will meet future disability claims processing time goals if supported by funding.

Data Definition: This indicator represents 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 System.

<u>Key Performance Indicator 6:</u>

FY 2001 Goal: 271 days



Our FY 2001 Performance: We did not meet our goal; actual FY 2001 hearings average processing time was 308 days.

We did not achieve our FY 2001 hearings average processing time goal due to two major factors that adversely impacted our hearings processing capacity. First, from April 1999 until September 24, 2001, SSA was prevented from hiring Administrative Law Judges (ALJs) to fill existing vacancies. This was as a result of litigation involving the Office of Personnel Management (OPM) (Azdell v. OPM), which prohibited OPM from providing Federal agencies with an ALJ certificate from which to hire new ALJs. Accordingly, the ALJ corps continued to diminish during FY 2001, and from 1999 through June 2001 we lost 172 ALJs. The impact was a continuing loss in case processing capacity, higher pending levels and increased processing time. On September 24, 2001, we were granted a one-time exception to hire 126 ALJs pending a long-term resolution of the issue, and we took immediate action to hire.

The second major factor was implementation of a new hearing process. We expect hearings average processing time to remain relatively high in FY 2002, due to the effects of high hearings pendings continuing into FY 2001. Nevertheless, we will continue to look for ways to improve our hearings processing capacity and productivity. In addition to proceeding with the new ALJ hires, we are evaluating the new hearing process, and recently renegotiated a Memorandum of Understanding with one of our unions to afford more flexibility to local hearing offices in the performance of certain administrative activities. These positive efforts should reduce average processing time beyond FY 2003.

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

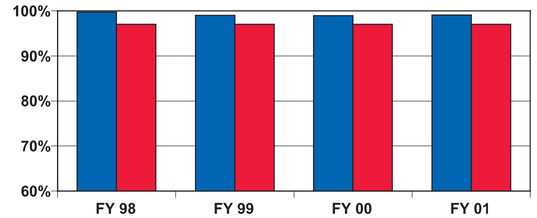
Data Source: Office of Hearings and Appeals (OHA) Monthly Activity Reports and the Hearing Office Tracking System (HOTS).

Key Performance Indicator 7:

FY 2001 Goal: 97 percent

Our FY 2001 Performance: As we have for the past three fiscal years, we exceeded our goal. In FY 2001, our actual performance was to process 99.1 percent of SSN cards within 5 days of receiving all necessary documentation.

Percent of Original and Replacement SSN Cards Issued Within 5 Days of Receiving All Necessary Documentation



	FY 98	FY 99	FY 00	FY 01
Actual	99.7%	99.0%	98.9%	99.1%
Goal	97.0%	97.0%	97.0%	97.0%

People who are applying for a new or replacement SSN card usually need the number to be issued as soon as possible for employment, other Federal and State benefits, or because of a name change. We will continue to provide this consistently high level of performance as an indication of our commitment to world-class customer service in the issuance of SSN cards.

Beginning in FY 2002, we will make a technical change to the definition of this performance indicator. The issuance date will be defined as the date of the systems run that assigns the SSN. This change clarifies the ending date for counts under this performance measure. Data previously reported, as displayed in the chart above, reflect this revised definition.

Data Definition: The percentage rate is the number of original and replacement SSNs issued within 5 days of the date the field office receives all required documentation divided by the total number of requests. The issuance date is defined as the date when the printed cards are delivered to SSA's mail operation. The data excludes SSNs assigned via the Enumeration-at-Birth process.

Data Source: Field Office Social Security Number Enumeration Report.

Strategic Goal: To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse

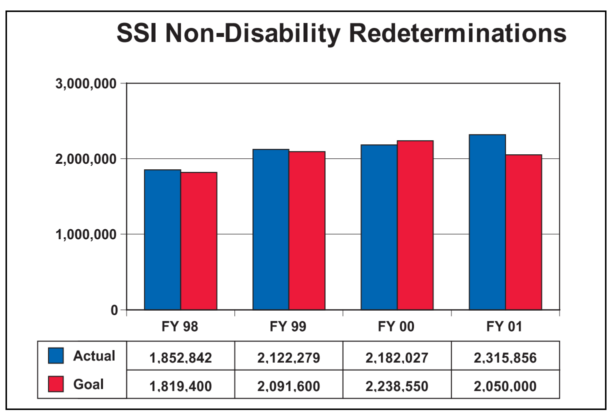
SSA paid out $450 billion in estimated total benefits in FY 2001 from taxpayer contributions to the trust funds and from general revenues. Social Security programs, which are designed to meet critical needs of the public, can themselves be threatened if the public perceives serious problems with program integrity. This goal reflects SSA's responsibility to protect taxpayer dollars from losses associated with fraud, abuse and payment error and to otherwise be a good steward of the programs we administer.

The overall outcome of this goal is accurate payment of benefits, that is, the right people getting the right payment. Because the size and complexity of Social Security programs make it inevitable that some error will occur, we focus not only on making payments correctly to begin with but, also on detecting and correcting errors as quickly as possible. When inaccuracies involve overpayments, our responsibilities require that we recover as much of the debt owed as possible.

In spite of our efforts to ensure that only those individuals who are eligible receive exactly the amounts due them, some individuals attempt to obtain benefits fraudulently. While there is no indication of widespread fraud associated with our programs, this goal underscores SSA's commitment to be vigilant in our efforts to combat fraud.

This goal focuses on the Agency's stewardship responsibilities from both a service and a business perspective. In FY 2001, the Agency has performed very well in this area, meeting most of the goals for which we have actual data. Technological advances, efficient use of the Internet and SSA's continuing efforts to encourage more employers to convert to electronic wage reporting and the offering of improved services and customer support contributed significantly to our success this year in achieving and exceeding the goals related to posting earnings and wage items. Our anti-fraud investigative efforts by our Office of the Inspector General (OIG) resulted in significant increases in FY 2001 in the recovery of dollars belonging to SSA's trust funds and in prosecutions of those who defraud the Social Security programs.

Our FY 2001 administrative expenses of $1,538 million supported the full range of activities that SSA, including the OIG, undertook to ensure the integrity of records and payments and to protect the taxpayers' investment in the trust funds and general funds.



<u>Key Performance Indicator 8:</u>

FY 2001 Goal: 2,050,000

Our FY 2001 Performance: We processed more than the targeted number of redeterminations, with 2,315,856 actually processed in FY 2001.

Supplemental Security Income (SSI) non-disability redeterminations are periodic reviews of eligibility to make sure that a recipient is still eligible and that the recipient is receiving the correct amount of SSI benefits. Redeterminations focus on the income and resource factors affecting eligibility and payment amounts. These reviews are the most effective tool we have for improving the accuracy of SSI payment outlays. Each year, SSA processes approximately 2,000,000 redeterminations. This is a cyclical workload with most cases released for processing early in the fiscal year, followed by smaller, monthly releases.

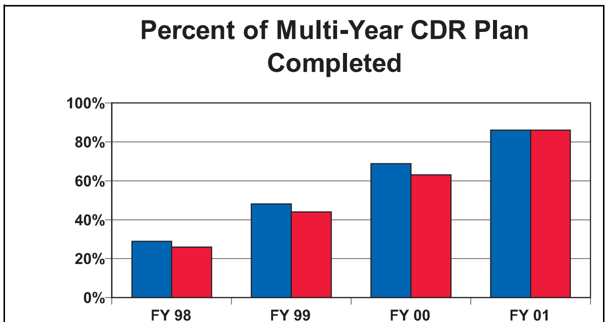
For FY 2002, SSA has requested funds to conduct even more redeterminations as part of our efforts to reduce erroneous payments in the SSI program. Our ability to process those redeterminations will depend on FY 2002 funding.

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.

Data Source: IWMS/DOWR

<u>Key Performance Indicator 9:</u>

FY 2001 Goal: 86 percent



	FY 98	FY 99	FY 00	FY 01
Actual	29.0%	48.2%	68.8%	86.1%
Goal	26.0%	44.0%	63.0%	86.0%

Our FY 2001 Performance: We met our goal. SSA conducts very cost-effective periodic reviews called continuing disability reviews (CDRs) to determine whether individuals receiving disability have medically improved and no longer meet the statutory definition of disability, and therefore should have their disability benefits terminated. The CDR process allows SSA to ensure the integrity of payments to individuals receiving disability benefits by monitoring their status.

SSA's annual targets are set in accordance with our 7-year CDR plan, which covers FYs 1996 through 2002. The goal of our 7-year plan is for SSA to process its entire backlog of CDRs by FY 2002, and then to keep current with processing this critical workload. Congress provides special funding to SSA to process our 7-year plan workload.

In FY 2001 we processed the targeted percentage of CDRs through adequate funding and by undertaking initiatives to enhance the efficiency and integrity of CDR processing. These initiatives included improving our ability to identify factors that may indicate that a beneficiary has medically improved. We use these factors in a profiling process to determine the type of CDR path a case should follow: either a full medical review or an abbreviated process using a CDR mailer questionnaire.

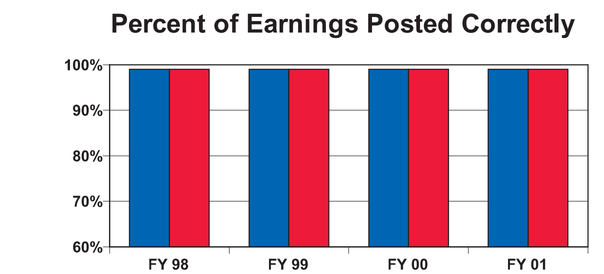
In FY 2002, we expect to complete our 7-year CDR plan, thus eliminating all CDR backlogs. To keep current with this workload, we will need to process 11.6 million CDRs from FY 2003 through FY 2009, and that is our intent. We estimate that this effort will result in $40 billion in lifetime program savings compared to an administrative cost of about $5 billion.

Data Definition: This measure is derived by dividing the cumulative number of CDRs SSA processed from FY 1996, the first year of the CDR multi-year plan, through the current FY, by the total number of CDRs SSA has committed to processing through 2002 according to its most recent multi-year CDR plan. This indicator will be discontinued and replaced with a new indicator beginning FY 2003 because the multi-year plan will be completed in FY 2002.

Data Source: National DDS System: Supplemental Security Record, Master Beneficiary Record, CDR Control File.

<u>Key Performance Indicator 10:</u>

FY 2001 Goal: 99 percent



	FY 98	FY 99	FY 00	FY 01
Actual	99.0%	99.0%	99.0%	99.0%
Goal	99.0%	99.0%	99.0%	99.0%

Our FY 2001 Performance: We again met our goal of posting correctly 99 percent of tax year 2000 earnings.

Our automated processing of earnings reported via paper eliminates human transcription errors in processing. On the magnetic media side, SSA has a number of online reference sources (http://www.ssa.gov/employer) to support the accuracy of reported earnings.

SSA works on an ongoing basis, through its Employer Reporting Service Center (1-800-772-6270) and through its Employer Service Liaison Officers located throughout the country, to respond to questions from employers and third-party filers. These services, combined with SSA's initiatives to expand electronic wage reporting, should ensure that SSA continues to meet its 99 percent performance goal for the accuracy of posted earnings.

Each year, we continue to improve the accuracy of wages reported to us and increase the efficiency of the reporting process. We continue to achieve excellent timeliness and accuracy performance, but there is still progress to be made through our electronic wage-reporting program. We still receive too many employee wage items (i.e., W-2 forms) with incorrect Social Security numbers (SSNs) and names, and too many paper and other labor-intensive, non-electronic wage reports.

We will continue to improve the accuracy of wages reported to us. We are implementing a 5-year plan to reduce the number of incorrectly reported wage items and thus improve the accuracy of earnings records, while making the process more efficient and user-friendly for employers and other wage reporters. In FY 2002, we will implement a full Internet wage-reporting capability. We will continue, as we have in the past with such excellent results, to work with employers and third-party filers, not just to answer their questions, but to encourage their use of electronic wage reporting.

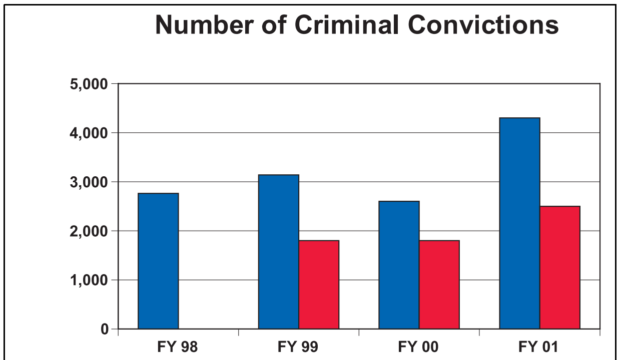
Data Definition: This rate represents the percent of earnings that SSA is able to post to individuals' records based on a match to a valid name/SSN and the Agency's records. In addition, it reflects the results of a quality assurance review of the accuracy of earnings posted. The computation of this rate is the total earnings processed correctly to individuals' earnings records and Agency records for a tax year divided by the total earnings reported to SSA for that tax year.

Data Source: Earnings Posted Overall Cross Total/Year-to-Date System (EPOXY) and a quality assurance review of the accuracy of posting received reports.

<u>Key Performance Indicator 11:</u>

FY 2001 Goal: 2,500

Our FY 2001 Performance: We met and substantially exceeded our goal with 4,300 convictions.



	FY 98	FY 99	FY 00	FY 01
Actual	2,762	3,139	2,604	4,300
Goal	NA	1,800	1,800	2,500

In FY 2001, we showed a significant increase in the number of criminal convictions reported as a result of the OIG's investigative activities. This increase is largely due to the expansion of some national investigative efforts such as those associated with the OIG's fugitive felon program and the Cooperative Disability Investigations (CDI) teams. The OIG continues to increase the number of CDI teams in operation each year. This annual increase has resulted in annual rises in productivity and results. The OIG continues to review productivity reports to determine if future performance goals are realistic. Based on past history, it appears that the goal set for FY 2002 continues to be both valid and reliable.

Beginning in FY 2002, we will make a technical change to this performance indicator. We are changing it from "number of criminal convictions" to "number of judicial actions conducted." We are making this technical change to more accurately reflect the types of actions that have been, and continue to be, counted in this indicator. Those actions include more than criminal convictions as defined by the legal community. They also include any event during the criminal justice process that causes an individual suspected of committing a crime to be arrested for the crime, or to appear before a judge to enter a plea of guilty, or to face trial before a judge or jury.

Data Definition: Effective with FY 2002, this performance indicator language is changed from "number of criminal convictions conducted" to "number of judicial actions conducted." The reason for the change is that the actions actually counted in this universe included actions that were broader than the legal definition of a criminal conviction. The change in performance indicator language is a change to clarify the performance measure. Data previously reported remains unchanged. A judicial action is any event during the criminal justice process that causes an individual suspected of committing a crime to be arrested for the crime, or to appear before a judge to enter a plea of guilty, or to face trial before a judge or jury.

Data source: Allegation and Case Investigative System (ACIS).

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

SSA would not be the service-oriented organization that it is recognized to be without its employees. The nature of SSA's ongoing public service workloads, such as paying benefits to over 50 million people every month, requires that we provide support to a substantial Federal and State DDS workforce. Over and above that basic support, we need to provide our employees with the technology, tools and training they will need to successfully perform their jobs as we move to address the uncertainties of this next decade.

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

While not all FY 2001 APP goals were met, our FY 2001 performance was consistent with overall performance levels in FY 2000. The Agency performed well in the areas of management development programs and staff development programs, and met essentially all of its FY 2001 goals relating to the physical environment.

The discussion of this strategic goal in SSA's latest strategic plan "*Mastering the Challenge"* clearly reflects the evolution of SSA's planning with respect to SSA and DDS employees and SSA's understanding that investing in human resources issues will be critical to SSA's ability to manage the challenges of the next decade.

Moreover, our FY 2002 APP, published in April 2001, clearly recognizes that a crucial challenge that SSA will face over the coming years is the "retirement wave." As large numbers of experienced employees start to retire, SSA must prepare to replace these losses. Our estimates show that retirements will peak in 2007-2009, at the same time SSA will be facing explosive growth in workloads as the "baby boom" generation ages. Tightening job markets will make it more difficult to attract and retain new, talented employees, particularly in the information systems and other highly technical fields. Flexible benefits and workplace options, in addition to a competitive salary schedule, will be critical for attracting excellent employees. SSA must become an employer of choice in this environment.

SSA is already taking a number of actions to address these challenges and we continue to identify process changes and supporting activities that will aid our success. Beginning in FY 2002, the performance indicators under this strategic goal will evolve to reflect those actions and SSA's commitment to make critical strategic investments in its human resources infrastructure.

<u>Key Performance Indicator 12:</u>

Complete Agency plan for transitioning to the workforce of the future *(This performance indicator has two goals for FY 2001.)*

FY 2001 Goal 1: Implement and update transition plan

Our FY 2001 Performance: We met our goal.

The SSA Future Workforce Transition Plan was published on June 5, 2000 and covers a 5-year period, FYs 2000-2004. The plan includes what we expect to happen in the future, what the effects will be on SSA's workforce needs and what actions will be taken to transition from the workforce we have today to the workforce we will need in the future.

During FY 2001 we succeeded in implementing many of the actions in the plan, and others are scheduled for future years. Among our most significant accomplishments, we have:

- Obtained special authority and hired annuitants to fill critical needs;
- Increased our use of incentives to recruit and retain employees;
- Taken actions to eliminate delays in filling positions;
- Expanded our career development programs to develop leadership and other employee skills;
- Modernized our training delivery tools allowing employees to receive training electronically at their desktops or through interactive video teletraining;
- Expanded family-friendly services such as childcare and eldercare; and
- Issued quarterly updates on progress and changes to both management and the union.

We will update our Future Workforce Transition Plan in FY 2002 and annually thereafter. Additionally, in FY 2002 changes resulting from the development of SSA's long-range service vision will be incorporated in a fully revised Transition Plan. The changes flowing from the long-range vision may have important implications for our future workforce needs. We will also implement specific actions in the plan, including developing additional incentives to recruit and retain employees in hard-to-fill positions, developing and producing new recruitment materials and continuing to enhance the leadership competencies of our managers and employees.

FY 2001 Goal 2: Develop and implement action items from employee survey

Our FY 2001 Performance: We met our goal.

SSA is using an employee survey to understand employee satisfaction with the work environment and to capture employee perceptions of whether they believe they have the tools and support to provide world-class service to the public. This information is important because of the strong and direct link between employee satisfaction and productivity, and public satisfaction.

A test of the survey process was completed and the results presented to SSA Executive Staff in March 2001. SSA management successfully concluded union negotiations in August 2001, clearing the way to train managers, supervisors and union representatives in the pilot areas. The training sessions began in early September 2001. However, the sessions scheduled for the latter part of September had to be rescheduled for November 2001. The work-team discussions to develop action plans will begin shortly after the training is completed.

SSA's intent is to conduct an employee survey that combines survey design, data collection, analysis, training and work-unit level discussions and action planning into one program. The 12 core questions used on the survey have been validated to show a strong correlation between employee response and productivity, performance and service. Using the information learned from the pilot, decisions will be made as to whether a survey of all employees will be conducted in FY 2002.

Data Definition: We will meet this goal if we: 1) Implement and update transition plan, and 2) Develop and implement action items from employee survey.

Strategic Goal: To strengthen public understanding of Social Security programs

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

Over the next few years, Social Security will continue to be at the forefront of the national agenda. Educating the public about our programs has been, and will continue to be, a priority for this Agency. It is critical for Americans to understand the Social Security program of today if they are to help shape the Social Security program of tomorrow.

Public understanding of Social Security's programs also is a key factor in how satisfied the public is with our service and may actually improve that service. It may lead to increased timely filings for benefits and more complete applications. Increased knowledge could also reduce unnecessary contacts with SSA. Our FY 2001 administrative expenses in support of this goal were $68 million.

In FY 2000, we substantially exceeded our annual goal of 65 percent by attaining a 75 percent rate of public knowledge. While data on the percent of the public knowledgeable about Social Security programs in FY 2001 is not yet available, we anticipate that we will meet our goal of 75 percent because of our success in mailing *Social Security Statements*, discussed below, to workers age 25 and older who are not receiving Social Security benefits. Our success is due in part to the expansion in the number of public affairs professionals in SSA's field structure and the increased public affairs activity by field office managers, which permitted more and better-targeted information to be directed to members of the public. In addition, in FY 2000 and 2001, the educational impact of the *Social Security Statement* likely reached its peak.

There are several environmental conditions that could have an effect on future goal achievement. Experts have suggested that we may have received the maximum educational benefit from the nationwide issuance of the *Social Security Statement*. We expect to continue to use it as a primary tool for maintaining the knowledge levels of the mainstream population and to refine it to ensure its continued utility, but we do not expect to see a future major rise in knowledge due to the *Statement*. We did begin a series of strategies targeted at various segments of the population who know the least about Social Security. Devoting resources to this education effort may have had, and may have in the future, a negative effect on the knowledge of the overall population, although we expect to raise levels of knowledge among the targeted segments. A series of localized studies showed that additional attention and resources devoted to public affairs activities could have a measurable effect on public knowledge.

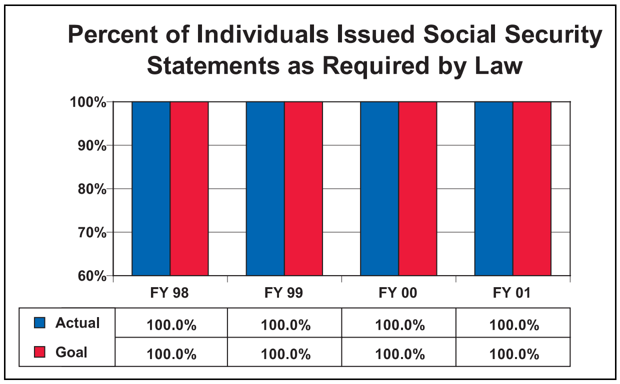
Because our ultimate goal is considerably greater than our objective for FY 2001 or FY 2002, we have already changed our strategies in an effort to increase our likelihood of achieving our FY 2005 goal of 90 percent. One major change has been to begin this year surveying enough individuals to ensure that we have statistically valid performance information at the local office service area level. We believe that this improvement in the measurement system will have a dramatic impact on goal achievement. Other major strategic changes can be found in our national communications plan, as summarized in the FY 2002 APP. We note that experts have advised us that our ultimate goal of 90 percent knowledge may not be achievable, so we have reduced the size of the incremental growth in our annual performance objectives over the plan horizon. We have chosen for now to keep our ultimate objective at the 90 percent level because of the importance we place on educating the public about Social Security. However, we may reconsider that decision when we find out our performance level for FY 2001 and reevaluate environmental factors.

An evaluation of the performance measure itself was undertaken by an independent contractor under contract to SSA's Inspector General. We have not yet received the evaluator's final report, although early information indicates that the reported FY 2000 results of the performance measure tested were reasonably stated. We will consider carefully any recommendations made for improvement to the measurement system and refine it accordingly.

In summary, we are now well positioned to maintain a reasonable level of public knowledge in the face of resource challenges and new, possibly confusing messages about the programs coming from different quarters of society. We have created strategies to focus on raising the level of knowledge among the more difficult-to-reach segments of the population. Our communication activities include traditional and innovative means to ensure that the public's knowledge of SSA's programs and services is up-to-date.

Key Performance Indicator 13:

FY 2001 Goal: 100 percent



Our FY 2001 Performance: We met our goal of 100 percent. The Agency's earnings and benefit estimate statement plays a key role in helping Americans understand Social Security and its importance to them and their families. The *Social Security Statement* is a four-page document that focuses on the worker's individual record. It provides general information and explanations to help workers' understand their personal data and we tell them how to contact us if they have questions. The *Statement* can help recipients prepare for financial needs when they retire, if they become disabled, or if they die and leave survivors.

In accordance with Section 1143 of the Social Security Act, SSA's goal is to annually issue 100 percent of all *Social Security Statements* that are due to be issued subject to eligibility requirements and the availability of current mailing addresses.

In FY 2001, we continued to meet our annual goal, by issuing 135,624,325 *Statements* automatically and 1,071,307 *Statements* on request. Statements are automatically issued to workers about three months before their birthday. The number of requests for *Statements* fell in FY 2001 as expected, since most workers have been getting annual *Statements* for two or three years. The achievement of the FY 2001 goal is not expected to have a significant impact on achievement of the goal in future years. We have no reason to believe that we will not continue to achieve a 100 percent level of performance.

Data Definition: As required by law, in FY 2000 SSA began to issue annual Social Security Statements to all eligible workers age 25 and over. We estimate that we will issue 136 million statements in FY 2003 to meet this requirement, including statements issued upon request.

Data Source: Social Security Statement Weekly Summary Report found on the Executive and Management Information System.

Data Quality

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

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

Highlights from these reviews, as well as other security reviews are discussed below.

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

Audit of the Social Security Administration's FY 2000 Financial Statements: In accordance with the Chief Financial Officers' Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers (PwC). The objective of this audit was to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. PwC reported that SSA's assertion that its systems of accounting and internal control are in compliance with the statutory internal control objectives is fairly stated in all material respects. Further, the audit stated that SSA made significant progress in correcting one reportable condition from the FY 1999 report, and that it is no longer a reportable condition. However, the audit did cite one reportable condition in SSA's internal control. The control weakness was that "SSA needs to further strengthen controls to protect its information," was also cited by the GAO and IG as a major management challenge.

To address this reportable condition, the Agency has taken a number of corrective actions. We conducted a number of risk assessments of all platforms (mainframe, midrange and distributed) and determined the preferred setting for each platform. We are in the process of implementing those settings entity-wide, and implementing both manual and automated monitoring techniques to ensure compliance. Vulnerability assessments of the Social Security Number Establishment and Correction System, the Earnings Record Maintenance System and the Title II Redesign System were completed by a contractor in July 2001. We initiated a vulnerability assessment of key assets as required by Presidential Decision Directive 63, and in July 2001 completed a vulnerability assessment of SSA's National Computer Center. The Agency continues to reassess security roles and responsibilities as part of the ongoing reevaluation of the overall organization-wide security framework.

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

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

For example, in response to an OIG recommendation, SSA agreed to: 1) Maintain three years of data to support the number of individuals selectable for CDRs; and 2) develop a new indicator to measure “Percent of CDRs completed when due and selectable” beginning in FY 2003. We also complied with the OIG recommendation to change the definition for our performance indicator “Percent of earnings posted correctly,” so as to disclose that correct postings to the Earnings Suspense File (ESF) are included in the universe of earnings counted as “posted correctly.” Earnings are correctly posted in the ESF when they cannot be posted to an individual’s earnings record because there is a mismatch with the name and/or SSN. A third example of how we respond to OIG’s audit recommendations to disclose data weaknesses, our definition for the performance indicators on waiting times in field offices now explains that the data are collected from a representative sample of field offices during a one hour window, once a quarter. In addition to merely disclosing the data weakness, the Agency has instituted an automated data collection methodology that eliminates a number of concerns associated with the previous manual data collection process.

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

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

In its designation of “GPRA” as a major management challenge facing SSA, the OIG recommended that we include more information on “budgeted output measures” in our APP. Accordingly, beginning with our FY 2002 APP, we added the definitions and data sources of each output measure as well as historical performance. These definitions and data sources are also included in our PAR beginning with FY 2001.

Despite our best efforts, there were some weaknesses in the data used to measure the performance of our hearings process. The OIG found data weaknesses in the Hearing Office Tracking System (HOTS). To address their recommendations, we agreed to review the hearings process from the initial in-take through input into HOTS, to ensure that data within HOTS is complete, accurate, and input timely. Additionally, we agreed to establish consistent quality reviews of the data within HOTS. Finally, we agreed to provide training to staff members responsible for HOTS data management, to ensure consistent and accurate data entry into HOTS.

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

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

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

However, the GAO indicated that measures for the 800-number service do not provide a meaningful measure of customer wait time because the time spent on hold to speak with a call agent is not reflected. We agreed, and are concluding a benchmarking study to identify appropriate metrics used in industry, but have not yet finalized a recommendation. If, and as appropriate, we will move to improved performance measures in FY 2002.

Additionally, the GAO criticized us for deleting two output measures – disability and hearings pending in the FY 2002 APP. These two measures will be included in SSA’s FY 2003 APP.

Office of Quality Assessment: PwC conducted an independent audit of SSA's FY 2000 financial statements under the oversight of SSA's IG. The new PwC contract for FY 2001 is directly with SSA.

In PwC's FY 2000 Management Letter, the private consulting firm found that “SSA has established preventive and detective controls to ensure accurate payments to beneficiaries. Two of the main detective controls are the Index of Dollar Accuracy review and the Stewardship review. Through these reviews, SSA successfully confirms the accuracy, and in certain cases the inaccuracy, of benefit payments. When payment discrepancies are identified, the appropriate Program Service Center or field office is notified to follow-up on the matter.” PwC testing confirmed that these notifications were being sent.

The fact that SSA does not strictly rely only on its internal processes was documented on page 104 of SSA's FY 2000 Performance and Accountability Report where it states that, not only does SSA have both “a comprehensive program of conducting reviews of management and security controls in both SSA's administrative and programmatic processes” but “also discussed are the results of the audit of FY 2000 financial statements and internal controls by PwC. Such reviews and assessments assure that our systems are secure and confirm SSA's confidence in the reliability of its performance data.”

Coordinated Agency Evaluation Plan: Each fiscal year, we develop a coordinated Agency Evaluation Plan. Our components involved in evaluation, including the OIG, conduct a joint review of evaluation work plans, to assure an appropriate match between planned evaluation activities and Agency priorities. They identify and address any information gaps and eliminate any overlap or duplication. A summary of evaluations completed by SSA in FY 2002 is in the “GPRA Performance Results/Program Evaluation” section of this report.

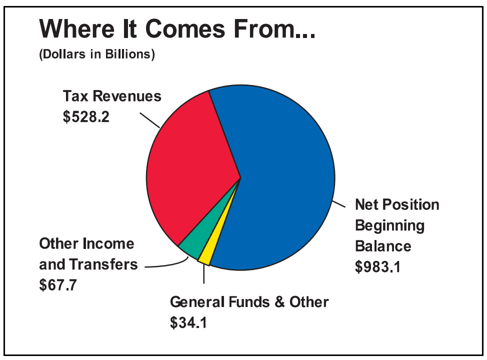
Highlights of SSA's Financial Position

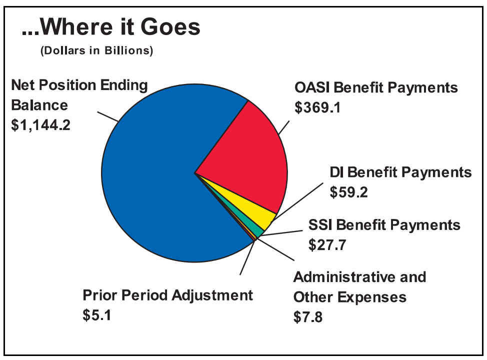
Overview of Financial Data

SSA's financial statements and footnotes, appearing on pages 65 through 85, received an unqualified audit opinion for the eighth consecutive year. The financial statements presented in this report and the financial data derived from those financial statements can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers.

Balance Sheet: The Balance Sheet displayed on page 65 reflects total assets of $1,198.3 billion, a 16 percent increase over the previous year. This increase is attributable to the steady growth of the OASDI Trust Fund Reserves which were invested to generate $70.9 billion of interest income, an increase of about $8.7 billion compared to FY 2000. Of these $1,198.3 billion in assets, 98 percent 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 majority of our liabilities, 80 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.

Statements of Net Cost and Changes in Net Position: The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2001 and how these funds were used. These statements are displayed on pages 66 and 67, 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 1.6 percent.





Statement of Budgetary Resources: This statement provides information about the provision of budgetary resources and their status as of the end of the period. This statement displayed on page 68 shows that SSA had $480.3 billion in budgetary resources of which $2.8 billion remained unobligated at year-end. SSA recorded total outlays of $451.0 billion by the end of the year.

Statement of Financing: This statement demonstrates the relationship between an entity's proprietary and budgetary accounting information. It links the net cost of operations (proprietary) with net obligations (budgetary) by identifying key differences between the two. This statement displayed on page 69 identifies $455.1 billion of resources used to finance activities, $13.5 billion of resources not part of the net cost of operations and $5.0 billion of components of net cost of operations that will not require or generate resources in the current period.

Statement of Custodial Activity: This statement is required for entities that collect non-exchange revenue for the General Fund, a Trust Fund or other recipient entities. SSA's Statements of Custodial Activity displayed on page 70 reflects $1.5 billion of collections for the repayment of SSI benefit overpayments deposited in the General Fund of the Treasury. According to the FY 1991 Appropriations Act, Public Law 101-517, SSA shall not use these collections as a budgetary resource to pay SSI benefits or administrative costs.

Trust Funds: The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis if the asset level at the end of a fiscal year is sufficient to cover at least 1 year's worth of outgo in the absence of other income such as payroll taxes. The following table shows that the number of months of expenditures that combined year end OASDI assets can pay has grown from 20 months at the end of FY 1997 to 31 months at the end of FY 2001, a 54 percent increase.

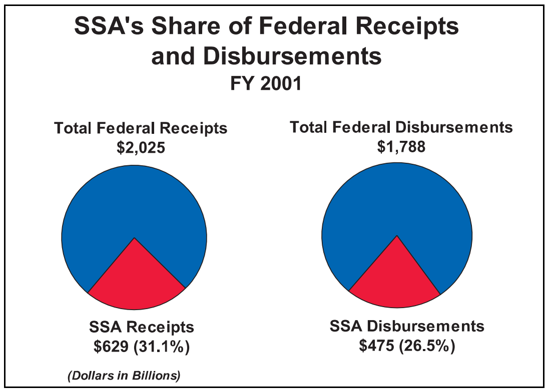
Number of Months of Expenditures Year End Assets Can Pay (End of FY)

	1997	1998	1999	2000	2001[1]
OASI	20.6	23.2	25.9	28.7	31.7
DI	15.4	17.7	19.9	22.9	25.5
Combined	20.0	22.5	25.1	27.9	30.8

1. Estimates are based on 2001 Trustees Report intermediate assumptions.

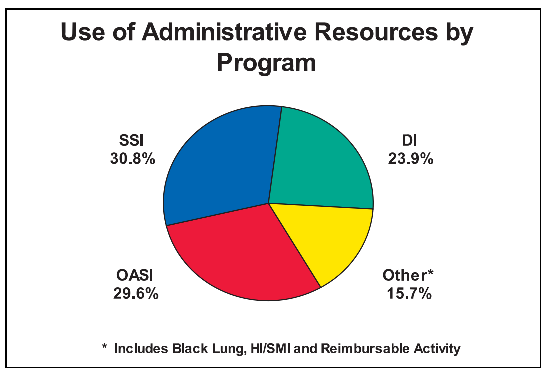
SSA's Share of Federal Operations

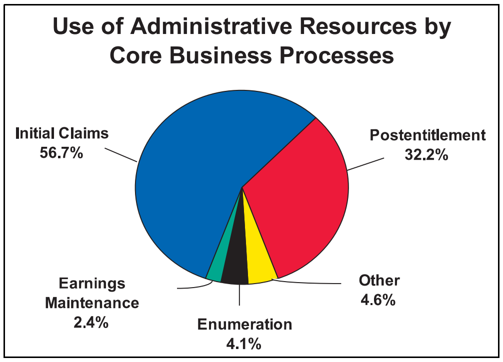
The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Our programs accounted for 26.5 percent of the $1.8 trillion FY 2001 Federal disbursements and 31.1 percent of the $2.0 trillion Federal receipts. In fact, our disbursements accounted for 5.1 percent of the nations estimated FY 2001 $9.3 trillion gross domestic product.



Use of Administrative Resources

The chart to the right displays the use of administrative resources in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise less than 20 percent of the total benefit payments made by SSA, they consume nearly 55 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.



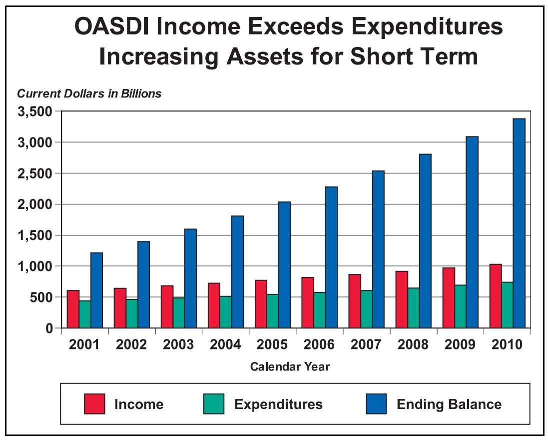


The Agency's administrative resources can also be discussed in terms of the work functions being performed in support of our programs. The chart to the left shows the percentage of resources consumed by SSA's five core business processes.

Short Term Impact on SSA's Financial Position

The Social Security Trust Fund is deemed adequately financed for the short term when actuarial estimates of assets meet or exceed outlay estimates in each year of the next decade. Estimates in the 2001 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years, having sufficient assets to pay full benefits until 2038. The table below shows that while combined OASDI expenditures and income are expected to increase by 68 and 70 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 178 percent.

Pages 16 and 17 provide a discussion of the long term solvency of the OASDI Trust Fund. Pages 91 through 110 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, *Accounting for Social Insurance.*



Limitation on Financial Statements

The financial statements beginning on page 65 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);(2).

While the statements have been prepared from the books and records of SSA in accordance with formats prescribed by the Office of Management and Budget (OMB), the statements are different from 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. One implication of this is that liabilities can not be liquidated without legislation that provides resources to do so.

Systems and Controls

Federal Managers' Financial Integrity Act (FMFIA) Program

SSA implemented an 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 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 identified and monitoring those plans until the weaknesses are corrected.

> **FMFIA Assurance Statement**
> **Fiscal Year 2001**
>
> **On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal controls are in compliance with the internal control objectives in Office of Management and Budget Bulletin Number 01-02. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.**
>
> JoAnne B. Barnhart
>
> **Commissioner of Social Security**

Managers throughout the Agency 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 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.

The Agency ensures that effective controls are incorporated into its processes and financial management systems by addressing the issue up front in the life cycle development of processes and systems. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by the different levels of management that certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective. The Agency is in the process of replacing its core financial management system and this life cycle process is being strictly followed. The target date for implementation of the new system is October 2003.

Once implemented, 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, Federal Financial Management Improvement Act, Paperwork Reduction Act, Computer Security Act and 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 its management control reviews and financial management systems reviews and tracks the corrective actions until the weaknesses are corrected. The staffs in the Centers for Security and Integrity in the Regional Offices monitor the status of corrective actions resulting from management control reviews of field activities and Headquarters staff monitor the status of corrective actions resulting from financial management systems reviews. The status of corrective actions is periodically updated and reported to SSA executives, as appropriate.

Management Control Review Program

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each FY. The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 2001, SSA's managers and contractors conducted reviews of 1,681 management control areas in 210 FOs and staff components.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. During FYs 1999-2001, the contractor reviewed operations at SSA's central office, processing centers, all 10 Regional Offices (RO), 100 FOs and 4 Program Service Centers (PSC). The contractor's efforts to date have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements. They have not found any significant weaknesses during that 3-year period. During FY 2002, the contractor will concentrate effort on SSA's ROs, FOs and PSCs.

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 2001, SSA's contractor conducted detailed reviews of the Social Security Number Establishment and Correction System, the Earnings Record Maintenance System and the Title II Redesign project. The systems managers conducted limited reviews of the Debt Management System and the Recovery of Overpayments, Accounting and Reporting System. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with management control and security standards, accounting principles and standards, and information resources management standards prescribed by law, Federal regulations and the Federal Accounting Standards Advisory Board.

FMFIA Material Weakness

During FY 2001, SSA did not declare any new material weaknesses under FMFIA. SSA continues to make progress in correcting the one remaining FMFIA material weakness that relates to the accuracy of accounting records for Supplemental Security Income (SSI, title XVI of the Social Security Act) overpayments and underpayments for the Aged, Blind and Disabled.

During FY 2001, SSA implemented two projects to help clear this weakness. First, SSA implemented 16 new SSI overpayment and underpayment screens. These new screens are an extension of SSA's efforts to enhance the Modernized Supplemental Security Income Claims System (MSSICS) by providing an online system to input overpayment and underpayment transactions. These screens save an estimated 31 workyears annually, representing an administrative cost avoidance of about $3.4 million each year. Also, these screens capture due process information on overpayments which is used in aging delinquent debts and reporting delinquent debt information to the Department of the Treasury (DT). Second, SSA implemented a second release of the SSI Modernized Overpayment and Underpayment Reporting System (MOURS) that produces the SF 220.9, Report on Receivables Due from the Public, required by DT.

In addition to these accomplishments, SSA completed a corrective action review (CAR) of three projects previously implemented. These projects involved: (1) Automating overpayment transfers to newly established records for recovery; (2) recording special codes on SSRs to remove inaccurate overpayment and underpayment data from program accounting totals; and (3) implementing MOURS Release 1 to accurately account for and report SSI overpayments and underpayments. An independent public accounting firm conducted the review and concluded that, in relation to SSA's systems requirements, these projects were implemented as intended. SSA will use this report as one basis to clear the material weakness and will conduct a second CAR in FY 2002 on the new MSSICS overpayment and underpayment input screens and MOURS Release II.

SSA expects to complete corrective actions for this weakness by September 30, 2002. This is a one-year deferral from the target date cited in last year's report. This deferral was necessary for SSA to improve the SF 220.9 by reporting debts referred to DT for offset.

Determination of Compliance with the Federal Financial Management Improvement Act (FFMIA)

On August 31, 2001, the Acting Commissioner of Social Security determined that SSA's financial management systems were in substantial compliance with FFMIA for FY 2000. In making this determination, he considered all the information available to him, including the auditor's opinion on the Agency's FY 2000 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. He also considered the results of the 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 "Audit of Financial Statements."

Under Section 803(c)(2) of FFMIA, the determination for FY 2001 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the management letter report(s) for FY 2001 in January 2002.

Government Information Security Reform Act (GISRA)

SSA has completed its annual review of its Information Security Program for FY 2001 as required by GISRA. This report is based on an annual program review completed by SSA and an independent evaluation by the Office of the Inspector General (OIG).

For its GISRA assessment, SSA used as a base the National Institute of Standards and Technology (NIST) Self-Assessment Guide for Information Technology Systems. SSA used in-house staff as well as an independent public accounting firm to complete its independent program review. The contract task involved review of the assessment instrument completed by SSA, review of supporting documents provided and interviews with SSA staff responsible for respective portions of the questionnaire.

In its report, the contractor concurred with the results of SSA's self-assessment, stating that SSA's effort "clearly fulfills the letter as well as the 'spirit' of the governing assessment policy." The review also identified several instances where it was felt that SSA could raise its self-score based on the improvements made over time and the strength of the documentation provided – these areas include consequence assessment, personnel security, physical security and several specific technical control objectives.

Additionally, the contractor stated that "*Security is strongly integrated with SSA's business processes and organizational culture*", "*Mature administrative and technical review mechanisms are in place that provide for 'continuous improvement' of existing security processes,*" and "*The seamless integration of security into the Systems Development Life Cycle (SDLC) process stands out as an overall programmatic strength*." In the GISRA report, SSA made a commitment to share experience with other government agencies and organizations, so that SSA efforts can benefit to government as a whole. This has included providing speakers for conferences and meetings and contributing to the CIO Council "best practices" effort.

The independent review by the SSA Inspector General (IG) observed that SSA self-review and contractor verification did not test controls, and that several areas remained where improvement was possible. SSA did not agree with the OIG findings, noting that GISRA does not envision or require the testing of controls, and that actions were already underway to improve the items identified.

At the conclusion of its executive summary, the IG said "*We acknowledge SSA has made strides in its information protection efforts. The establishment of a Critical Infrastructure Protection program, the creation of an incident response team, the completion of Project Matrix Step I, and the Agency's willingness to share information regarding common vulnerabilities with the Federal Computer Security Incident Response Capability, all indicate a culture of security awareness. SSA has the potential to be the unquestioned leader in the area of Federal information protection. The observations and recommendations made in OIG reports and other auditors' reports will assist the Agency in reaching that goal. Through the collaborative efforts of Agency management and OIG, the challenge of protecting sensitive information can be accomplished*."

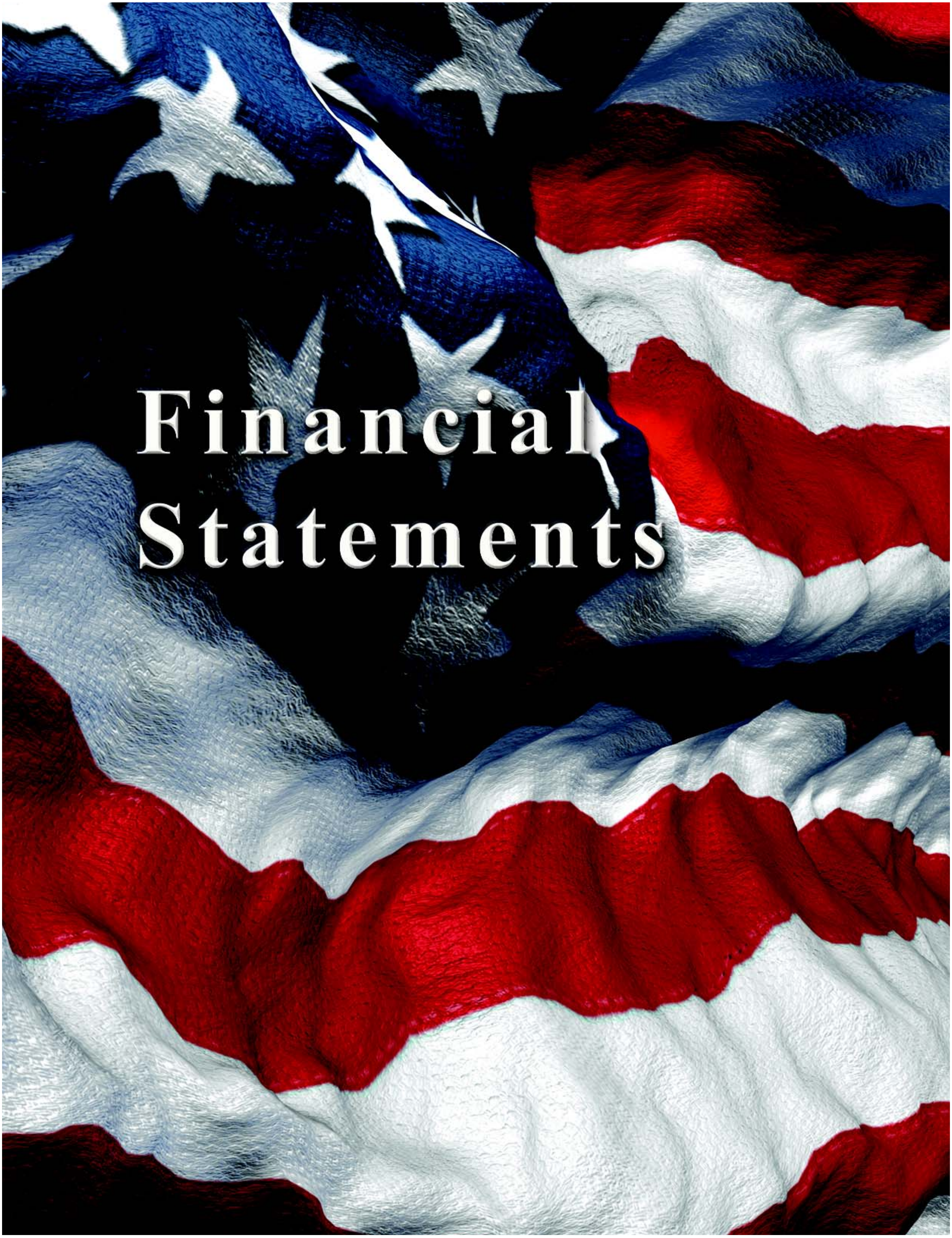
Audit of Financial Statements

For the last 5 years the OIG contracted for the audit of SSA's financial statements. Each year the auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects. Although the auditor, using OMB's audit standards, identified reportable conditions involving internal controls beginning in FY 1997, none were identified as material weaknesses as defined by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02.

The audit of SSA's financial statements and internal controls by an independent public accounting firm has proved to be a rewarding experience. In the audit report for FY 1997, the auditor identified five reportable conditions that were significant deficiencies in the design and operation of an internal control. SSA developed corrective action plans for the weaknesses and aggressively pursued those corrections. As a result, SSA's internal controls have greatly improved over the past 5 years. Further, SSA is committed to pursuing the corrective actions until all weaknesses identified by the audits are corrected.

In the audit report for FY 1998, the auditor determined that SSA's corrective actions had progressed to the point where two of the five original reportable conditions from FY 1997 were removed. There were no new reportable conditions identified. In the audit report for FY 1999, the auditor removed another reportable condition from prior years, and indicated that SSA continued to make significant progress towards correcting the remaining two reportable conditions. Again, the auditor did not name any new reportable conditions. In the audit report for FY 2000, the auditor removed another reportable condition, leaving only one reportable condition. The remaining reportable condition is that “SSA needs to further strengthen controls to protect its information.”

In the audit report for FY 2001, the auditor again recognized a reportable condition that SSA needs to further strengthen controls to protect its information. The auditor indicated that SSA continued to make progress in addressing the information protection issues raised in prior years. Four of the six main issues raised in FY 2000 dealing with data protection had been adequately addressed by the Agency. The improvements that the auditor noted included the identification of critical assets and vulnerabilities as part of the critical infrastructure protection program, the issuance of security policy for the State Disability Determination Services, the establishment of technical security configurations standards for various systems platforms, the completion of accreditation and certification of key systems and strengthening physical access controls over the National Computer Center. The auditor recommended, as the next logical step for improvement, that SSA implement, enforce and monitor the security configuration standards throughout the SSA environment. In addition, they recommended that SSA improve its monitoring for security violations and periodic review of access assignments and firewall logs. SSA will continue to strengthen the protection of data by making the recommended improvements as quickly as possible.


Financial
Statements

Consolidated Balance Sheets as of September 30, 2001 and 2000

	(Dollars in Millions)	
Assets	**2001**	2000
Intragovernmental:		
Fund Balance with Treasury (Note 4)	**$ 3,905**	$ 90
Investments (Note 5)	**1,169,956**	1,007,226
Interest Receivable, Net (Note 6)	**18,476**	16,382
Accounts Receivable, Net (Note 6)	**921**	261
Other	**0**	0
Total Intragovernmental	**1,193,258**	1,023,959
Accounts Receivable, Net (Notes 3 and 6)	**4,465**	4,936
Property, Plant and Equipment, Net (Note 7)	**565**	341
Other	**2**	0
Total Assets	**1,198,290**	1,029,236
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**3,673**	3,096
Accounts Payable	**5,666**	1,906
Other	**162**	385
Total Intragovernmental	**9,501**	5,387
Benefits Due and Payable	**43,187**	39,646
Accounts Payable	**289**	231
Other	**1,112**	840
Total	**54,089**	46,104
Net Position		
Unexpended Appropriations	**3,533**	399
Cumulative Results of Operations	**1,140,668**	982,733
Total Net Position	**1,144,201**	983,132
Total Liabilities and Net Position	**$ 1,198,290**	$ 1,029,236

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2001 and 2000

	(Dollars in Millions)	
	2001	2000
OASI Program		
Benefit Payments	**$ 369,142**	$ 349,855
Operating Expenses (Note 9)	**2,169**	2,100
Total Cost of OASI Program	**371,311**	351,955
Less: Exchange Revenues (Notes 10 and 11)	**7**	8
Net Cost of OASI Program	**371,304**	351,947
DI Program		
Benefit Payments	**59,207**	54,691
Operating Expenses (Note 9)	**1,749**	1,604
Total Cost of DI Program	**60,956**	56,295
Less: Exchange Revenues (Notes 10 and 11)	**6**	6
Net Cost of DI Program	**60,950**	56,289
SSI Program		
Benefit Payments	**27,733**	30,530
Operating Expenses (Note 9)	**2,261**	2,672
Total Cost of SSI Program	**29,994**	33,202
Less: Exchange Revenues (Notes 10 and 11)	**253**	246
Net Cost of SSI Program	**29,741**	32,956
Other		
Benefit Payments	**484**	515
Operating Expenses (Note 9)	**1,151**	1,125
Total Cost of Other	**1,635**	1,640
Less: Exchange Revenues (Notes 10 and 11)	**13**	5
Net Cost of Other	**1,622**	1,635
Total Costs	**463,896**	443,092
Less: Total Exchange Revenue	**279**	265
Net Cost of Operations	**463,617**	442,827

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2001 and 2000

(Dollars in Millions)

	2001		2000	
	Cumulative Results of Operations	**Unexpended Appropriations**	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	**$ 982,733**	**$ 399**	$ 830,343	$ 384
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received		**33,658**		33,693
Other Adjustments		**0**		(224)
Appropriations Used	**30,524**	**(30,524)**	33,454	(33,454)
Tax Revenues (Note 12)	**528,194**		501,707	
Interest Revenues	**70,922**		62,159	
Transfers-In/Out (Note 13)				
Trust Fund Draws and Other - In	**1,450**		1,010	
Trust Fund Draws and Other - Out	**(836)**		(59)	
Railroad Retirement Interchange	**(3,859)**		(3,207)	
SSI Administrative Fees Transferred to Treasury	**(152)**		(149)	
Total Transfers-In/Out	**(3,397)**		(2,405)	
Other Budgetary Financing Sources	**77**		11	
Other Financing Sources				
Imputed Financing Sources (Note 14)	**315**		291	
Total Financing Sources	**626,635**	**3,134**	595,217	15
Net Cost of Operations	**463,617**		442,827	
Prior Period Adjustment	**5,083**			
Ending Balances	**$ 1,140,668**	**$ 3,533**	$ 982,733	$ 399

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2001 and 2000

	(Dollars in Millions) 2001	2000
Budgetary Resources Made Available (Note 15)		
Budget Authority		
Appropriations Received	**$ 631,613**	$ 597,909
Unobligated Balances		
Beginning of Period	**102**	86
Spending Authority from Offsetting Collections		
Earned		
Collected	**3,569**	3,486
Receivable	**(230)**	242
Change in Obligations		
Advance Received	**(1)**	2
Without Advance	**(2)**	0
Transfers from Trust Funds	**52**	79
Subtotal	**3,388**	3,809
Recoveries of Prior Year Obligations	**140**	32
Temporarily Not Available Pursuant to Public Law	**(154,923)**	(149,712)
Permanently Not Available	**(1)**	(4)
Total Budgetary Resources	**480,319**	452,120
Status of Budgetary Resources: (Note 15)		
Obligations Incurred:		
Direct	**474,264**	448,117
Reimbursable	**3,186**	3,662
Subtotal	**477,450**	451,779
Unobligated Balances Apportioned	**2,823**	319
Unobligated Balances - Not Available	**46**	22
Total Status of Budgetary Resources	**480,319**	452,120
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	**42,610**	40,699
Obligated Balance - End of the Period		
Accounts Receivable	**32**	258
Unfilled Customer Orders	**0**	2
Undelivered Orders	**(1,077)**	(737)
Accounts Payable	**(50,194)**	(42,133)
Outlays:		
Disbursements	**468,950**	449,557
Collections	**(3,610)**	(3,578)
Subtotal	**465,340**	445,979
Less: Offsetting Receipts	**14,310**	14,941
Net Outlays	**$ 451,030**	$ 431,038

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

Consolidated Statements of Financing for the Years Ended September 30, 2001 and 2000

		(Dollars in Millions)		
		2001		2000
Resources Used to Finance Activities:				
Budgetary Resources Obligated				
Obligations Incurred	**$**	**477,450**	$	451,779
Less: Offsetting Collections		**(3,528)**		(3,803)
Obligations Net of Offsetting Collections		**473,922**		447,976
Less: Offsetting Receipts		**(14,310)**		(14,941)
Net Obligations		**459,612**		433,035
Other Resources				
Transfers In/Out Without Reimbursement (+/-)		**(4,848)**		(5,322)
Imputed Financing		**315**		291
Net Other Resources used to finance activities		**(4,533)**		(5,031)
Total Resources Used to Finance Activities	**$**	**455,079**	$	428,004
Resources Not Part of the Net Cost of Operations:				
Change in Undelivered Orders	**$**	**(340)**	$	(49)
Resources that Fund Capitalized Costs		**(142)**		(1)
Resources that Fund Expenses Recognized in Prior Periods		**(282)**		(270)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations		**14,310**		14,941
Total Resources Not Part of the Net Cost of Operations	**$**	**13,546**	$	14,621
Total Resources Used to Finance the Net Cost of Operations	**$**	**468,625**	$	442,625
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		**11**		9
Other		**39**		154
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	**$**	**50**	$	163
Components Not Requiring or Generating Resources				
Depreciation and Amortization		**138**		99
Revaluation of Assets and Liabilities		**0**		(4)
Other		**(5,196)**		(56)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	**$**	**(5,058)**	$	39
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**$**	**(5,008)**	$	202
Net Cost of Operations	**$**	**463,617**	$	442,827

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

Statements of Custodial Activity for the Years Ended September 30, 2001 and 2000

	Dollars in Millions	
	2001	2000
Revenue Activity		
Sources of Cash Collections		
SSI Federal Overpayments	**$ 1,454**	$ 1,405
Total Custodial Revenue	**1,454**	1,405
Disposition of Collections		
Transferred to Others (by Recipient)		
Department of the Treasury, General Fund	**1,454**	1,405
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	**0**	0
Refunds and Other Payments	**0**	0
Retained by the Reporting Entity	**(0)**	0
Net Custodial Activity	**$ 0**	$ 0

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

SOCIAL SECURITY ADMINISTRATION

Notes to the Principal Financial Statements

1 Summary of Significant Accounting Policies

Reporting Entity

The Social Security Administration (SSA), as an independent agency 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 Part B of the Black Lung (BL) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary resources and custodial activity 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 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 financial statements include the accounts of all funds under SSA control, consisting of two trust funds, three general fund appropriations and five deposit funds. The trust funds are the Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. 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 and Other. The fund balance with Treasury, shown on the Balance Sheet, represents the total of all SSA's account balances with the Department of 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 and for which 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. 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 (SOF) 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. In addition, SOF's Other Components not Requiring or Generating Resources presents SSI's user charge credit. However, HI/SMI's share of capital assets is presented on the Centers for Medicare and Medicaid Services' financial statements.

Benefits Due and Payable

Liabilities are accrued for OASI, DI, SSI and BL benefits to which recipients are entitled 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, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals and civil litigation cases which were not paid at the close of the fiscal year (See Note 8, Liabilities).

Administrative Expenses

SSA initially charges administrative expenses to the Limitation on Administrative Expenses (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.

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. 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 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 funding from Treasury's General Fund for the Office of the Inspector General (OIG) appropriation.

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

Certain Fiscal Year (FY) 2000 presentations have been reclassified. These changes result principally from SSA's adoption of OMB Bulletin 01-09. On the Statement of Changes in Net Position, the components of Net Position, Cumulative Results of Operations and Unexpended Appropriations, are displayed separately to better present the nature of changes to net position. On the Statement of Budgetary Resources, information presented is now more consistent with budget execution information reported on the Report on Budget Execution and Budgetary Resources (SF-133) and in the Budget of the United States Government. Material differences have been disclosed in Note 15, Status of Budgetary Resources. Since the Statement of Financing reconciles budgetary and proprietary accounting, the presentation of total resources and adjustments to how these resources were used to finance obligations or net cost has been enhanced.

Prior Period Adjustment

A prior period adjustment for $5,083 million has been made on the FY 2001 financial statements for correction of an error that was identified through SSA's internal quality assurance process. This affects approximately 228,000 SSI disability recipients who are eligible to receive retroactive DI benefits because they earned sufficient work credits to qualify for the DI program. This prior period adjustment was made in accordance with Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

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 $156.9 and $156.6 million for FY 2001 and 2000, respectively. SSA contributions to FERS were $137.8 and $123.1 million for FY 2001 and 2000, respectively. In addition, SSA contributions to the FERS savings plan were $39.2 and $45.9 million for FY 2001 and 2000, respectively. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since these data are only reported in total by the Office of Personnel Management.

3 Non-Entity Assets

SSA's Non-Entity Assets consist of SSI benefit overpayments classified as accounts receivable, net in the amounts of $5,666 and $1,837 million for FY 2001 and 2000, respectively. However, the FY 2001 accounts receivable has been reduced by $4,080 million as an intra agency elimination. Refer to Note 6, Interest and Accounts Receivable. The FY 1991 Appropriations Act, Public Law 101-517, requires that collections from repayment of SSI 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 an SSI budgetary resource to pay SSI benefit or administrative costs. Accordingly, they are classified as non-entity assets and also presented as custodial activity on the Statement of Custodial Activity. For FY 2000, these funds were previously presented as transfers on the Statement of Changes in Net Position, but have been reclassified to the Statement of Custodial Activity.

4 Fund Balance with Treasury

The fund balance with Treasury, shown on the Balance Sheet, represents the total of all of SSA's undisbursed account balances with the Department of Treasury. Other fund types consist of deposit funds and receipt accounts.

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. In FY 2000, 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. To maintain consistency with Treasury year-end reporting requirements, the trust fund balances were not reclassified as liabilities on the Balance Sheet.

Fund Balances:	*(In Millions)* 2001	2000
Trust Funds		
OASI	$ (71)	$ (309)
DI	(49)	(62)
Appropriated Funds		
SSI	3,896	340
Other	129	121
Total	$ 3,905	$ 90

Status of Fund Balances:	*(In Millions)* 2001	2000
Unobligated Balance		
Available	$ 2,874	$ 50
Unavailable	30	10
Obligated Balance not yet Disbursed	724	314
Expended	(119)	(371)
Deposit & Receipt Accounts	396	87
Total	$ 3,905	$ 90

5 Investments

	(In Millions) 2001	2000
Special Issue U.S. Treasury Securities	$ 1,169,916	$ 1,007,186
U.S. Treasury Bonds - Carrying value	40	40
Total Investments	$ 1,169,956	$ 1,007,226

Treasury's methodology uses an average market yield to calculate interest rates for non-marketable Treasury securities, including the Social Security Trust Funds. Investments held for the trust funds mature at various dates ranging from the present to the year 2016. The interest rates on these investments range from 5 1/8 percent to 9 1/4 percent.

6 Interest and Accounts Receivables

Interest Receivable

Intragovernmental receivables consist primarily of accrued interest receivable on investments. These were $18,476 and $16,382 million on trust fund investments with the U.S. Treasury for the period June 30 through September 30, 2001 and 2000, respectively.

Accounts Receivable

Intragovernmental

Intragovernmental accounts receivable consist primarily of $517 and $255 million as of September 30, 2001 and 2000, respectively, to be transferred to the OASI and DI trust funds from the Department of Defense (DOD) for military service wage credits and $393 million as of September 30, 2001 for the OASI quinquennial adjustment for military service due from the General Fund of the Treasury. The FY 2001 military service wage credits include the FY 2000 balance still unpaid from DOD.

With the Public

Accounts receivable with the public consists mainly of monies due to SSA from individuals who received benefits in excess of their entitlement under the OASI, DI, SSI and BL programs. The SSI State Supplementation overpayment amount due from beneficiaries is presented as SSI while the Federal portion of SSI overpayments is presented as Other. The BL receivable is also presented as Other. See Note 3, Non-Entity Assets, for a discussion of the SSI Federal overpayments presented as Other.

In FY 2001, SSA detected an error which affects about 228,000 SSI recipients who were eligible to receive DI benefits but were paid either SSI or OASI benefits. Therefore, OASI and Other accounts receivable amounts were established for $56 and $3,770 million respectively.

Also in FY 2001, Other's accounts receivable was reduced by $4,080 million as an intra-agency elimination. This amount represents individuals receiving SSI benefits that were also eligible but not receiving OASI or DI benefits. 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 an intra-agency elimination.

Accounts Receivable by Major Program: *(In Millions)*

	2001			2000		
	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.
OASI	$ 2,175	$ (96)	$ 2,079	$ 1,710	$ (109)	$ 1,601
DI	2,353	(1,169)	1,184	2,264	(944)	1,320
SSI	291	(68)	223	501	(64)	437
Other*	3,456	(1,556)	1,900	3,134	(1,295)	1,839
All Programs	$ 8,275	$ (2,889)	$ 5,386	$ 7,609	$ (2,412)	$ 5,197

*See Note 3, Non-Entity Assets   Accounts Receivable net of intra-agency eliminations.

The estimated allowance for doubtful accounts is determined using a 5-year average of write-offs divided by clearances comprised of write-offs, waivers and collections. That percentage is then applied to outstanding receivables.

7 Property, Plant and Equipment

Effective FY 2001, SSA implemented Statement of Federal Financial Accounting Standards No. 10, Accounting for Internal Use Software which requires the capitalization of internally-developed, contractor-developed and commercial off-the-shelf software (COTS). SSA's capitalized internal use software for FY 2001 is $311 million. Full costs for internally-developed software and actual costs for contractor-developed software and COTS greater than $100,000 are capitalized. These internal software costs are amortized using a 3-10 year useful life, modified straight-line methodology that divides costs among SSA's components.

	(In Millions)					
	2001			2000		
Major Classes:	Cost	Accum. Deprec	Net Book Value	Cost	Accum. Deprec	Net Book Value
Land	$ 5	$ -	$ 5	$ 5	$ -	$ 5
Buildings	354	(163)	191	350	(155)	195
Equipment (incl. ADP Hardware and Software)	528	(198)	330	264	(162)	102
Leasehold Improvements	123	(84)	39	111	(72)	39
Total	$ 1,010	$ (445)	$ 565	$ 730	$ (389)	$ 341

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	--
Buildings	over 20 years	Straight Line
Equipment (incl. ADP Hardware and Software)	3 to 10 years	Modified Straight Line
Leasehold Improvements	over 20 years	Straight Line

.

8 Liabilities

Liabilities Covered by Budgetary Resources

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.

Accounts Payable

Intragovernmental Accounts Payable consist of amounts due Federal agencies for goods or services received.

Benefits Due and Payable

Benefits Due and Payable for SSA's major programs as of September 30, 2001 and 2000 are shown in the following table. 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.

In FY 2001, SSA detected an error which affects about 228,000 SSI recipients who were eligible to receive benefits under the DI program, but whose disabled-insured status had not been recognized. Some of these DI benefits should have been paid rather than SSI benefits or in some cases OASI benefits. Therefore, SSA has estimated an accrued liability for DI of $5,083 million that are due for months September 2001 and earlier.

Also in FY 2001, OASI and DI benefits due and payable were reduced by $45 million and $4,035 million, respectively, as an intra-agency elimination. This amount represents individuals receiving SSI benefits that were also eligible but not receiving OASI or DI benefits. Therefore, an accrued liability exists for OASI and DI. However, payment of the retroactive OASI and DI benefits results in SSI benefit overpayments and the overpaid SSI amounts are offset from the OASI and DI retroactive payments. Since SSI overpayment collections are presented as a payable to the General Fund of the Treasury in Other, the OASI and DI benefits due and payable amounts represent an intra-agency elimination totaling $4,080 million.

	(In Millions) 2001	2000
OASI	$ 32,368	$ 31,004
DI	9,481	7,352
SSI	1,297	1,247
Other	41	43
Total	$ 43,187	$ 39,646

Benefits Due and Payable net of intra-agency eliminations.

Other Liabilities

SSA's Other Liabilities is comprised of accrued payroll, lease liability for purchase contract buildings and unapplied deposit funds.

Liabilities Not Covered by Budgetary Resources

Accounts Payable

Included in 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.

Other Liabilities

The Federal Employees' Compensation Act (FECA), administered by the Department of Labor (DOL), 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; these are included in the Intragovernmental, Other Liabilities line item. SSA's current portion of FECA liability was $46 and $44 million as of September 30, 2001 and 2000, respectively. The non-current portion of FECA actuarial liability is comprised of claims that will be paid more than two years in the future. The non-current portion, of $278 and $239 million as of September 30, 2001 and 2000, respectively, is recorded in the Other Liabilities line item. 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.

	(In Millions)					
	2001			2000		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RR Retirement Interchange	$ 3,673	$ -	$ 3,673	$ 3,096	$ -	$ 3,096
Accounts Payable	4,024	1,642	5,666	265	1,641	1,906
Other	116	46	162	27	358	385
Total Intragovernmental	7,813	1,688	9,501	3,388	1,999	5,387
Benefits Due and Payable	42,235	952	43,187	38,706	940	39,646
Accounts Payable	289	0	289	231	0	231
Other	582	530	1,112	360	480	840
Total	$ 50,919	$ 3,170	$ 54,089	$ 42,685	$ 3,419	$ 46,104

Contingent Liabilities

Class action suits have been filed against SSA, which may affect major client populace. 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. However, at this time, SSA is unable to determine an estimate of loss for any class action suits. 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 Classification of Operating Expenses by Strategic Goal

SSA’s Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire Agency. The five goals are:

- To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation;
- To deliver customer-responsive, world-class service;
- To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse;

- To be an employer that values and invests in each employee; and
- To strengthen public understanding of the Social Security programs.

These goals are also complementary, pursuit of one tends to support and advance the others. This reflects the highly integrated nature of SSA's programs, workloads and organizational components.

SSA has aligned its strategic goals with its request for new budget authority as part of its annual budget request. Costs associated with each major goal represent a combination of several administrative funding limitations contained in SSA's budget, including the LAE, the SSI research budget and separate funding for SSA's OIG.

SSA programs incur additional administrative expenses that are not part of LAE, but are reported on the Statement of Net Cost. These include expenses of the Department of Treasury to assist in managing the OASI and DI Trust Funds, expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries and SSA's operational costs to administer the Black Lung, Part B program, which is performed for SSA on a reimbursable basis by the DOL.

SSA's Operating Costs Reported on the Statement of Net Cost:	*(In Millions)*	
	2001	2000
LAE	$ 6,939	$ $7,149
Trust Fund Operations	269	233
Vocational Rehabilitation	117	115
BL	5	4
	$ 7,330	$ $7,501

By applying the same breakout methodology used to allocate SSA's budget request by performance goal to SSA's corresponding actual total administrative costs (taken primarily from SSA's administrative cost accounting system), it is possible to allocate SSA's operating expenses to its strategic goals. SSA's primary administrative expenses, funded through LAE are aligned to strategic goals.

Applying this basic methodology results in the following cost allocations that drive the distributions:

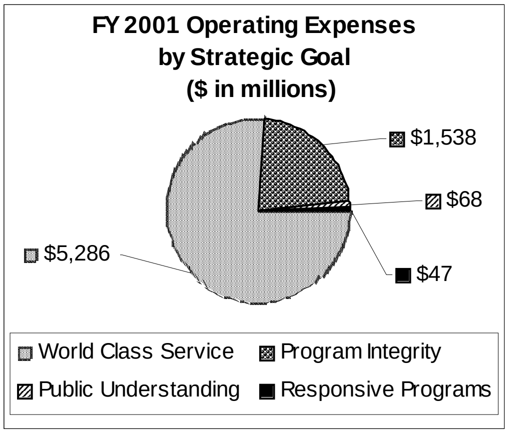
- The costs of SSA's Office of the Chief Actuary (OCACT) and Office of the Deputy Commissioner for Policy (ODCP), together with the costs of the SSI appropriation's extra-mural research budget are assigned to the "Responsive Programs" goal.

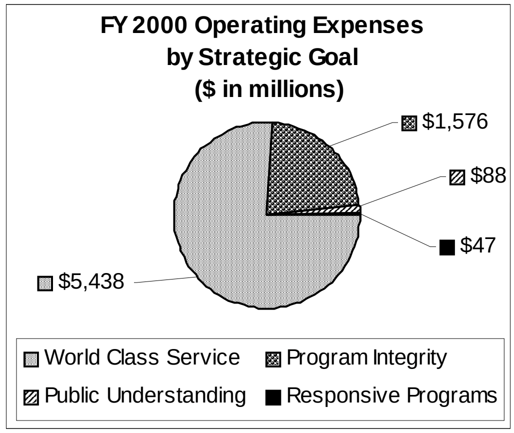
- The costs of SSA's Office of the Deputy Commissioner for Communications (OComm) and issuing Social Security Statements are assigned to the "Public Understanding" goal.

- The costs of SSA's OIG and for its "Overpayments", "Annual Reports of Earnings", "School Attendance", Representative Payees", "Continuing Disability Reviews", "Redeterminations", "Annual Earnings", "Employer Identification Number", and "Earnings Corrections" workloads (except for costs assigned to those workloads in OCACT, ODCP and OComm, as noted above) are assigned to the "Program Integrity" goal.

- All other SSA administrative costs are assigned to the "World-Class Service" goal.

- Because SSA’s fifth strategic goal, “Valued Employees”, supports the accomplishment of all our basic functions, SSA resources are inherently included in the other four goals in its FY 2001 APP.





10 Exchange Revenues

Revenue from exchange transactions is recognized when goods and services are provided. Total exchange revenue was $279 and $265 million for FY 2001 and 2000, respectively. 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 is reimbursed by the States in full and earned administration fee revenue in the amount of $243 and $236 million for FY 2001 and 2000, respectively. In addition, SSA earned $36 and $29 million in other exchange revenue in FY 2001 and 2000, respectively. 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

Shown below are SSA's gross costs, earned revenue and net costs displayed by budget functional classification. Social Security, classification code 650, includes the costs and revenues associated with the OASI, DI and Other programs. Other includes the costs and revenues that SSA incurs in administering a portion of the Medicare program. Other Income Security, classification code 609, includes the costs and revenues associated with the SSI and BL programs. Income Security for Veterans, classification code 701, includes costs to administer the Title VIII, Special Benefits for Certain World War II Veterans program.

(In Millions)	2001			2000		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
Intragovernmental:						
Social Security						
OASI	$ 722	$ (5)	$ 717	$ 615	$ (5)	$ 610
DI	493	(4)	489	378	(4)	374
Other	293	(3)	290	255	(3)	252
Other Income Security						
SSI	698	(7)	691	555	(6)	549
BL	3	-	3	4	-	4
Income Security for Veterans	-	-	-	1	-	1
Total Intragovernmental	2,209	(19)	2,190	1,808	(18)	1,790
Social Security						
OASI	370,589	(2)	370,587	351,340	(3)	351,337
DI	60,463	(2)	60,461	55,917	(2)	55,915
Other	853	(10)	843	864	(2)	862
Other Income Security						
SSI	29,296	(246)	29,050	32,647	(240)	32,407
BL	481	-	481	515	-	515
Income Security for Veterans	5	-	5	1	-	1
Total	$ 463,896	$ (279)	$ 463,617	$ 443,092	$ (265)	$ 442,827

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 but not both. 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 wage credits, Taxation of Social Security Benefits and FICA/SECA tax credits. The amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues, are contained in the following table.

	(In Millions) 2001	2000
Estimated Employment Taxes Credited to SSA	$ 512,276	$ 486,227
Adjustments	6,345	3,999
Refunds	(3,201)	(2,015)
Employment Tax Revenues	515,420	488,211
Other Tax Revenues	12,774	13,496
Total Tax Revenues	$ 528,194	$ 501,707

13 Intra-Governmental Financing Sources

SSA receives other 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. For FY 2001 and 2000, respectively, $1,046 and $998 million were drawn down to cover 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, without reimbursement. SSA financing outflows mainly consist of transfers to the RRB for the annual interchange. The RRB transfer is 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 June. SSA transferred the RRI in the amount of $3.3 and $3.2 billion for FY 2001 and 2000, respectively. The accrued liability of $3.7 and $3.1 billion for FY 2001 and 2000, respectively, on the Balance Sheet represents amounts due RRB for the period. 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 $1.2 and $1.1 billion for FY 2001 and 2000, respectively.

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 amount to $152 and $149 million for FY 2001 and 2000, respectively. The Supplemental SSI benefits paid by SSA on behalf of the States, $3,160 and $3,640 million for FY 2001 and 2000, repectively, are presented as transfers in and out. 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, as a portion of operating expenses, of $610 and $570 million for FY 2001 and 2000, respectively. 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 $315 and $291 million for FY 2001 and 2000, respectively. The imputed financing source represents annual service cost not paid by SSA.

15 Status of Budgetary Resources

Apportionment Categories of Obligations Incurred

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B and Exempt from Apportionment are displayed in the following chart.

	(In Millions)					
	2001			2000		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 469,300	$ 3,186	$ 472,486	$ 442,753	$ 3,662	$ 446,415
Exempt	4,964	-	4,964	5,364	-	5,364
Total	$ 474,264	$ 3,186	$ 477,450	$ 448,117	$ 3,662	$ 451,779

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority in the Statement of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the 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. This excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the Statement of Budgetary Resources and, therefore, 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. The entire trust fund balances in the amounts of $1,120,093 and $965,170 million as of September 30, 2001 and 2000, respectively, are included in Investments on the Balance Sheet. The following table presents trust fund activities and balances for FYs 2001 and 2000:

	(In Millions)	
	2001	2000
Trust Fund Balance, Beginning	$ 965,170	$ 815,458
Receipts	597,028	563,245
Less Obligations	442,105	413,533
Excess of Receipts Over Obligations	154,923	149,712
Trust Fund Balance, Ending	$ 1,120,093	$ 965,170

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

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Combined Statement of Budgetary Resources (SBR), to amounts included in the Budget of the United States Government for the year ended September 30, 2000 is shown below. Budgetary resources and obligations incurred reconcile to Program and Financing Schedules while outlays reconcile to the Analytical Perspectives of the Budget. A reconciliation is not presented for the year ended September 30, 2001 since submission of the budget occurs after publication of the FY 2001 Performance and Accountability Report.

FY 2000						*(In Millions)*
		Budgetary Resources		Obligations Incurred		Outlays
Consolidated Statement of Budgetary Resources	$	452,120	$	451,778	$	431,038
Obligations not reported in the budget		(2,931)		(2,718)		(2,583)
Offsetting receipts reported as obligations and outlays in the budget		13,278		13,278		13,254
Offsetting collections reported in OASI in the budget		2,343		2,343		-
Other		419		460		102
Budget of the United States Government	$	465,229	$	465,141	$	441,811

The obligations not reported in the budget consists mainly of employment tax refunds reported as an increase to obligations and outlays on the SBR, but is reported as a reduction to receipts in the budget. Offsetting receipts reported in the budget as obligations and outlays consists 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 collections reported as OASI in the budget represents the treatment of SSI as offsetting collections to LAE in the budget. This treatment is not consistent with how SSI administrative costs are displayed on the SBR.

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 $3,170 and $3,419 million for FY 2001 and 2000, respectively, represent SSI Receivables Owed to Treasury, FECA liability to DOL and employees, benefits due and payable for SSI 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 $50 and $163 million for FY 2001 and 2000, respectively, represent the change in SSA expenses for unfunded liabilities for FECA, SSI benefits due and payable and leave earned but not taken. SSI Receivables Owed to Treasury is not represented on this line, but is also reported on the Statement of Custodial Activity.

Balance Sheet by Major Program as of September 30, 2001

	Dollars in Millions					
Assets	OASI	DI	SSI	Other	Intra-Agency Eliminations	Consolidated
Intragovernmental:						
Fund Balance with Treasury	$ (71)	$ (49)	$ 3,896	$ 129		$ 3,905
Investments	1,034,114	135,842	0	0		1,169,956
Interest Receivable, Net	16,395	2,081	0	0		18,476
Accounts Receivable, Net	33,330	13,683	0	0	(46,092)	921
Other	0	232	277	0	(509)	0
Total Intragovernmental	1,083,768	151,789	4,173	129	(46,601)	1,193,258
Accounts Receivable, Net	1,339	1,313	223	5,670	(4,080)	4,465
Property, Plant and Equip., Net	307	258	0	0		565
Other	1	1	0	0		2
Total Assets	1,085,415	153,361	4,396	5,799	(50,681)	1,198,290
Liabilities						
Intragovernmental:						
Accrued RRI	3,497	176	0	0		3,673
Accounts Payable	32,488	13,604	0	5,666	(46,092)	5,666
Other	542	45	32	52	(509)	162
Total Intragovernmental	36,527	13,825	32	5,718	(46,601)	9,501
Benefits Due and Payable	32,413	13,516	1,297	41	(4,080)	43,187
Accounts Payable	19	39	227	4		289
Other	208	175	594	135		1,112
Total	69,167	27,555	2,150	5,898	(50,681)	54,089
Net Position						
Unexpended Appropriations	0	0	3,455	78		3,533
Cumulative Results of Operations	1,016,248	125,806	(1,209)	(177)		1,140,668
Total Net Position	1,016,248	125,806	2,246	(99)		1,144,201
Total Liabilities and Net Position	$ 1,085,415	$ 153,361	$ 4,396	$ 5,799	$ (50,681)	$ 1,198,290

Schedule of Changes in Net Position for the Year Ended September 30, 2001

(Dollars in Millions)

	OASI	DI	SSI		Other		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	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	$ 874,865	$ 109,465	$ (1,444)	$ 332	$ (153)	$ 67	$ 0	$ 982,733	$ 399
Budgetary Financing Sources (other than Exchange Revenues)									
Appropriations Received				33,143		515			33,658
Appropriations Used	0	0	30,020	(30,020)	504	(504)	0	30,524	(30,524)
Tax Revenues	452,814	75,380	0		0		0	528,194	
Interest Revenues	63,044	7,878	0		0		0	70,922	
Transfers-In/Out									
Trust Fund Draws and Other - In	371,355	65,973	2,393		1,046		(439,317)	1,450	
Trust Fund Draws and Other - Out	(370,950)	(66,805)	(2,397)		(1)		439,317	(836)	
Railroad Retirement Interchange	(3,679)	(180)	0		0		0	(3,859)	
SSI Administrative Fees Transferred to Treasury	0	0	(152)		0		0	(152)	
Total Transfers-In/Out	(3,274)	(1,012)	(156)		1,045		0	(3,397)	
Other Budgetary Financing Sources	19	58	0		0		0	77	
Other Financing Sources									
Imputed Financing Sources	84	70	112		49		0	315	
Total Financing Sources	512,687	82,374	29,976	3,123	1,598	11	0	626,635	3,134
Net Cost of Operations	371,304	60,950	29,741		1,622			463,617	
Prior Period Adjustment		5,083						5,083	
Ending Balances	$ 1,016,248	$ 125,806	$ (1,209)	$ 3,455	$ (177)	$ 78	$ 0	$ 1,140,668	$ 3,533

Schedule of Financing for the Year Ended September 30, 2001

	(Dollars in Millions)				
	OASI	DI	SSI	Other	Consolidated
Resources Used to Finance Activities:					
Budgetary Resources Obligated					
Obligations Incurred	$ 374,962	$ 67,143	$ 33,675	$ 1,670	$ 477,450
Less: Offsetting Collections	(96)	(81)	(3,288)	(63)	(3,528)
Obligations Net of Offsetting Collections	374,866	67,062	30,387	1,607	473,922
Less: Offsetting Receipts	(11,813)	(797)	(243)	(1,457)	(14,310)
Net Obligations	363,053	66,265	30,144	150	459,612
Other Resources					
Transfers In/Out Without Reimbursement (+/-)	(3,679)	(1,016)	(152)	(1)	(4,848)
Imputed Financing	84	70	112	49	315
Net Other Resources used to finance activities	(3,595)	(946)	(40)	48	(4,533)
Total Resources Used to Finance Activities	$ 359,458	$ 65,319	$ 30,104	$ 198	$ 455,079
Resources Not Part of the Net Cost of Operations:					
Change in Undelivered Orders	$ (16)	$ (29)	$ (285)	$ (10)	$ (340)
Resources that Fund Capitalized Costs	(59)	(49)	0	(34)	(142)
Resources that Fund Expenses Recognized in Prior Periods	54	(33)	(303)	(0)	(282)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	11,813	797	243	1,457	14,310
Total Resources Not Part of the Net Cost of Operations	$ 11,792	$ 686	$ (345)	$ 1,413	$ 13,546
Total Resources Used to Finance the Net Cost of Operation	$ 371,250	$ 66,005	$ 29,759	$ 1,611	$ 468,625
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:					
Components Requiring or Generating Resources in Future Periods					
Increase in Annual Leave	3	2	4	2	11
Other	10	9	14	6	39
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 13	$ 11	$ 18	$ 8	$ 50
Components Not Requiring or Generating Resources					
Depreciation and Amortization	37	31	49	21	138
Revaluation of Assets and Liabilities	0	0	0	0	0
Other	4	(5,097)	(85)	(18)	(5,196)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	$ 41	$ (5,066)	$ (36)	$ 3	$ (5,058)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	$ 54	$ (5,055)	$ (18)	$ 11	$ (5,008)
Net Cost of Operations	$ 371,304	$ 60,950	$ 29,741	$ 1,622	$ 463,617

Required Supplementary Information: Schedule of Budgetary Resources as of September 30, 2001

	(Dollars in Millions)				
	OASI	DI	SSI	Other	Combined
Budgetary Resources Made Available					
Budget Authority					
Appropriations Received	$ 513,871	$ 82,980	$ 33,143	$ 1,619	$ 631,613
Unobligated Balances					
Beginning of Period	0	0	53	49	102
Spending Authority from Offsetting Collections					
Earned					
Collected	30	24	3,499	16	3,569
Receivable	1	1	(239)	7	(230)
Change in Obligations					
Advance Received	(1)	(0)	0	(0)	(1)
Without Advance	(1)	(1)	0	0	(2)
Transfers from Trust Funds	22	19	0	11	52
Subtotal	51	43	3,260	34	3,388
Recoveries of Prior Year Obligations	45	38	28	29	140
Temporarily Not Available Pursuant to Public Law	(139,005)	(15,918)	0	0	(154,923)
Permanently Not Available	0	0	0	(1)	(1)
Total Budgetary Resources	374,962	67,143	36,484	1,730	480,319
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	374,955	67,137	30,506	1,666	474,264
Reimbursable	7	6	3,169	4	3,186
Subtotal	374,962	67,143	33,675	1,670	477,450
Unobligated Balances					
Apportioned	0	0	2,781	42	2,823
Unobligated Balances - Not Available	0	0	28	18	46
Total Status of Budgetary Resources	374,962	67,143	36,484	1,730	480,319
Relationship of Obligations to Outlays:					
Obligated Balances - Beginning of the Period	34,440	7,653	271	246	42,610
Obligated Balance - End of the Period					
Accounts Receivable	15	12	(2)	7	32
Unfilled Customer Orders	0	0	0	0	0
Undelivered Orders	(302)	(258)	(339)	(178)	(1,077)
Accounts Payable	(35,977)	(13,795)	(340)	(82)	(50,194)
Outlays:					
Disbursements	373,110	60,732	33,475	1,633	468,950
Collections	(46)	(39)	(3,499)	(26)	(3,610)
Subtotal	373,064	60,693	29,976	1,607	465,340
Less: Offsetting Receipts	11,813	797	243	1,457	14,310
Net Outlays	$ 361,251	$ 59,896	$ 29,733	$ 150	$ 451,030

Required Supplementary Information: Intragovernmental Amounts as of September 30, 2001

(Dollars in Millions)

Intragovernmental Assets	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Department of the Air Force				$136
Department of the Army				178
Department of the Navy				203
Department of the Treasury	$3,905	$1,169,956	$18,476	
Department of the Treasury, General Fund				393
Other				11
Total Intragovernmental Assets	$3,905	$1,169,956	$18,476	$921

Intragovernmental Liabilities	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities
Department of the Labor			$46
Department of the Treasury, General Fund		$5,666	
Office of Personnel Management			32
Railroad Retirement Board	$3,673		
Other			84
Total Intragovernmental Liabilities	$3,673	$5,666	$162

Intragovernmental Revenues:	Non-Exchange Revenue Transfers-In	Non-Exchange Revenue Transfers-Out
Department of the Treasury	($12)	
Department of the Treasury, General Fund	(393)	$2,290
Railroad Retirement Board		3,859
Department of Health and Human Services	(1,045)	
Total Intragovernmental Revenues:	($1,450)	$6,149

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
75-Year Projection as of January 1, 2001
(In billions)

		Estimates from Prior Years			
	2001	**2000**	**1999**	**1998**	**1997**
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)	$12,349	$11,335	$10,325	$9,482	$8,760
Have attained retirement eligibility age (Age 62 and over)	309	266	235	204	186
Those expected to become participants (Under Age 15)[4]	11,035	10,088	9,033	8,727	8,181
All participants	23,693	21,688	19,593	18,413	17,127
Actuarial present value[1] for the 75-year projection period of estimated future expenditures[5] paid to or on behalf of:					
Current participants[3] who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	18,944	17,217	15,676	14,605	13,405
Have attained retirement eligibility age (Age 62 and over)	4,255	4,020	3,856	3,659	3,518
Those expected to become participants (Under Age 15)[4]	4,700	4,297	3,758	3,719	3,539
All participants	27,899	25,534	23,291	21,983	20,462
Actuarial present value[1] for the 75-year projection period of estimated future excess of income (excluding interest) over expenditures	-$4,207	-$3,845	-$3,698	-$3,570	-$3,335
Trust fund assets[6] at start of period	1,049	896	763	656	567
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 expenditures	-$3,157	-$2,949	-$2,935	-$2,914	-$2,768

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 expenditures for them or on their behalf, subtract the actuarial present value of future expenditures 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 present value of future income and expenditures for the closed group participants beyond 75 years is not material.

[4]Includes births during the period.

[5]Expenditures include 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]If this excess is positive, it represents the estimated trust fund assets (expressed in present value dollars) at the end of the 75-year projection period; if negative, the absolute value of the excess 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 expenditures 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 2000, OASDI benefits were paid to approximately 45 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 has been described as an income transfer program--that is, a program to reduce economic disparity by redistributing income among households. The program transfers income in at least two ways. First, because the 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 program transfers income generally from younger to older people. Second, because the retired-worker benefits it pays replace a larger proportion of earned income for lower earners than for higher earners, income is transferred among workers with different earnings levels, even if they are of the same age. 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 $42 billion as of September 30, 2001 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 ($38 billion as of September 30, 2000, as presented in last year's report). Virtually all of this amount was paid in October 2001. Also, an asset of $1,170 billion is recognized for the "investments in Treasury securities" as of September 30, 2001 ($1,007 billion as of September 30, 2000). 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, 2001. 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;
- **expenditures:** benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **cashflow:** either income excluding interest, or expenditures, depending on the context, expressed in nominal dollars;
- **net cashflow:** income excluding interest less expenditures, expressed in nominal dollars.

All estimates in this section are based on the intermediate assumptions in the 2001 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2001 Trustees Report) (see Table 7). The statement presented on page 91 and the supplementary stewardship information below are derived from estimates of future income and expenditures 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 expenditures for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;

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

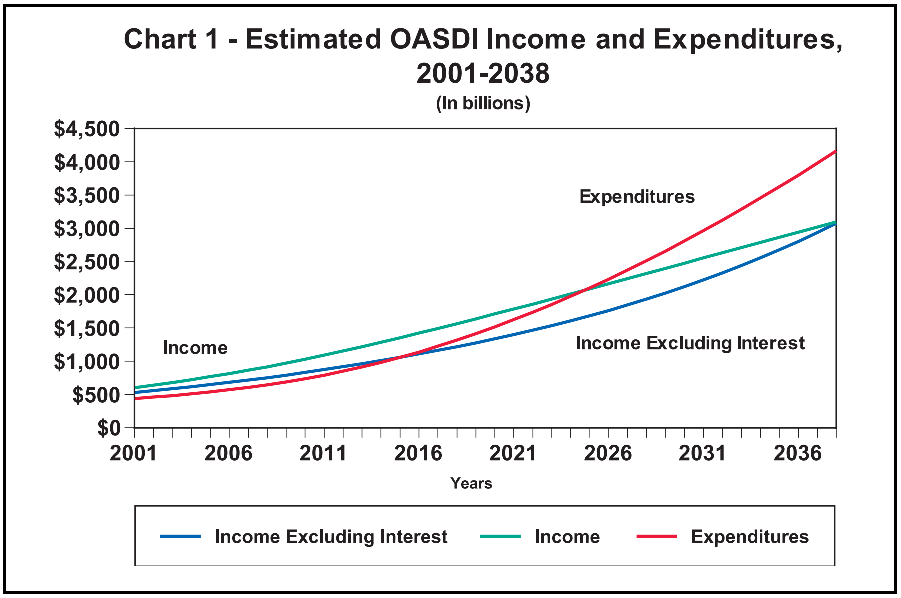
(3) the ratio of estimated covered workers to estimated beneficiaries showing the relationship between the program's tax payers and benefit recipients; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty noted above.

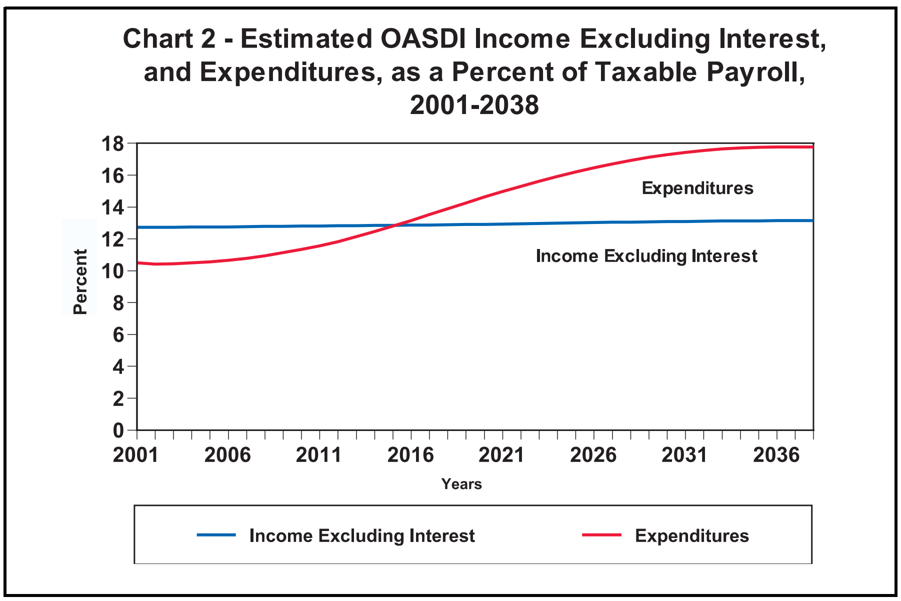
Estimates are generally based on a 75-year projection period but are displayed in the charts through the year in which the OASDI trust funds are projected to become exhausted (2038 for this accountability report). Estimates extending far into the future are inherently uncertain, and uncertainty is greater for the more distant years.

Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and expenditures for 2001-2038 in nominal dollars. 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 expenditures made to, and on behalf of, such workers during that period.

As chart 1 shows, estimated expenditures start to exceed income (including interest) in 2025. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of 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 expenditures start to exceed income excluding interest even earlier, in 2016. At that time, to meet all OASDI expenditures 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 expenditures). (The government, of course, could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI benefits.)



Percentage of Taxable Payroll - Chart 2 shows estimated annual income excluding interest and expenditures 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 of taxable payroll), and the 12.4 percent that is paid on taxable self-employment income. Because estimated annual income excluding interest consists primarily of payroll taxes, when expressed as a percentage of taxable payroll, it is close in magnitude to the OASDI payroll tax rate. The amount by which the income exceeds the tax rate reflects revenue transferred to the trust funds based on Federal income-taxation of OASDI benefits. When estimated expenditures are compared to income as percentages of taxable payroll, they necessarily reflect a similar pattern as when compared in nominal dollars. Whether expressed in nominal dollars or as percentages of taxable payroll, prior to 2016 estimated annual expenditures are less than estimated annual income, excluding interest, whereas thereafter they are more.

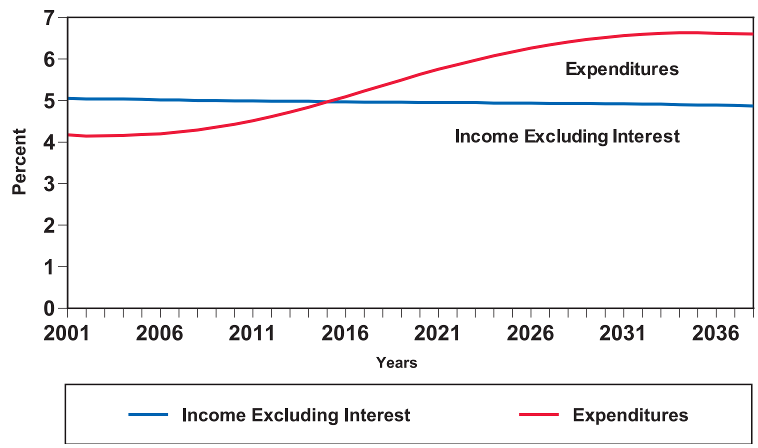


The statement of social insurance on page 91 shows that the present value of the excess of income (excluding interest) over expenditures for the 75-year period is -$4,207 billion. If augmented by the trust fund assets at the start of the period (January 1, 2001), it is -$3,157 billion. This excess does not equate to the actuarial balance in the Trustees Report. To reconcile these values, the excess (including the starting trust fund assets) would need to consider the cost of attaining a target Trust Fund balance by the end of the period. The present value of this cost is $237 billion, which reduces the excess to -$3,394 billion. This reduced (more negative) excess, when expressed as a percent of taxable payroll, is defined by the Trustees in their annual reports to be the actuarial balance. Thus, the excess of -$3,394 billion equates to the actuarial balance of -1.86 percent of taxable payroll reported in the 2001 Trustees Report.

One interpretation of this negative actuarial balance (-1.86 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 1.86 percentage points in this rate in each year of the 75-year projection period--about 0.93 percentage points for employees and employers each, resulting in a total rate for each of 7.13 percent--is estimated to produce enough income to pay all benefits due under current law for that period. Equivalent benefits reductions, or combinations of both tax increases and benefit reductions, could be made to achieve the same effect. Any accumulation and subsequent redemption of substantial trust fund assets may have economic and public policy implications that go beyond the operation of the OASDI program itself. Discussion of these broader issues is not within the scope of this report.

Percentage of Gross Domestic Product (GDP) - Chart 3 shows estimated annual income, excluding interest, and expenditures, 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.

Chart 3 - Estimated OASDI Income Excluding Interest, and Expenditures, as Percent of GDP, 2001-2038



In 2000, OASDI expenditures were about $415 billion, which was about 4.2 percent of GDP. When the baby boomers will have retired, the cost of the program (based on current law) is estimated to be about 6.6 percent of GDP, which is significantly more than it is today. Nearly all of the increase between now and 2038 will occur because baby boomers will become eligible for OASDI benefits, while subsequent lower birth rates will result in fewer workers per beneficiary.

Sensitivity Analysis - As indicated by the assumptions shown at the end of this section (Table 7), 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 expenditures 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.

For this analysis, the intermediate assumptions in the 2001 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2001 and are based on estimates of income and expenditures during the 75-year projection period 2001-2075. 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 expenditures 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.

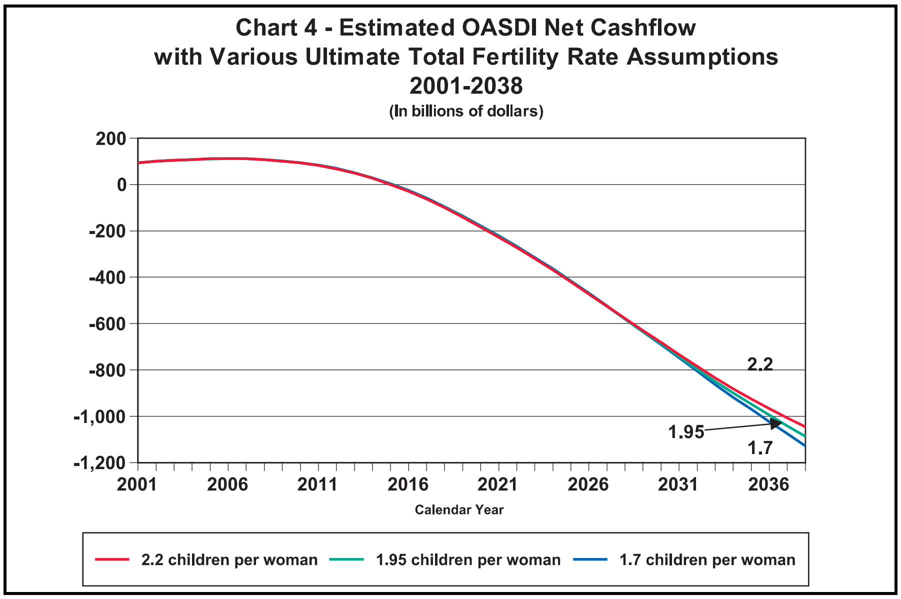
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate total fertility rate[1]. These assumptions are 1.7, 1.95 and 2.2 children per woman, where 1.95 is the intermediate assumption in the 2001 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2025.

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 expenditures would increase to $4,636 billion, from $4,207 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to $3,737 billion.

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.

Table 1: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2001-2075			
Ultimate Total Fertility Rate	1.7	1.95	2.2
Excess in Present Value Dollars (In billions)	-$4,636	-$4,207	-$3,737

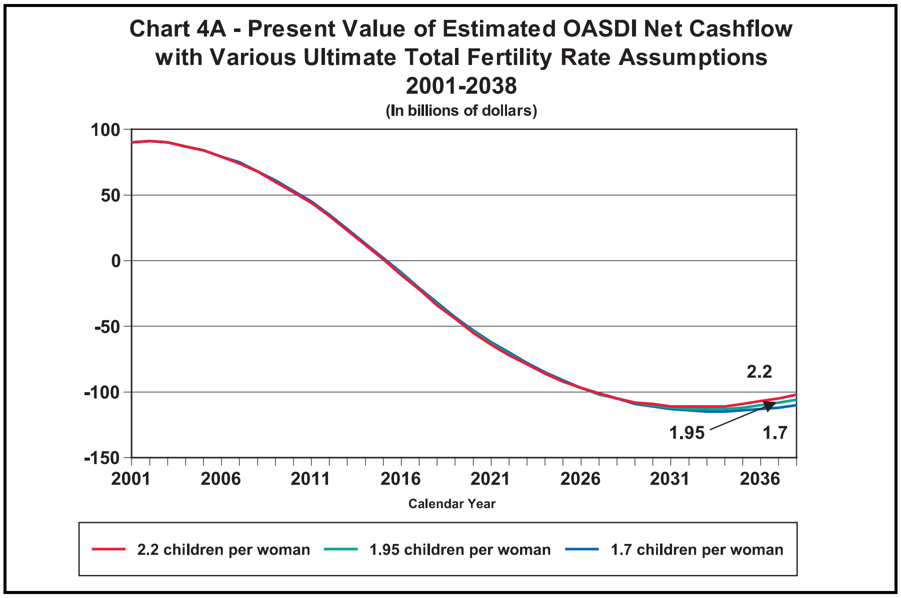
Charts 4 and 4A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 4 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 4 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2038. They remain positive through 2015 and are 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 37 years of this period.

Very little difference is discernible among the estimates of annual net cashflow based on the three ultimate total fertility rates throughout this period. In particular, it is difficult to discern from Chart 4 that annual net cashflow based on higher fertility rates is lower in the early years, although higher thereafter. In the early years, more births are assumed to result in fewer women in the labor force and more children receiving OASDI benefits. Thus, 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 2029 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 4A shows the present value of the estimated annual OASDI net cashflow.



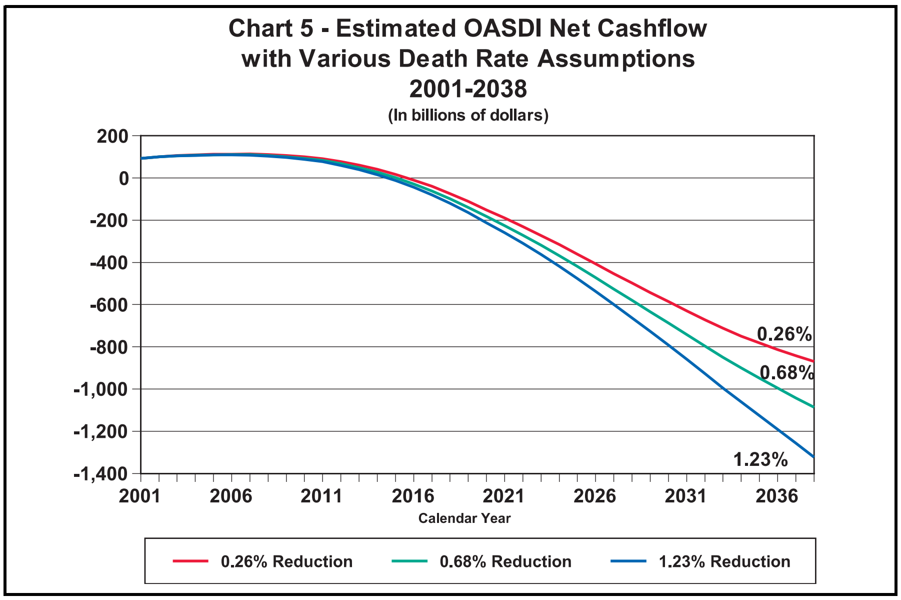
The three patterns of the present values shown in Chart 4A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2015 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2032 for 2.2 and 2033 for the others). 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 2033 than it would to cover the annual deficit in 2032.

Death Rates - Table 2 shows the present values of the estimated excess of OASDI income over expenditures 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 2000-2075 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 0.26, 0.68 and 1.23 percent per year, where 0.68 percent is the intermediate assumption in the 2001 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 17, 40 and 60 percent, respectively.)

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.68 percent, the Trustees' intermediate assumption, to 0.26 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to expenditures would decrease to \$2,980 billion, from \$4,207 billion; if the annual reduction were changed to 1.23 percent, meaning that people live longer, the shortfall would increase to \$5,574 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Death Rate Assumptions Valuation Period: 2001-2075			
Average Annual Reduction in Death Rates (from 2000 to 2075)	0.26 Percent	0.68 Percent	1.23 Percent
Excess in Present Value Dollars (In billions)	-$2,980	-$4,207	-$5,574

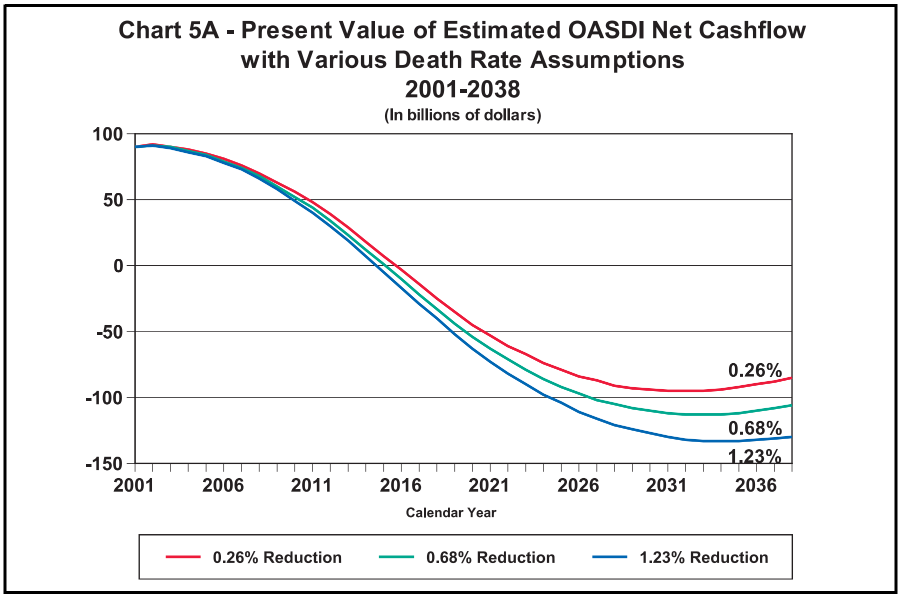
Charts 5 and 5A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2038. They remain positive through 2014 for an assumed average annual reduction of 1.23 percent and through 2015 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 expenditures, expenditures increase 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 age 50 to retirement eligibility age 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 5A shows the present value of the estimated annual OASDI net cashflow.



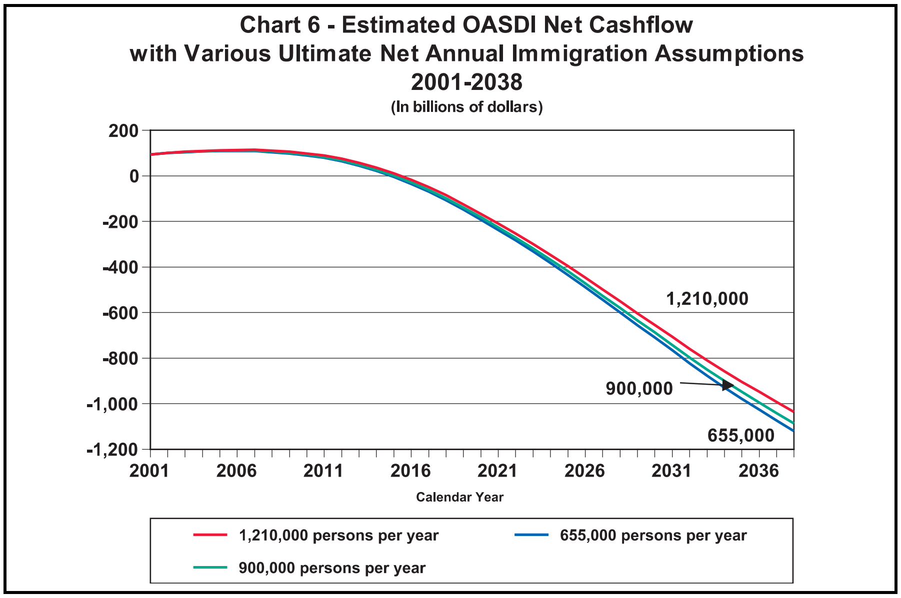
The three patterns of the present values shown in Chart 5A are similar. After increasing for one year, the present values decrease steadily through the early 2030's. They remain positive through 2014 for an assumed average annual reduction of 1.23 percent and through 2015 for the other assumptions, after which the present values are negative. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033, 2034 and 2035 for assumptions of reductions of 0.26, 0.68 and 1.23 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 expenditures 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 655,000 persons, 900,000 persons and 1,210,000 persons, where 900,000 persons is the intermediate assumption in the 2001 Trustees Report.

Table 3 demonstrates that, if net annual immigration is changed from 900,000 persons, the Trustees' intermediate assumption, to 655,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,336 billion, from $4,207 billion. If the net annual immigration were changed to 1,210,000 persons, the present value of the shortfall would decrease to $3,983 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2001-2075			
Ultimate Net Annual Immigration	655,000 Persons	900,000 Persons	1,210,000 Persons
Excess in Present Value Dollars (In billions)	-$4,336	-$4,207	-$3,983

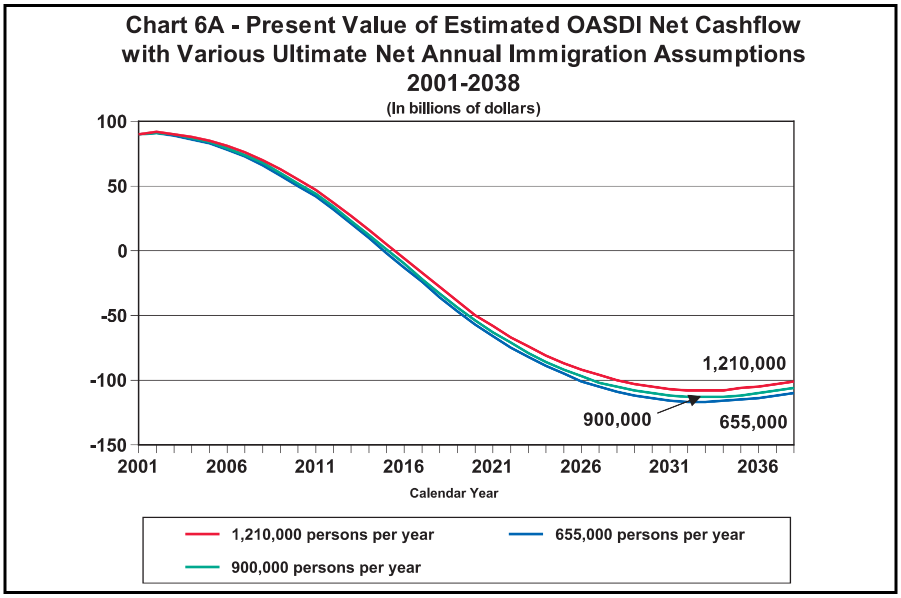
Charts 6 and 6A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 6 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2038. They remain positive through 2014 for assumed ultimate net annual immigration of 655,000 persons and through 2015 for the other assumptions, after which the annual net cashflow estimates are negative.

Very little difference is discernible in the early years among the estimates 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 cashflows become more apparent. Because immigration generally occurs at relatively young adult ages, the effects are similar to those of total fertility rates, except that the ultimate effect occurs earlier. 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, annual net cashflow, year by year, is higher (less negative in later years) for higher net annual immigration. As more and more of the larger immigration cohorts enter the labor force, the increased payroll taxes that accumulate are only partially offset by subsequent increased benefits. Thus, annual net cashflow based on higher net annual immigration is increasingly higher (less negative) than annual net cashflow based on lower net annual immigration.

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



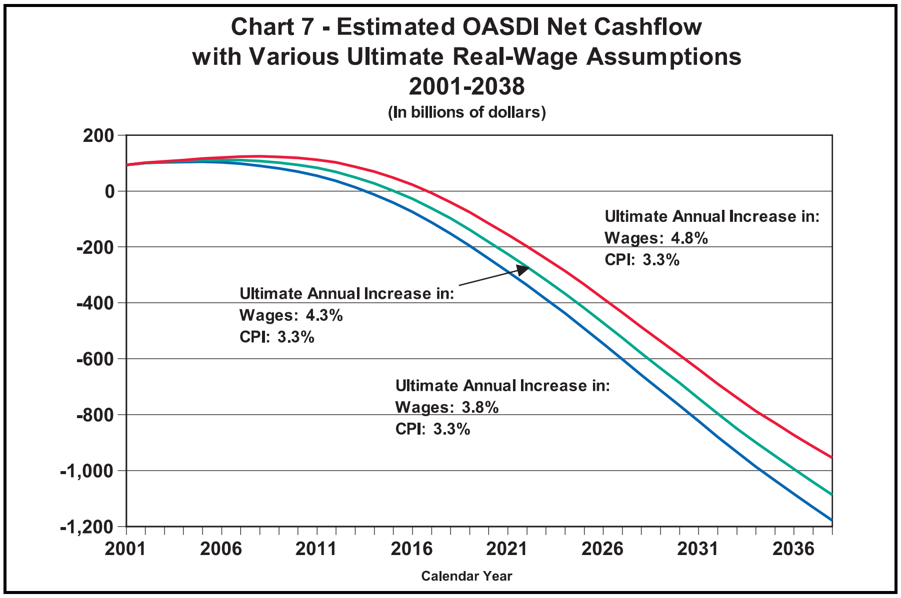
The three patterns of the present values shown in Chart 6A are similar. After increasing for one year, the present values decrease steadily through 2033. They remain positive through 2014 for assumed ultimate net annual immigration of 655,000 persons and through 2015 for the other assumptions, after which the present values are negative. Present values based on all three assumptions about net annual immigration begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

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 expenditures 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 0.5, 1.0 and 1.5 percentage points, where 1.0 percentage point is the intermediate assumption in the 2001 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 3.3 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.8, 4.3 and 4.8 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.0 percentage point, the Trustees' intermediate assumption, to 0.5 percentage point, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,660 billion from $4,207 billion; if the ultimate real-wage differential were changed from 1.0 to 1.5 percentage points, the shortfall would decrease to $3,559 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Real-Wage Assumptions Valuation Period: 2001-2075			
Ultimate Percentage Change in Wages - CPI	3.8 - 3.3	4.3 - 3.3	4.8 - 3.3
Excess in Present Value Dollars (In billions)	-$4,660	-$4,207	-$3,559

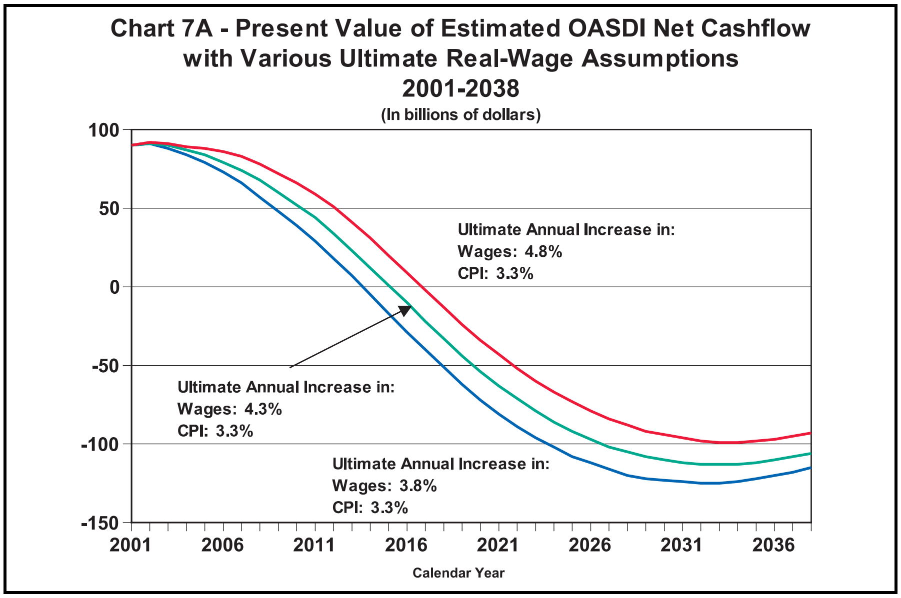
Charts 7 and 7A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 7 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2038. Estimated net cashflow remains positive through 2013, 2015 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 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 (less negative in later years) 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.

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



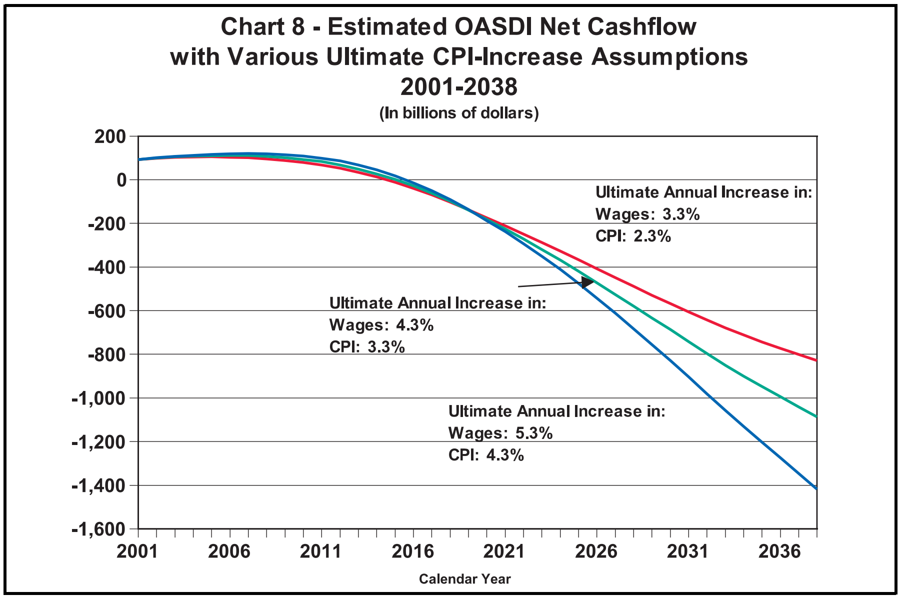
The three patterns of the present values shown in Chart 7A are similar. After increasing for one year, the present values decrease steadily through the early 2030's. They remain positive through 2013, 2015 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033 for an assumed ultimate real-wage differential of 0.5 percentage points and 2034 for the other two 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.

Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over expenditures 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 2.3, 3.3 and 4.3 percent, where 3.3 percent is the intermediate assumption in the 2001 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.0 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.3, 4.3 and 5.3 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 3.3 percent, the Trustees' intermediate assumption, to 2.3 percent, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,537 billion, from $4,207 billion; if the ultimate annual increase in the CPI were changed to 4.3 percent, the shortfall would decrease to $3,863 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--occurs because varying CPI-increases while retaining the same annual real-wage differentials affects earnings (and, therefore, taxes) sooner than benefits (and, therefore, expenditures). See the discussion below for a more complete explanation.

Table 5: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate CPI-Increase Assumptions Valuation Period: 2001-2075			
Ultimate Percentage Change in Wages - CPI	3.3 - 2.3	4.3 - 3.3	5.3 - 4.3
Excess in Present Value Dollars (In billions)	-$4,537	-$4,207	-$3,863

Charts 8 and 8A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 8 shows the estimated annual OASDI net cashflow.

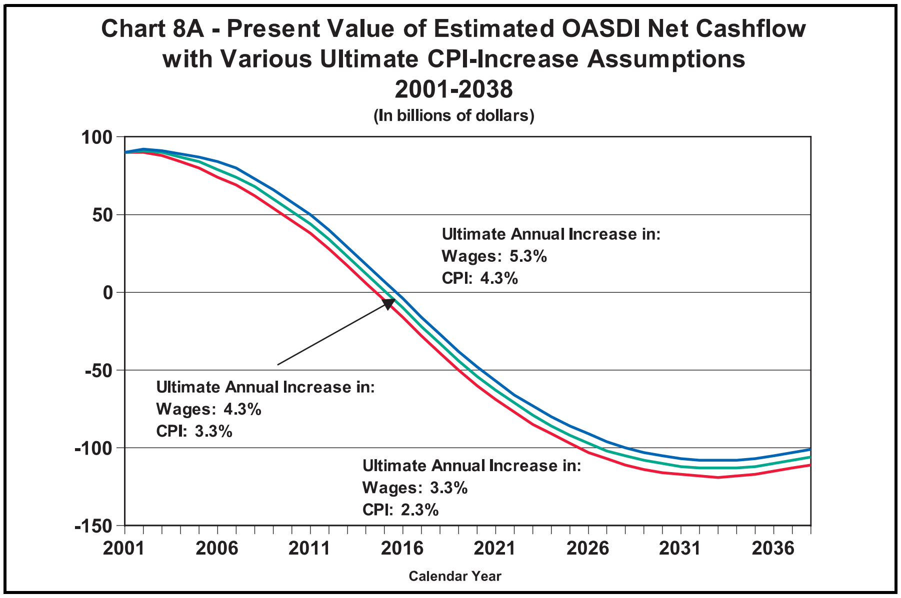


The three patterns of estimated annual OASDI net cashflow shown in Chart 8 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2038. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll 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 expenditures.

If expenditures were increased each year by the same percentage as income, the magnitude of annual net cashflow would increase--positive annual net cashflow would become more positive, and negative annual net cashflow would become more negative. Also, if positive net cashflow were followed by negative net cashflow (or vice versa), the year in which the annual net cashflow would cross zero would be unaffected by altering the assumed rate of change in the CPI. As a result, the patterns would cross each other at that time.

In practice, however, larger increases in the CPI cause income to increase sooner, and thus by more in each year, than expenditures. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Thus, the theoretical results described above are shifted by the relatively large effect on income--positive annual net cashflow is even more positive, and negative annual net cashflow is less negative or becomes positive. Chart 8 shows that annual net cashflow remains positive through 2014 for an assumed ultimate annual increase in the CPI of 2.3 percent and 2015 for the other two assumptions, and is negative thereafter. In addition, because of the shift described above, the patterns cross each other about 2019 or 2020 rather than when the annual net cashflow is zero.

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



The three patterns of the present values shown in Chart 8A are similar. The present values decrease steadily through 2033 before beginning to increase. They remain positive through 2015 (2014 for assumed ultimate annual increase in the CPI of 2.3 percent) and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

The magnitudes of the present values in Chart 8A are lower, year by year, than the amounts in Chart 8 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 8.

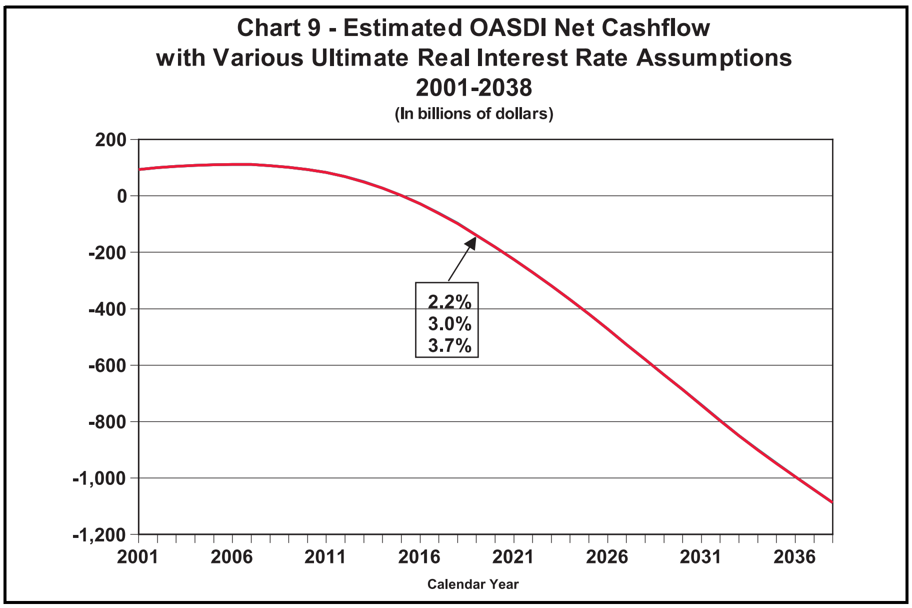
Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold only to the trust funds. These assumptions are that 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 2001 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 expenditures, when measured in present-value terms, would increase to $6,125 billion, from $4,207 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to $3,025 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Real-Interest Assumptions
Valuation Period: 2001-2075

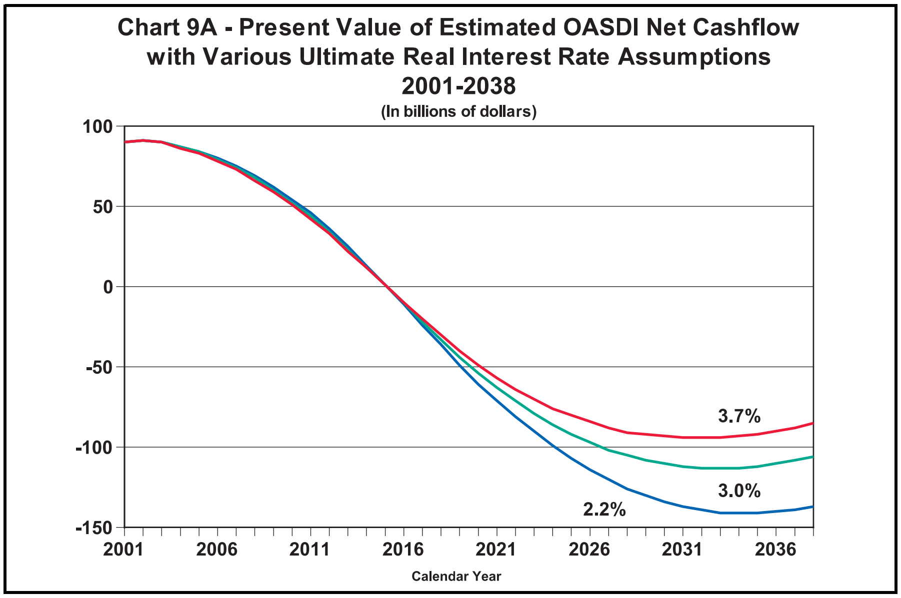
Ultimate Annual Real Interest Rate	2.2	3.0	3.7
Excess Present Value Dollars (In billions)	-$6,125	-$4,207	-$3,025

Charts 9 and 9A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are identical, because interest rates do not affect cashflow. After increasing through 2006, the net cashflow estimates decrease steadily through 2038. They remain positive through 2015 and are negative thereafter.

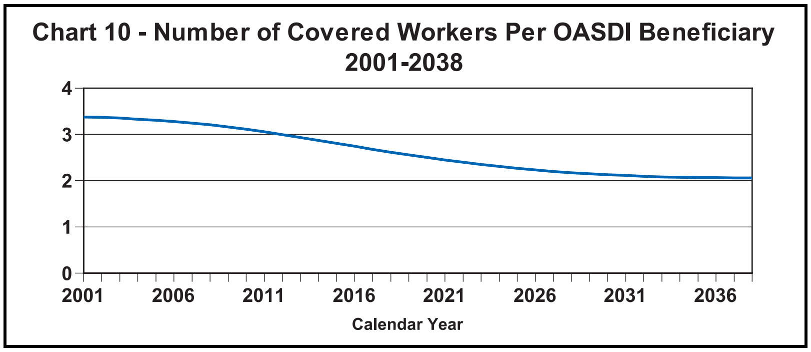
Chart 9A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 9A are similar. After increasing for one year, the present values decrease steadily through the early 2030's. They remain positive through 2015 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2034 and 2033 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.

Chart 9A 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 2016. 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.

Ratio of Workers to Beneficiaries - Chart 10 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 3.4 in 2000 to 2.1 in 2038.



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:

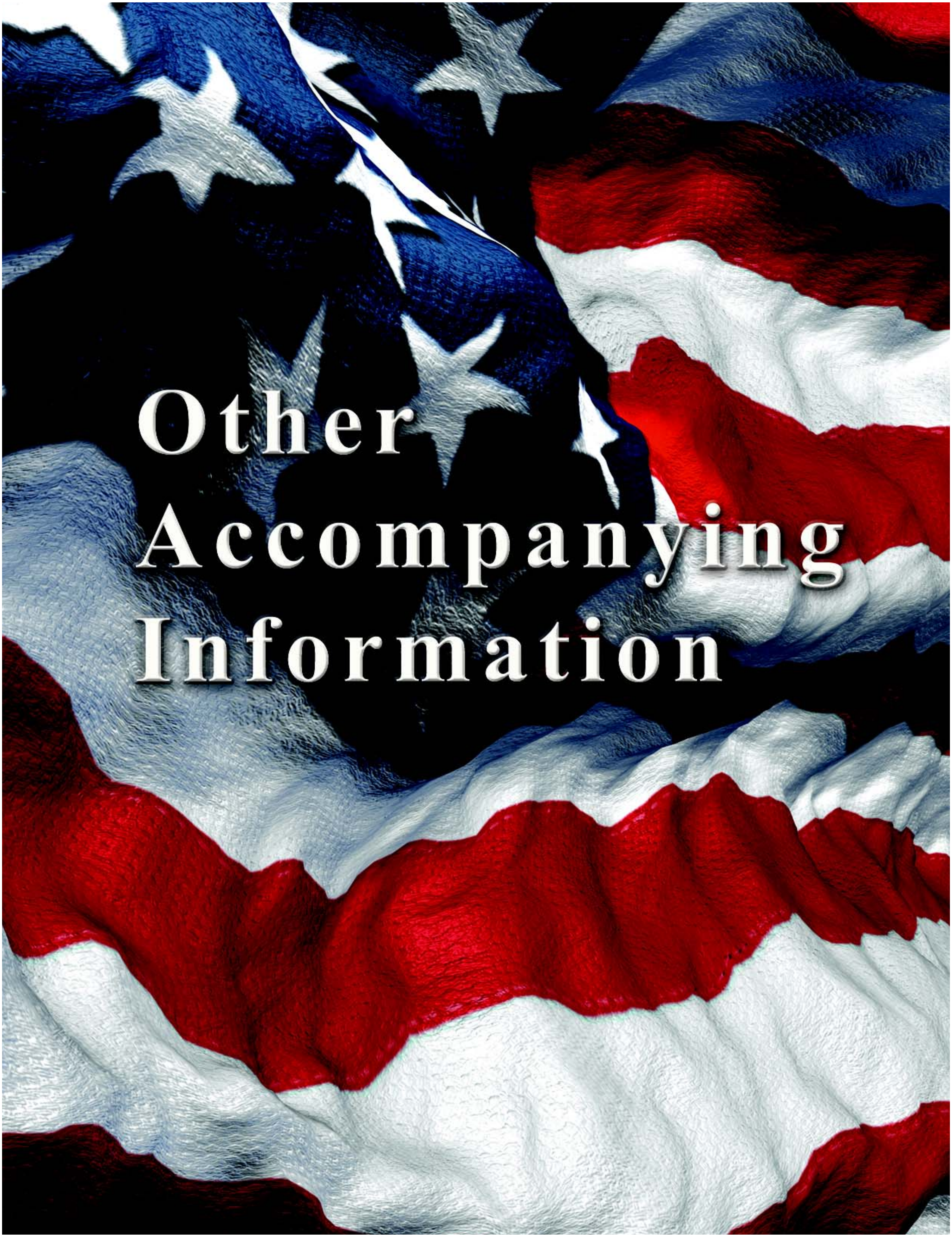
Table 7: Social Security Assumptions

			Period Life Expectancy At Birth[3]				Average Annual Percentage Change In:			
	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Male	Female	Net Annual Immigration (persons per year)	Real-Wage Differential[4] (percentage points)	Average Annual Wage in Covered Employment	CPI[5]	Real GDP[6]	Average Annual Interest Rate[7]
2001	2.06	796.5	74.0	79.6	840,000	1.9	4.9	3.0	3.1	5.6%
2005	2.04	773.7	74.6	80.0	900,000	1.2	4.4	3.2	2.3	6.2%
2010	2.02	751.1	75.3	80.3	900,000	1.0	4.3	3.3	2.0	6.3%
2020	1.97	701.7	76.4	81.1	900,000	1.0	4.3	3.3	1.7	6.3%
2030	1.95	649.4	77.3	81.9	900,000	1.0	4.3	3.3	1.7	6.3%
2040	1.95	603.3	78.2	82.6	900,000	1.0	4.3	3.3	1.7	6.3%

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 2025.
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. 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.
7. 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 2001 Trustees Report. Estimates made in certain prior years have changed substantially because of revisions to the assumptions based on changed conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Other Accompanying Information

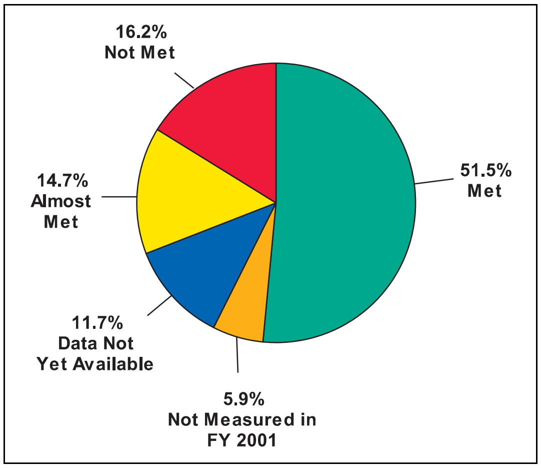


GPRA Performance Results

Summary of Achievement-FY 2001 Performance Goals

The performance data presented in this report are fundamentally complete and reliable as outlined in the guidance available from the Office of Management and Budget. While we have identified no material inadequacies, the Data Quality discussion in the Performance Goals and Results section of Management's Discussion and Analysis describes our continuing efforts to strengthen the quality and timeliness of SSA's performance information to increase its value to SSA's management, policymakers and others. The results achieved for each FY 2001 goal are either discussed in this report or will be included in a future annual report. SSA's managers routinely use this performance data to improve the quality of program management and to demonstrate accountability in achieving program results.

The chart below describes the results for the 68 Government Performance and Results Act (GPRA) performance goals. We met 35 of the 68 goals. We did not establish targets for 3 of the 68 indicators, and they were not measured in FY 2001. However, they are discussed in the "Individual Performance Indicator Results" section.



On the next page, a summary chart displays all of the 64 GPRA measured performance indicators, plus one non-GPRA key performance indicator for Supplemental Security Income (SSI) redeterminations. This chart displays each target as "met," "not met," "not met by slim margin or strongly positive trend toward target," and "data not yet available." The indicators are organized under the objectives that they support; each objective has one or more performance indicators. We include a summary of performance for each objective, which rolls up the performance for the indicators that support it.

Following the summary chart are individual discussions for each of our performance indicators. If we did not have final FY 2000 performance data in time for the FY 2000 Annual Performance Report, we include it here along with the FY 2001 discussion. We also include data definitions and data sources (if available) for each indicator.

OUR ACHIEVEMENT OF FY 2001 PERFORMANCE TARGETS BY GOAL AND OBJECTIVE

Strategic Goal: Responsive Programs

Performance Indicators (PI):		*Performance Summary*
Target Met or Exceeded	↑	
Target Not Met by Slim Margin or Strong Positive Trend Toward Target	↓	
Target Not Met	↓	
Target Not Yet Available	→	

Objective: Promote policy changes that shape the OASI and DI programs.

Key PI: Barometer measures for assessing the effectiveness of the OASDI program.	↑	**Our results for this Objective were outstanding. We met all 4 performance targets** and thus advanced our research and analysis of the OASI and DI programs, helping us develop appropriate policy proposals for the future.
Analyses and reports on the effect of OASDI programs on different populations.	↑	
Analyses and reports on demographic, economic and international trends and their effects on OASDI programs.	↑	
Key PI: Research and policy analyses to assist in the development of proposals to strengthen and enhance the solvency of OASDI programs.	↑	

Objective: Promote policy changes that shape the SSI program.

Barometer measures for assessing the effectiveness of the SSI program.	↑	**Our results for this Objective were positive. We met 3 out of 4 targets.** We were unable to complete data collection for the SSI Childhood Disability Survey as scheduled, but will be on schedule to meet our FY 2002 and 2003 targets.
Completion of data collection and report on the SSI Childhood Disability Survey.	↓	
Analysis on sources of support for the SSI population.	↑	
Analysis of complex SSI policies.	↑	

Objective: Promote policy changes that shape the disability program.

Research design for validating medical listings.	↑	**Our results for this Objective were positive. We met 2 out of the 3 targets.** We did not initiate the NSHA main study data collection as scheduled in FY 2001; data collection will begin in late FY 2002 or early FY 2003.
Reports on results of the National Study of Health and Activity (NSHA).	↓	
Alternative return-to-work strategies.	↑	

Objective: Provide information for decisionmakers and others on the SS and SSI programs.		
Performance Indicators (PI):		***Performance Summary***
Target Met or Exceeded	↑	
Target Not Met by Slim Margin or Strong Positive Trend Toward Target	↓	
Target Not Met	↓	
Target Not Yet Available	→	
User rating of SSA's research and analysis products.	↑	**Our results for this Objective were outstanding. We met both targets.** We established first measures for user satisfaction ratings and produced all major statistical products on time.
Timeliness of major statistical products.	↑	

Strategic Goal: Customer-responsive world-class service

Objective: By 2004 and beyond, have 9 out of 10 customers rate SSA's overall service as "good," "very good" or "excellent," with most rating it "excellent"		
Key PI: Customer service rating- "excellent," "very good" or "good."	↓	**Our results for the Objective were positive. We met and exceeded 3 performance targets and missed 3 only by slim margins.** The 800-number payment and service accuracy rates are not yet available and will be reported in the FY 2002 Performance and Accountability Report (PAR). Public satisfaction ratings remained stable but did not rise, since there were no significant service enhancements in FY 2001 and we had the impact of longer initial disability claims and hearing processing times. We are testing new technologies expected to make service improvements in all areas. Disability and hearings process improvements, as well as additional notice improvements, will also help us improve satisfaction.
Customer service rating - "excellent."	↓	
800-number access within 5 minutes.	↑	
800-number access on first attempt.	↑	
800-number call payment accuracy.	→	
800-number call service accuracy.	→	
Appointment waiting time 10 minutes or less.	↓	
No appointment waiting time 30 minutes or less.	↑	

Objective: By 2005, 60 percent of SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone service.		
Performance Indicators (PI):		***Performance Summary***
Target Met or Exceeded	⇧	
Target Not Met by Slim Margin or Strong Positive Trend Toward Target	⇩	
Target Not Met	⇩	
Target Not Yet Available	⇨	
Key PI: Customer initiated services available to customers via the Internet or through automated telephone service.	⇧	**Our results for this Objective were outstanding. We exceeded the target for FY 2001. In addition, we continue to expand the services available in this new service channel.** In FY 2001, we added 6 new SSA online applications to bring the total number to 17, and we are currently analyzing 6 new proposals. We are testing/piloting technologies to authenticate identity online, and thus increase security and privacy of Internet transactions.
Objective: Increase electronic access to information needed to serve SSA customers.		
Electronic access to States' human services (HS) and unemployment information (UI).	⇩	**Our results for this Objective were positive. We missed both these targets but only by very small margins.** Electronic access to HS information is already available from 66 percent of States, and the combined trend for both HS and UI has been steadily upward from the 1999 level of 41 percent. FY 2001 was the first year we set a goal for access to VS data and we expect to meet our goal in FY 2002.
Electronic access to States' vital statistics (VS) and other material.	⇩	

Objective: To raise the number of customers who receive service and payments on time.		
Performance Indicators (PI):		***Performance Summary***
Target Met or Exceeded	⇧	
Target Not Met by Slim Margin or Strong Positive Trend Toward Target	⇩	
Target Not Met	⇩	
Target Not Yet Available	⇨	
Key PI: Initial disability claims average processing time.	⇧	**Our results for this Objective were mixed. We met only 4 out of our 10 targets.** We exceeded our targets for SSN cards, OASI claims processed and SSI aged claims processed, continuing our positive performance trends since FY 1998. We did not meet any of our six hearings and appeals goals primarily because we have recently implemented a hearings process and Appeals Council process improvements, and have not realized benefits. In addition, until recently, litigation has prevented us from hiring Administrative Law Judges (ALJ) to replace those lost through attrition. With the recent hiring of some replacement ALJs, we are committed to moving toward our long-range improvement targets.
Hearings decisions issued w/in 180 days.	⇩	
Key PI: Hearings average processing time.	⇩	
Hearings cases processed per workyear.	⇩	
Appeals of hearings (Appeals Council) decisions issued within 105 days.	⇩	
Appeals of hearings (Appeals Council) decisions average processing time.	⇩	
Appeals of hearings (Appeals Council) decisions issued per workyear.	⇩	
Retirement and Survivors (OASI) claims processed timely.	⇧	
Supplemental Security Income (SSI) aged claims processed timely.	⇧	
Key PI: Original and replacement Social Security Number (SSN) cards issued timely.	⇧	

Objective: By 2005, increase by 100 percent from 1999 levels, the number of Social Security and SSI disability beneficiaries who achieve steady employment and no longer receive cash benefits.

Performance Indicators (PI):	***Performance Summary***
Target Met or Exceeded ***Target Not Met by Slim Margin or Strong Positive Trend Toward Target*** ***Target Not Met*** ***Target Not Yet Available***	
Increase in the number of Social Security disability adult beneficiaries (DI) who begin a trial work period (TWP).	**Our results for this Objective were mixed.** We will not have the actual data for DIs who began a TWP until February 2002. We did not meet our targets for working SSI disabled beneficiaries or implementation of the TWSSP. However, our results for this Objective were adversely impacted by several factors. Our goal was to start distributing Tickets-to-Work in FY 2001; this will not happen until early FY 2002 because the required final regulation was delayed due to the time required to review 500 comments on the Notice of Proposed Rulemaking, and discussions with the Office of Management and Budget. The positive impact TWSSP will have on beneficiaries returning to work in greater numbers should begin in 2002. However, the path the economy takes will also be an important determinant of our success. If the economy does not recover in 2002, there will be a negative impact on employment opportunities for people with disabilities.
Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a) status.	
Activities to implement provisions of the Ticket-to-Work and Self-Sufficiency Program (TWSSP) and other employment strategies.	

Strategic Goal: Program Integrity

Objective: To make benefit payments in the right amount.

Performance Indicators (PI):		*Performance Summary*
Target Met or Exceeded	↑	
Target Not Met by Slim Margin or Strong Positive Trend Toward Target	↓	
Target Not Met	↓	
Target Not Yet Available	→	
Retirement, survivors and disability (OASDI) (non-medical) payment accuracy.	→	**Our results for this Objective appear to be positive, although our assessment is incomplete because much of the data is not yet available. We met 2 of the 8 targets, did not meet 1, and are waiting for data on 5.** We met the DDS (medical) allowance performance accuracy target because of continued focus on decision quality, including training on adjudication consistency. When the final numbers are in, we expect to meet our targets for OASDI accuracy and hearings decisional accuracy. We did not meet the target for DDS denial performance accuracy rate because denial documentation requirements are significantly more difficult and we had to address rising claims backlogs. The FY 2001 actual data for OASDI payment accuracy, DDS net decisional accuracy, hearings decisional accuracy, SSI payment accuracy and SSN issuance accuracy will be reported in the FY 2002 PAR.
Disability Determination Services (DDS) net decisional accuracy rate.	→	
DDS allowance performance accuracy rate.	↑	
DDS denial performance accuracy rate.	↓	
Hearings decisional accuracy rate.	→	
SSI (non-medical) payment accuracy.	→	
Key PI: SSI non-disability redeterminations processed.	↑	
SSN issuance accuracy.	→	

Objective: To become current with DI and SSI CDR requirements by 2002

Key PI: Percent of Continuing Disability Review (CDR) plan completed.	↑	**Our results for this objective were outstanding.** We met our goal and are on target to eliminate all CDR backlogs by FY 2002.

<table>
<tr><td colspan="2">Objective: Maintain current levels of accuracy and timeliness in posting earnings data to individuals’ earnings records.</td></tr>
<tr><td>Performance Indicators (PI):

Target Met or Exceeded
Target Not Met by Slim Margin or Strong Positive Trend Toward Target
Target Not Met
Target Not Yet Available</td><td>Performance Summary</td></tr>
<tr><td>Percent of wage items (worker’s earnings) posted by September 30.</td><td rowspan="3">Our results for this Objective were outstanding. We exceeded all 3 targets. Our continuing efforts to get more employers to file W-2s electronically have paid off. Electronic filing contributes to the timeliness and accuracy of postings.</td></tr>
<tr><td>Key PI: Percent of earnings posted correctly.</td></tr>
<tr><td>Percent of employee reports (W-2s) filed electronically.</td></tr>
<tr><td colspan="2">Objective: Aggressively deter, identify and resolve fraud.</td></tr>
<tr><td>Number of investigations conducted (i.e., closed).</td><td rowspan="4">Our results for this Objective were outstanding. We exceeded all 4 targets largely because of expansion of national investigative efforts, including the Office of the Inspector General’s fugitive felon program and Cooperative Disability Investigative teams.</td></tr>
<tr><td>OASDI $ amounts reported from investigative activities.</td></tr>
<tr><td>SSI $ amounts reported from investigative activities.</td></tr>
<tr><td>Number of criminal convictions.</td></tr>
<tr><td colspan="2">Objective: Increase debt collection by 7 percent annually through 2002.</td></tr>
<tr><td>OASDI debt collected.</td><td rowspan="2">Our results for this Objective are positive. We did not meet the OASDI target because of external factors, i.e., the elimination of the retirement test and subsequent reduced debt available for collection.</td></tr>
<tr><td>SSI debt collected.</td></tr>
</table>

Strategic Goal: Valued Employees

Objective: Tools and training to achieve a highly skilled and high-performing workforce.	
Performance Indicators (PI):	***Performance Summary***
Target Met or Exceeded ⇧ (green) ***Target Not Met by Slim Margin or Strong Positive Trend Toward Target*** ⇩ (yellow) ***Target Not Met*** ⇩ (red) ***Target Not Yet Available*** ⇨ (blue)	
Percent of offices with direct access to Interactive Video Teletraining (IVT). ⇩ (red)	**Our results for this Objective were mixed due to circumstances beyond our control.** We did not meet the IVT goal because of problems with getting the satellite signals to certain sites and an increase in the size of the universe of total target sites. We were on target to meet our Management/ leadership training experiences but did not complete some because of the events of September 11.
Formal management development programs. ⇧ (green)	
Management/leadership development experiences. ⇩ (yellow)	
Objective: Physical environment that promotes the health and well-being of every employee.	
Percent of environmental air quality surveys completed and percent of corrective actions taken. ⇧ (green)	**Our results for this Objective were positive. We met essentially all of our targets.** We completed all targeted testing and surveys. Fewer offices actually relocated than projected, and we completed security surveys in all relocated offices. We implemented more than the target number of recommendations.
Number of facilities having water quality testing and percent of corrective actions taken. ⇧ (green)	
Number of relocated offices having security surveys and percent security recommendations implemented. ⇩ (yellow)	
Objective: To promote an Agency culture that successfully incorporated our values.	
Create Agency change strategy. ⇩ (red)	**Our results for this Objective were mixed.** We conducted a culture survey, gap analysis and benchmarking study. The recommendations from the culture study are pending. Future activity is under consideration.

Objective: To create a workforce to serve SSA's diverse customers in the twenty-first century.	
Performance Indicators (PI): ***Target Met or Exceeded*** ***Target Not Met by Slim Margin or Strong Positive Trend Toward Target*** ***Target Not Met*** ***Target Not Yet Available***	***Performance Summary***
Key PI: Complete Agency Workforce Transition Plan.	**Our results for this Objective were outstanding.** We met our goals to implement and update our Plan, and developed and implemented action items from our employee survey.
Strategic Goal: Strengthen Public Understanding	
Objective: By 2005, 9 out of 10 Americans will be knowledgeable about Social Security programs.	
Percent of public knowledgeable about Social Security.	**Our results for this Objective were outstanding.** We exceeded our "public knowledgeable" target by 3 percent. We have begun to implement strategies to get us to our 2005 goal, including targeting segments of the population least knowledgeable about Social Security.
Key PI: Percent of individuals issued Social Security Statements as required by law.	

Individual Performance Indicator Results

The following section reports and discusses our FY 2001 performance for each individual GPRA performance indicator. In addition, for those performance indicators for which we did not have final data when the FY 2000 Performance and Accountability Report was issued in December 2000, we also report final FY 2000 performance. The full information for key performance indicators is not included here, but rather in the Performance Goals and Results/ FY 2001 Performance by Strategic Goal section located in the Management's Discussion and Analysis (MD&A) portion of this report. For each GPRA performance indicator, we also show the definition and data source. Indicators are organized under the Strategic Goal and Strategic Objective that they support.

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

Strategic Objective: To promote policy changes, based on research, evaluation and analysis that: shape the OASI and DI programs in a manner that takes account of future demographic and economic challenges, provides an adequate base of economic security for workers and their dependents, and protects vulnerable populations

Performance Indicator 1: Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of Old-Age, Survivors and Disability Insurance (OASDI) programs. **We met our goal. This indicator is Key Performance Indicator 1 in the Performance Goals and Results section of the Management's Discussion and Analysis (MD&A).** **Please see page 37 for a detailed discussion.**

Performance Indicator 2: Preparation of analyses and reports on the effect of OASDI programs on different populations in order to identify areas for policy change and develop options as appropriate.

FY 2001 Goals: Prepare analyses and reports on the following topics:

(1)--The effect of OASDI programs on various subgroups of beneficiaries, including women, minorities and low-wage workers;

(2)--Study on characteristics of people receiving DI benefits; and

(3)--Analysis of the effect of changes in Social Security retirement benefits on the DI program.

FY 2001 Performance Discussion: We met our goals. In FY 2001, we met our goals to publish specific reports that show the effects of our programs on different populations and analyzed options for policy changes. These reports provide decisionmakers with a better understanding of the factors that influence the programs' abilities to provide an adequate base of economic security to beneficiaries, the characteristics of specific beneficiary populations and the impact of changes in the retirement program on the disability program. Specifically:

(1)--We published two articles in the Social Security Bulletin (Volume 63, Number 3, 2000) focusing on women: "Divorced Baby Boomers in Retirement: Projections of Economic Well-Being in the Near Future," and "A Benefit of One's Own: Older Women's Entitlement to Social Security Retirement." In January 2001, we released three working papers: "Widows Waiting to Wed? (Re) Marriage and Economic Incentives in Social Security Widow Benefits;" "Analysis of Social Security Proposals Intended to Help Women: Preliminary Results;" and "Reducing Poverty Among Elderly Women: Preliminary Results." We also produced fact sheets on women and minorities that are available on our website. We have also completed a paper on the special minimum benefit that is scheduled for publication shortly. The special minimum benefit was enacted to increase the benefits of certain low-wage beneficiaries, who disproportionately are women.

(2)--We have produced the first in an annual series of data books describing the population that receives benefits based on their own disability. This population includes disabled workers, disabled widow(er)s and disabled adult children. This data book will greatly expand the amount of statistical information available to Agency decision makers and outside users. The first issue, published in October 2001, is based on data for December 2000.

(3)--We have prepared a paper entitled “Potential Impact of Solvency Proposals on the Disability Insurance Program” that will be published as a working paper or in the *Social Security Bulletin*.

Data Definition: We will consider these goals to be achieved if we prepare reports on these topics. The reports should provide information for decisionmakers to use in developing policy proposals and should provide options for change when appropriate.

Performance Indicator 3: Preparation of analyses and reports on demographic, economic, and international trends and their effects on OASDI programs in order to anticipate the need for policy change and develop options as appropriate.

FY 2001 Goals: Prepare analyses and reports on the following topics:

(1)--Labor force transitions in the elderly population;

(2)--Implications for retirement income security of shifts from defined benefits to defined contribution plans through study of lump-sum payments from employer pensions;

(3)--Differences across subgroups in saving; and

(4)--International retirement policy reforms.

FY 2001 Performance Discussion: We met our goals. In FY 2001, we met our goal to prepare analyses of the effects of demographic, economic and international trends on our programs. The analyses were produced in cooperation with researchers whose work was funded by SSA’s Retirement Research Consortium. These analyses will help decisionmakers develop proposals to adapt the programs to the changing needs of wage earners and beneficiaries. Specifically:

(1)--We funded three projects that were completed in FY 2001 on labor force transitions in the elderly population: 1) A study of self-employment and labor market transitions at older ages; 2) a study of labor supply of the elderly; and 3) an analysis of earnings after age 50.

(2)--We funded two projects through a cooperative agreement with the Boston College Retirement Research Consortium. Two papers have been prepared: 1) “What Happens When You Show Them the Money?: Lump Sum Distributions, Retirement Income Security and Public Policy;” and 2) “The Effects of Public Policies Toward Pre-Retirement Pension Distributions: Evidence From the Health and Retirement Survey.”

(3)--SSA has prepared a paper, “Differences in Wealth by Race and Ethnicity,” which will be released as a working paper.

(4)-We completed a paper entitled, “Social Security Privatization in Latin America,” which was published in the *Social Security Bulletin* (Volume 63, Number 2, 2000). We also coauthored a paper with the Federal Reserve Bank of Atlanta on “Social Security in Latin America: Recent Reforms and Challenges,” which was published in the *Federal Reserve Bank of Atlanta Economic Review.*

Data Definition: We will consider these goals to be achieved if we prepare analyses reports as indicated under the goals.

Performance Indicator 4: Preparation of research and policy evaluation necessary to assist the administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs. **We met our goal. This indicator is Key Performance Indicator 2 in the Performance Goals and Results section of the MD&A. Please see page 38 for a detailed discussion.**

Strategic Objective: To promote policy changes based on research, evaluation and analyses that shape the SSI program in a manner that protects vulnerable populations, anticipates the evolving needs of SSI populations, and integrates SSI benefits with other social benefit programs to provide a safety net for aged, blind, and disabled individuals

Performance Indicator 5: Identification, development and utilization of barometer measures for assessing effectiveness of the SSI program.

FY 2001 Goal: Prepare summary and analysis on the barometer measures.

FY 2001 Performance Discussion: We met our goal. In FY 2001, we met our goal by preparing a summary and analysis of barometer measures for the SSI program. We also updated these barometer measures with the latest available data. The summaries and analyses of barometer measures for the OASDI and SSI programs have been combined into one document. These barometer measures can be found beginning on page 170. We will continue to update the SSI barometer measures and publish annual updates.

Data Definition: We will consider this goal to be achieved if the Agency prepares a preliminary analysis of certain measures to be used as ongoing barometers on how the SSI program, in combination with many related factors, affects the economic well-being of the beneficiaries. These barometers will be used to produce analyses and help formulate options for strengthening the program.

Performance Indicator 6: Preparation of a report and completion of data collection on the SSI Childhood Disability Survey in order to assess the impact of welfare reform, identify areas of potential policy change, and develop options as appropriate.

FY 2001 Goal: Complete interviewing for the first wave on the SSI Childhood Disability Survey.

FY 2001 Performance Discussion: We did not meet our goal. The purpose of the Childhood Disability Study is to evaluate the effect of the loss of SSI benefits, stemming from provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, on children and their families. It will provide estimates of the number of children who would have been eligible under previous program rules but are not eligible under current rules. It will also provide information on the characteristics of the children affected by the law, including information on family income, the cost of caring for disabled children, the use of SSI benefits and the availability of other income. We did not meet our FY 2001 goal to complete study interviewing because: 1) The completion of the contract for the design of the survey was delayed for several months due to the complexities of the issues and other factors outside our control; and 2) the required Office of Management and Budget approval was not completed until January 2001. Consequently, interviewing could not start until July 2001 and will continue through February 2002. Despite this delay, we expect to meet our FY 2002 goal of preparing data files for analysis and get back to the overall study schedule.

Data Definition: We will consider this goal to be achieved if we complete interviewing for the first wave of a national survey.

Performance Indicator 7: Prepare analysis on the sources of support for the SSI population in order to identify areas for better coordination with other social benefits and develop options as appropriate.

FY 2001 Goal: Prepare analysis and report on child support enforcement.

FY 2001 Performance Discussion: We met our goal. This analysis will help us understand the sources of support available to SSI recipients and develop policies that enhance the safety net for these vulnerable populations. Fewer than half of all children who receive SSI benefits, and live in single-parent homes, receive child support services. Our report to be published in the *Social Security Bulletin* later in 2001 notes that, although filing for child support is a condition of eligibility for income assistance programs such as Temporary Assistance for Needy Families (TANF), it is not a condition of eligibility for SSI benefits. Such a requirement might result in more children on SSI receiving child support. Since SSI rules exclude one-third of child support when determining benefit amounts, receipt of child support improves the financial well-being of SSI children. This report also discusses ways of improving access to child support data and reducing SSI overpayments. The analysis of support for and economic status of SSI beneficiaries was completed and presented in SSA's report on the SSI program, "The SSI Program at the Millennium," which was issued in November 2000. The work of this indicator is now complete and it is discontinued effective FY 2002.

Data Definition: We will consider this goal to be achieved if the Agency prepares the subject report.

Performance Indicator 8: Prepare analysis of complex SSI policies.

FY 2001 Goal: Prepare analysis on SSI simplification opportunities.

FY 2001 Performance Discussion: We met our goal. SSA has been examining SSI policies determined to be complex based on data and feedback from various internal and external sources. The analyses take into account the tensions that can occur between simplification, benefit adequacy, equity, cost and program integrity.

We issued the report *Simplifying the Supplemental Security Income Program: Challenges and Opportunities* in December 2000. The report provides program and administrative cost estimates and discusses the impact on beneficiaries in three areas: wage estimation and verification, resource exclusions and in-kind support and maintenance. Options and analysis in the report pertaining to wage averaging and consolidating resource counting are key items currently being considered by SSA, with the dual goals of simplifying the SSI program and improving SSI payment accuracy. This report is the final deliverable for this indicator, which is discontinued effective FY 2002.

Data Definition: We will consider this goal to be achieved if the Agency prepares the subject report.

Strategic Objective: Promote policy changes based on research, evaluation and analyses that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs, based on medical, technological, demographic, job market and societal trends

Performance Indicator 9: Preparation of a research design to develop techniques for validating medical listings.

FY 2001 Goal: Prepare a preliminary report on the development of the validation methodology.

FY 2001 Performance Discussion: We met our goal. Our current system for determining eligibility for disability benefits presumes that persons who meet medical listings are severely disabled and unable to work. We will develop a methodology to help us monitor and evaluate our medical listings. The framework for validating medical listings should establish appropriate criteria by which to assess an individual's ability to work; identify and adopt appropriate research protocols and statistical methods; and propose clinical or other testing methods to gather data. Under a cooperative agreement with the Disability Research Institute (DRI), we have taken the first steps towards developing the methodology for validating our medical listings. In FY 2001, the DRI produced several preliminary reports: 1) Their review of the literature on validation; 2) the criteria by which our medical listings could be validated; and 3) the development of methods by which the criteria may be assessed. In FY 2002, we will complete development of the techniques for assessing the validity of our medical listings and continue to report on our progress in developing this methodology.

Data Definition: Self-explanatory.

Performance Indicator 10: Preparation of reports on results of the National Study on Health and Activity in order to identify potentially eligible disabled populations, interventions that enable continued work effort among the disabled, and guide changes to the disability decision process.

FY 2001 Goal: Initiate main study data collection.

FY 2001 Performance Discussion: We did not meet our goal. We undertook this study to provide information on: 1) The size of the population potentially eligible for disability now and in the near future; and 2) the accommodations and interventions that permit some persons meeting SSA's definition of disability to continue to work. We will use this information to develop ways to assist individuals to remain in the labor force rather than seek benefits. In FY 2000, we completed a pilot study and intended to begin data collection for the main study in FY 2001. However, analysis of the pilot study showed that significant revisions were needed in the study instruments and in the medical examination component. To improve response rates, we needed to significantly shorten the survey instrument and move away from a telephone to a face-to-face survey. The simulated disability determination revealed a need for more targeted and precise medical evidence, requiring a revision of the study's medical examination component. If tests of the revised instruments prove successful, we will initiate the main study data collection in late FY 2002 or early FY 2003. Beginning in FY 2002, we will report annually on the status of our main study data collection.

Data Definition: After completion of a pilot study, data collection for the main study will begin in 2001. This will include personal interviews, work assessments and collection of medical records.

Performance Indicator 11: Prepare analyses of alternative return-to-work strategies.

FY 2001 Goal: Design and initiate implementation of demonstration projects.

FY 2001 Performance Discussion: We met our goal. We are evaluating several strategies to encourage return-to-work among persons with disabilities, including a $1-for-$2 benefit offset demonstration, an early intervention demonstration, a State partnership initiative and the Ticket-to-Work program. In FY 2001, we conducted work in these areas as follows:

$1-for-$2 Benefit Offset Demonstration-SSA has developed a detailed statement of work for a contract to design this demonstration. We are awaiting comments from the Ticket-to-Work and Work Incentives Advisory Panel and expect to award the design contract in FY 2002.

Early Intervention Demonstration-We funded a cooperative agreement with the Disability Research Institute (DRI) to begin development of this demonstration. One task was to design a method to identify applicants with impairments, who may reasonably be presumed to be disabled, and who are likely to benefit from early interventions. A second task was to design three or four early interventions that may be tested in the demonstration project. The DRI has produced preliminary draft reports and expects to complete a final report by December 2001. We expect to award a design contract in FY 2002.

State Partnership Initiative-We awarded twelve 5-year grants to States in September 1998 to develop an integrated service delivery system that will increase employment of individuals with disabilities who receive SSDI or SSI. In FY 2001, the States finalized their intervention and evaluation plans, began recruiting participants and began providing services. The SSA evaluation contractor completed three reports which detail the evaluation plan, assess SSA administrative data for evaluation and assess the model for creating comparison groups for the evaluation.

Evaluation of the Ticket-to-Work Program-We awarded a design contract for the evaluation of the Ticket-to-Work Program. In FY 2001, the contractor produced three reports: 1) An initial evaluation design; 2) a discussion of how the evaluation will use SSA data to develop analysis files and identification of additional data that will be needed; and 3) a survey and sample design. We also wrote a paper on the design of an "adequacy of incentives" study to be completed as part of the Ticket-to-Work evaluation.

In FY 2002, we will continue these return-to-work projects and will report on continued progress in their design and implementation.

Data Definition: Self-explanatory.

Strategic Objective: Provide information for decisionmakers and others on the Social Security and Supplemental Security Income programs through objective and responsive research, evaluation, and policy development

Performance Indicator 12: Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness.

FY 2001 Goal: Establish a baseline.

FY 2001 Performance Discussion: We met our goal. In FY 2001, we conducted our first satisfaction survey about our research and analysis products. We surveyed subscribers to our policy publications, other persons with an active interest in social security issues, others interested in SSA's statistical publications, and decisionmakers in high-level positions at SSA and related Federal agencies. The computation of a quality rating is based on answers to the question, "How satisfied were you with the overall quality of SSA's research, statistical or policy information in the past 24 months?" The survey also asks questions on satisfaction with such things as accuracy, comprehensiveness and usefulness of these products. A 5-point scale was used ranging from "very satisfied" to "very dissatisfied." The proportion that was satisfied (answered "very satisfied" or "somewhat satisfied") was 86 percent. Those who answered "very satisfied" totaled 37 percent. In FY 2002, we will make improvements to our measurement system and conduct subsequent surveys periodically.

Data Definition: This goal will be considered achieved if SSA establishes a baseline for this measure in FY 2001 and begins developing a performance goal for FY 2002.

Performance Indicator 13: Percent of major statistical products that are timely.

FY 2001 Goal: Establish a baseline for percent of major statistical products that are produced on schedule.

FY 2001 Performance Discussion: We met our goal. Each year, we identify major statistical products and establish a production schedule, with the goal of producing all products on time. In 2001, we identified five products and issued a schedule for release of these publications both in print and on the Internet. Three of these publications are annual; two are biannual.

- The schedules for the printed versions of the *SSI Annual Statistical Report* and *Fast Facts About Social Security* have been met.
- The *Annual Statistical Supplement*, *Income of the Population 55 or Older*, and *Income of the Aged Chartbook* are expected to be in print on schedule in January, March and April 2002, respectively.
- *Fast Facts and Figures About Social Security* was posted on the Internet on time.
- Sections of the *Annual Statistical Supplement* are being posted on the Internet on a flow basis in 2001 prior to publication in January 2002.

A June 2001 directive requires that all material we put on our Internet site be accessible to the visually impaired. Converting *Annual Supplement* tables to the Internet has been slower than expected because of this requirement and the number and complexity of tables in this publication. We will incorporate the accessibility requirement in future production schedules to assure timely publication.

Data Definition: Self Explanatory.

Strategic Goal: To deliver customer-responsive world-class service

Strategic Objective: By 2002 and beyond, have 9 out of 10 customers rate SSA's overall service as "good," "very good" or "excellent," with most rating it "excellent"

Performance Indicator 14: Percent of SSA's core business customers rating SSA's overall service as "excellent," "very good" or "good." **We missed our goal but not to a significant degree. This indicator is Key Performance Indicator 3 in the Performance Goals and Results section of the MD&A.** **Please see page 40 for a detailed discussion.**

Performance Indicator 15: Percent of SSA's core business customers rating SSA's overall service as "excellent."

FY 2001 Performance Discussion: We did not meet our goal, but not to a significant degree. Our actual performance was two percent lower than the target, but the decrease from the prior year is not statistically significant and may only be the result of sampling variability. We continue numerous service improvement initiatives, but there have been no service enhancements significant enough during the past year to counterbalance the negative influences on overall satisfaction, including telephone access issues, no significant notice improvements and longer initial disability claims/hearings processing times. We are currently in a transition period as we test new technologies expected to make significant service improvements in the long term. We expect satisfaction levels to remain relatively constant through FY 2002 and 2003, even as the public's expectations rise and we work within the current budget environment.

Year	Goal	Actual
1998	NA	30%
1999	NA	44%
2000	37%	29%
2001	30%	28%

Data Definition: The number of core business customers surveyed by SSA's Office of Quality Assurance and Performance Assessment who rate overall service as "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 Customer Satisfaction Survey. For FY 2000 on, the Interaction Tracking Surveys that capture customer satisfaction shortly after service contacts (either by telephone or in-person) take place.

Performance Indicator 16: Percent of employers rating SSA's overall service during interactions with SSA as "excellent," "very good" or "good."

FY 2001 Performance Discussion: No actual performance was measured for FY 2001. Prior to FY 2001, we measured employer satisfaction using a sample of employers who responded to an annual SSA survey. Responses to that survey indicated that most employers do not regularly interact with SSA to any great extent, so the percentage of respondents using SSA services was low. This is because many employers use payroll providers and accountants to handle SSA wage-reporting requirements. Accordingly, effective FY 2001, we changed our survey methodology to select the survey sample from the universe of those who have had direct interactions with SSA. We also modified our employer satisfaction performance measures accordingly. Using our revised methodology, the employer satisfaction survey was initiated in November 2001 and results are expected in July 2002. The results will provide baseline data and will be used to develop FY 2002 targets for our two employer satisfaction measures.

Year	Goal	Actual
1999	NA	NA
2000	NA	82%
2001	TBD	NA

Data Definition: This is the number of employers directly interacting with SSA who rate overall service as excellent, very good, or good on a 6-point scale ranging from excellent to very poor, divided by the total number of respondents to that question. For 2002, data will be based on results of a survey of employers who called SSA's Employer Reporting Service Center. In FY 2003, additional types of employer interactions will be included.

Data Source: Annual Employer Interaction Survey conducted by the Office of Quality Assurance and Performance Assessment (first survey planned for November 2001).

Performance Indicator 17: Percent of employers rating SSA's overall service during interactions with SSA as "excellent."

FY 2001 Performance Discussion: No actual performance was measured for FY 2001. See the discussion of the item directly above.

Year	Goal	Actual
1999	NA	NA
2000	NA	6%
2001	TBD	NA

Data Definition: This is the number of employers directly interacting with SSA who rate overall service as excellent on a 6-point scale ranging from excellent to very poor, divided by the total number of respondents to that question. For 2002, data will be based on results of a survey of employers who called SSA's Employer Reporting Service Center. In FY 2003, additional types of employer interactions will be included.

Data Source: Annual Employer Interaction Survey conducted by the Office of Quality Assurance and Performance Assessment (first survey planned for November 2001).

Performance Indicator 18: Percent of callers who successfully access the 800-number within 5-minutes of their first call.

FY 2001 Performance Discussion: We met and exceeded our goal. A key predictor of overall public satisfaction with SSA's service is how quickly and efficiently the public gets through to us by telephone. Our ability to provide prompt and hassle-free 800-number access is a challenge in these times of increasing workloads, evolving demands/preferences and limited staffing. Successful 800-number access is largely dependent upon the availability of sufficient staff, which requires a major portion of our annual administrative resources. As we continue to expand the number of our services available by telephone, we will make related automation and access improvements. We expect to maintain 800-number access rates in FY 2002. We are completing a benchmarking study of 800-number service to help us determine if we should use different measures for this aspect of our service delivery. If appropriate, we will move to improved performance measures beginning FY 2003.

Year	Goal	Actual
1998	95%	95.3%
1999	95%	95.8%
2000	92%	92.9%
2001	92%	92.7%

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

Data Source: Automatic Number ID records provided by WorldCom.

Performance Indicator 19: Percent of callers who get through to the 800-number on their first attempt.

FY 2001 Performance Discussion: We met and exceeded this goal. See discussion immediately above.

Year	Goal	Actual
1998	90%	91.1%
1999	90%	92.9%
2000	86%	88.4%
2001	86%	89.2%

Data Definition: This rate reflects 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 ID records provided by WorldCom.

Performance Indicator 20: Percent of 800-number calls handled accurately - Payment Accuracy.

FY 2000 Performance Discussion: We did not meet our goal. Payment accuracy is a measure of whether our 800-number representatives respond correctly to inquiries related to eligibility and payment of benefits. Payment accuracy declined in FY 2000 as compared to FY 1999.

FY 2001 Performance Discussion: Data not yet available. Actual FY 2001 performance for this indicator will be reported in the FY 2002 Performance and Accountability Report (PAR). Although we did not meet our FY 2000 goal, we do expect to meet our FY 2001 goal of 95 percent as a result of increased usage by our 800-number representatives of automated interviewing screens; these screens help them respond correctly to public inquiries. We continue, on an ongoing basis, to evaluate the causes of payment errors as identified in annual quality assurance reports, and to determine additional steps we can take to improve payment accuracy.

Year	Goal	Actual
1998	95%	94.7%
1999	95%	95.4%
2000	95%	94.5%
2001	95%	NA

Data Definition: Payment accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to eligibility and payment of benefits.

Data Source: 800-number Service Evaluation Findings.

Note: Generally, there is about a one year lag before quality data is available due to the review and validation of study data input into the database, allowing time for rebuttals of errors, obtaining universe counts and running/validating report tables.

Performance Indicator 21: Percent of 800-number calls handled accurately - Service Accuracy.

FY 2000 Performance Discussion: We did not meet our goal. However, we did improve service accuracy in FY 2000 and the trend since 1998 is positive. Service accuracy is a measure of whether our 800-number representatives respond correctly to inquiries related to issues other than eligibility and payment benefits.

FY 2001 Performance Discussion: FY 2001 data is not available at this time and will be reported in the FY 2002 PAR. We expect continued improvements in service accuracy in FY 2001 as a result of increased usage of the automated interviewing screens that help our representatives respond correctly to public inquiries. Given FY 2000 actual performance, however, we do not expect to attain the 90 percent goal in FY 2001. We will retain the 95 percent (payment accuracy) and 90 percent (service accuracy) goals because we believe it represents good service within the bounds of available resources. We will continue, on an ongoing basis, to evaluate the causes of service errors as identified in annual quality assurance reports, and to determine additional steps we can take to improve service accuracy.

Year	Goal	Actual
1998	90%	81.7%
1999	90%	81.8%
2000	90%	84.9%
2001	90%	NA

Data Definition: Service accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to issues other than payment and eligibility. Service errors include major service delivery failures that do not have a reasonable potential to improperly affect payment or eligibility.

Data Source: 800-number Service Evaluation Findings.

Note: Generally, there is about a one year lag before quality data is available due to the review and validation of study data input into the database, allowing time for rebuttals of errors, obtaining universe counts and running/validating report tables.

Performance Indicator 22: Percent of public with an appointment waiting 10 minutes or less.

FY 2001 Performance Discussion: We did not meet this goal, but our performance did improve as compared to last year. SSA tracks and manages the waiting times the public experiences in our field offices because waiting times are a key factor in overall satisfaction ratings. Our strategy to improve field office waiting times is part of our broader strategy to test and implement alternative service delivery options. These options can give the public more choices in how they access SSA's services, and allow us to make maximum use of field office resources to provide face-to-face service to those with more complex service issues. Key strategies include:

- Recent improvements to our 800-number and local telephone services that provide more efficient routing of phone calls and encourage the completion of service by telephone;
- The implementation of an immediate claims-taking process that enables the filing of retirement and survivors' claims by telephone in centralized telephone units;
- The expansion of services available on our Internet site (ssa.gov), including the ability to file Internet applications for retirement and spouse's benefits;
- The testing of processes that will allow the public to complete more of their business with us in a single contact; and
- The addition of centralized field office support units in some of our regions to help alleviate field office workload imbalances.

As we face increasing workloads and the public's demands, we will maintain our field office waiting time performance in FY 2002 and beyond through continued implementation of our strategy to provide them with alternate service delivery options.

Year	Goal	Actual
1998	85%	87.4%
1999	85%	84.6%
2000	85%	84.2%
2001	85%	84.4%

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

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

Performance Indicator 23: Percent of public without an appointment waiting 30 minutes or less.

FY 2001 Performance Discussion: **We met our target.** The strategy and all the planned improvements/enhancements discussed in the prior indicator apply to this indicator as well.

Year	Goal	Actual
1998	70%	71.9%
1999	70%	71.6%
2000	70%	73.2%
2001	70%	70%

Data Definition: The number of visitors without an appointment who wait 30 minutes or less, divided by the total number of visitors without an appointment during the study time. Waiting time data are collected from a representative sample of field offices during a 1-hour window, once a quarter.

Data Source: SSA Waiting Time Study.

Strategic Objective: By 2005, make 60 percent of SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone service, and provide customers interacting with SSA on the Internet with the option of communicating with an SSA employee while online

Performance Indicator 24: Percent of SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone service. **We met this goal. This indicator is Key Performance Indicator 4 in the Performance Goals and Results section of the MD&A. Please see page 41 for a detailed discussion.**

Strategic Objective: Increase electronic access to information needed to serve SSA customers. Specifically by 2005:

- ***Establish electronic access to human services and unemployment information with 90 percent of States;***
- ***Establish electronic access to vital statistics and other material information with 50 percent of States; and***
- ***Increase electronic access to information held by Federal Agencies, financial institutions and medical providers***

Performance Indicator 25: Percent of States with which SSA has electronic access to human services and unemployment information.

FY 2001 Performance Discussion: We did not meet this goal but only by a very small margin.

- Ninety percent of the Human Service and Unemployment agencies have indicated an interest in providing SSA online access to their records if we reciprocate.
- Our FY 2001 goal was to have in place online access to human services (HS) data from 34 states; we obtained access to HS data from 33 states (66 percent). Discussions are planned with 16 States in FY 2002.
- Our FY 2001 goal was to have in place online access to Unemployment Insurance (UI) data from 25 States; we put in place online access to UI data from 23 States (46 percent). During FY 2001, we conducted a successful online access pilot with Unemployment Insurance agencies. However, two factors impeded our UI goal. First, the recent drop in State tax revenue has decreased State expenditures for information technology improvements. Secondly, we are still resolving issues around SSA approval to reciprocate with UI agencies. This reciprocation will enable UI agencies to verify Social Security numbers online and to obtain Social Security payments where needed to offset Unemployment Compensation payments. As UI agencies move entirely to teleclaims and web-based claims, online access to SSA becomes a critical part of their process. In FY 2002, we are increasing our activities with the Association of State UI Agencies to further promote online data exchanges. We are working with ten specific UI agencies at this time. We expect to meet our FY 2002 goals.

Year	Goal	Actual
1999	NA	41%
2000	NA	50%
2001	59%	55%

Data Definition: The percent of State Human Service (HS) and Unemployment Insurance (UI) agencies from which data are available online out of a total of 100 agencies (i.e., 50 HS and 50 UI agencies).

Data Source: Office of Automation Support website listing of State agency connections.

Performance Indicator 26: Percent of States with which SSA has electronic access to vital statistics and other material information.

FY 2001 Performance Discussion: We did not meet this goal but only by a small margin. We have had little prior experience in contracting with the States for this data and this had a negative impact on our FY 2001 performance. In addition, the contracting process has proven to take longer than anticipated. We were under contract with 12 percent of the States by September 30, 2001; however, we do not expect to have the data online from Rhode Island until late in FY 2002. We expect to make up for the FY 2001 delays and meet our 14 percent FY 2002 goal. We currently are in contract discussions with Indiana for a possible FY 2002 award and implementation of online access. In addition, we have awarded a contract to the Association of State Vital Statistics Agencies for up to eight pilots in FY 2002.

Year	Goal	Actual
1999	NA	10%
2000	NA	10%
2001	12%	10%

Data Definition: The percent of State Vital Statistics agencies from which data are available online out of a total of 50 agencies.

Data Source: Office of Automation Support website listing of State agency connections.

Performance Indicator 27: Milestones/deliverables demonstrating progress in increasing electronic access to information held by other Federal Agencies, financial institutions and medical providers.

FY 2001 Performance Discussion: No FY 2001 target was established. In FY 2001, we analyzed the need for and feasibility of increasing electronic access to information held by other Federal agencies, financial institutions and medical providers, and based on this analysis have developed performance targets for FY 2002. As a result of FY 2001 pilot activities, we will begin a project in FY 2002 that will use a third-party vendor to work with financial institutions nationwide to check records concerning applicants' and recipients' eligibility for social security benefits. In FY 2001, we also tested/piloted several methods for securely submitting medical information over the Internet. In FY 2002, we will complete this pilot, evaluate it and develop an implementation plan.

Strategic Objective: To raise the number of customers who receive service and payments on time

Performance Indicator 28: Initial disability claims average processing time. **We met and exceeded this goal. This indicator is Key Performance Indicator 5 in the Performance Goals and Results section of the MD&A.** **Please see page 42 for a detailed discussion.**

Performance Indicator 29: Percent of hearing decisions issued within 180 days from the date the request is filed.

FY 2001 Performance Discussion: We did not meet goal. In FY 2001, we achieved an actual performance of 19.4 percent of hearings dispositions issued within 180 days. Although our FY 2000 performance for this measure was 28.4 percent, we were not able to maintain that level, for a number of reasons, such as the implementation of our new hearing process, and the litigation (Azdell v. OPM) that prevented us from hiring new ALJs to replace those lost to attrition. A primary feature of the new hearing process is early screening and analysis of all cases to identify more quickly and efficiently possible on-the-record decisions and dismissals that can be disposed of within 180 days. The new process also includes enhanced management flexibility and takes advantage of technology which includes enhanced management information and processing tools. We are currently completing a review of the new hearing process to help us determine what changes are needed, as we continue to strive to reduce processing time, improve productivity and enhance the quality of service to claimants. We managed to come close to our FY 2001 goal of 20 percent. We anticipate that we will meet the FY 2002 goal of 20 percent dispositions within 180 days.

Year	Goal	Actual
1999	NA	26%
2000	NA	28.4%
2001	20%	19.4%

Data Definition: Beginning FY 2001, this new performance indicator represents the actual percent of Medicare and SSA case dispositions issued during the particular report period in which the elapsed time from the date of the request for hearing to the disposition date was 180 days or less. (This measure does not include the time required by field offices, program service centers, or the Office of Central Operations to process favorable decisions.)

Data Source: Actual performance is reported in the Office of Hearings and Appeals (OHA) Monthly Activity Report (MAR) derived from the Hearing Office Tracking System (HOTS).

Performance Indicator 30: Hearings average processing time (days). **We did not meet this goal. This indicator is Key Performance Indicator 6 in the Performance Goals and Results section of the MD&A.** **Please see page 42 for a detailed discussion.**

Performance Indicator 31: Number of hearings cases processed per workyear.

FY 2001 Performance Discussion: We did not meet our goal. This was due to two major factors that adversely impacted our hearings processing capacity:

- Implementation of a new hearing process. This new hearing process includes: a national workflow model that combines pre-hearing activities so that fewer handoffs occur; early case screening and analysis; early claimant contact through pre-hearing conferences; certification of cases as ready-for-hearing; processing time benchmarks for critical steps within the process; group-based accountability for case processing from start to finish; and improved automation and data collection.
- The impact of legislation (Azdell v. OPM) that prohibited us from hiring ALJs and the resulting increase in the number of hearings pending, which changed the entire environment in which productivity calculations are made.

In FY 2002, we expect hearings productivity to improve somewhat from FY 2001 levels, as we begin to benefit from our recent one-time hiring of ALJs. We will continue to look for additional ways to improve our hearings processing capacity and productivity. For example, we are implementing refinements to the new hearings process, and we recently renegotiated a Memorandum of Understanding (MOU) with one of our unions to afford more flexibility to local hearing offices in the performance of certain administrative activities.

Year	Goal	Actual
1999	NA	98
2000	NA	97
2001	103	87

Data Definition: This indicator was revised effective FY 2001 to represent 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 training, ALJ travel, leave, holiday, etc.

Data Source: OHA Monthly Activity Reports and the HOTS.

Performance Indicator 32: Percent of decisions on appeals of hearings issued by the Appeals Council within 105 days of the appeals filing date.

FY 2001 Performance Discussion: We did not meet our goal. We have been working to reduce the time required by the Appeals Council to process requests for review of hearings decisions. Although we saw improvement in the overall processing time in FY 2001, we did not meet this goal due to several factors:

- In FY 2001, we focused on completing as many aged cases as possible. By definition, aged cases are already over the 105-day goal.
- It takes an average of 48 days for appeals on hearing decisions to reach the Appeals Council; this impacts the overall processing time goal as well as the percentage of appeals processed within 105 days. We are trying to determine the cause of this problem and a solution that will reduce that time.

- The expected benefits of a new case management process were not realized in FY 2001 due to lower than expected claims receipts.

Our near-term approach to achieving Appeals Council process improvement is three-fold:

- Increase productivity of current employees through differential case management and expedited decisionmaking initiatives;
- Increase workload capacity by adding resources, i.e., managers and new employees; and
- Where feasible, make adjustments to incoming workloads.

In the long term, we will put in place a more streamlined case processing system that takes full advantage of technology; improved operational planning; information analysis and management support; and investments in employee training and career development. We expect that both the Appeals Council average processing time and the percentage of claims processed within 105 days will improve in FY 2002, as additional benefits from our initiatives are realized. In FYs 2001-2004, we are obtaining and installing new information and technology systems. In addition, employees hired in FY 2001 will become more productive as they gain experience.

Year	Goal	Actual
1999	NA	NA
2000	NA	NA
2001	20%	12.2%

Data Definition: Effective FY 2001, this performance indicator represents the actual percentage of case dispositions issued during the report period in which the elapsed time from the date of the request for review to the disposition date was 105 days or less.

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.

Performance Indicator 33: Average processing time for decisions on appeals of hearings issued (days).

FY 2001 Performance Discussion: We did not meet our goal. See discussion for the indicator directly above.

Year	Goal	Actual
1999	NA	458
2000	NA	505
2001	285	447

Data Definition: Effective FY 2001, this performance indicator 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 disposition date.

Data Source: Actual processing time for each case is maintained by the ACAPS. Percentages will be calculated from information extrapolated from ACAPS.

Performance Indicator 34: Number of decisions on appeals of hearings issued per workyear.

FY 2001 Performance Discussion: We did not meet our goal. However, we did implement new case processing procedures that will, in the long run, improve productivity. In FY 2001, we concentrated on processing a sizable number of aged cases, primarily those involving the most complex issues and requiring the longest processing times. Cases involving the most complex issues require more time for employees to review to ensure the highest level of quality. Clearing a significant volume of these older cases in FY 2001 resulted in reduced production from FY 2000 levels. We believe that our efforts to maintain and improve quality, and devote slightly more review time as we work through these aged and complex cases, is as important as our desire to increase productivity and will have long-term benefits. Our performance in FY 2001, especially clearing aged and complex cases, will provide a baseline for improvement and we are optimistic that we can improve. In addition to near term initiatives to improve productivity and reduce the time to process requests for review of hearing decisions, we are implementing a long-term plan to streamline the case processing system. This plan will take full advantage of technology; improve operational planning, information analysis and management support; and invest in employee training and career development.

Year	Goal	Actual
1999	NA	231
2000	NA	284
2001	262	241

Data Definition: Effective FY 2001, this indicator represents the average number of decisions on appeals of hearings processed per "direct" workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, leave, holiday, etc. Decisions on appeals of hearings exclude decisions on new court cases, court remands, and quality assurance reviews.

Data Source: Appeals Council Case Control System and ACAPS.

Performance Indicator 35: Percent of OASI claims processed by the time the first regular payment is due or within 14 days from the effective filing date, if later.

FY 2001 Performance Discussion: We exceeded our goal. Our performance in adjudicating claims for OASI benefits improved again this year, building on the increases that occurred in the past three fiscal years. This performance reflects our continuing commitment to making timely and accurate payments to our OASI claims customers.

Year	Goal	Actual
1998	83%	82.6%
1999	83%	84.3%
2000	83%	86.9%
2001	83%	89.2%

Data Definition: This rate reflects the number of OASI 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 calendar days from the effective filing date, if later, divided by the total number of OASI applications processed. The first regular payment due date is based on the appropriate payment cycling date which may be the 3rd of the month, or the 2nd, 3rd or 4th Wednesday of the month.

Data Source: The MIICR System.

Performance Indicator 36: Percent of SSI Aged claims processed by the time the first payment is due or within 14 days of the effective filing date, if later.

FY 2001 Performance Discussion: We exceeded our goal. For a number of years, we have been steadily improving the timeliness of our SSI claims processing, and we met and exceeded our goal for the first time in FY 2000. We continued this progress again in FY 2001. This continuously improving performance demonstrates our commitment to paying our SSI Aged claimants in a timely manner.

Year	Goal	Actual
1998	66%	54.2%
1999	66%	63.5%
2000	66%	74.4%
2001	66%	79.9%

Data Definition: (FY 2001 on) 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.

Definition Before FY 2001: Percent of initial SSI Aged claims processed within 14 days of filing date. The rate reflected the number of SSI Aged applications completed through the SSA operational system (i.e., award or denial notices triggered) within 14 days of filing date, divided by the total number of SSI Aged applications processed.

Data Source: The Title XVI Operational Data Store System.

Performance Indicator 37: Percent of original and replacement SSN cards issued within 5 days of receiving all necessary documentation. **We exceeded our goal. This indicator is Key Performance Indicator 7 in the Performance Goals and Results section of the MD&A. Please see page 43 for a detailed discussion.**

Strategic Objective: By 2005, increase by 100 percent from 1999 levels, the number of SSDI and SSI disability beneficiaries who achieve steady employment and no longer receive cash benefits

Performance Indicator 38: Increase in the number of DI adult worker beneficiaries who begin a trial work period.

FY 2000 Performance Discussion: We did not meet the goal. Since 2000, we have been using this measure to track the number of DI adult beneficiaries who begin a trial work period. (Note: This measure is a count of increased work activity during a calendar year (CY), not a fiscal year.) Our CY 2000 goal was to increase the number of individuals working at this level by 10 percent over the 1997 baseline level. For 2000, this equated to 17,600 trial work period (TWP) starts. We missed that target, with actual trial work period starts at 14,789 in CY 2000.

The number of beneficiaries for whom a TWP start is recorded is partly a function of: 1) The state of the economy, which was relatively good but slowing in CY 2000; and 2) the efficiency with which SSA discovers and records beneficiary work activity. Counts of TWP starts declined for 1998 and 1999, during rapid economic expansion, but increased slightly between 1999 and 2000. Reductions in the number of SSA field staff, and increasing field office workloads, could have delayed the posting of TWP start dates to the Master Beneficiary Record (MBR), and may have contributed to the apparent decline in TWP starts. (Note: Significant retroactive reporting of earnings and TWP starts for a given year continues for a least 2 years afterward.) Performance goals will be reduced for FY 2002 and, as appropriate, in subsequent years to align them with the actual CY 2000 levels. Nevertheless, in FY 2002 our goal is to increase the number of DI adult beneficiaries who begin a trial work period by 5 percent. In FY 2003, we will raise our goal to a 10 percent increase, as we expect the Ticket-to-Work program to have a positive effect on beneficiary work attempts.

FY 2001 Performance Discussion: Data not yet available. We measure the number of DI adult beneficiaries who begin a TWP in a calendar year, as opposed to fiscal year basis. The data is an output of a routine annual MBR run of CY data conducted in January-February of each year. Accordingly, the actual performance numbers for 2001 will not be available until February 2002, and we will report them in the FY 2002 PAR.

Because preliminary data are not available at this time, we do not know whether we will achieve our 2001 goal. However, we can anticipate some reductions in TWP starts for FY 2001 for several reasons:

- First, the TWP earnings amount was increased from $200 to $530 in January 2001. We should expect a significant reduction in TWP starts during the last 9 months of FY 2001 due to this higher standard.
- Second, the economy was slowing in FY 2001 and it is likely that work activity was decreased for DI beneficiaries from FY 2000 levels.
- Third, the goal was set based on the impact of our return-to-work efforts during 2001. Later-than-expected publication of the regulation for this Ticket-to-Work program has prevented us from issuing Tickets until early FY 2002. Accordingly, any benefit from this program on beneficiary work attempts will not be realized until 2002. This may result in some shortfall from the stated 2001 target for this measure. Nevertheless, in FY 2002 we expect to see an increase in the number of DI adult beneficiaries who begin a TWP by 5 percent, and in FY 2003 an increase by 10 percent, due to the positive effect or the Ticket-to-Work program.

Year	Goal	Actual
2000	10% 17,600	1.8% 14,789
2001	5% 15,528	NA

Data Definition: For FY 2000, this indicator represented the annual percentage increase in the number of DI adult worker beneficiaries who begin a TWP during CY 2000, as compared to the base year 1997, in which there were 16,000 TWP starts. Our 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* calendar year's actual level of 14,789, equivalent to 15,528 TWP starts. Our CY 2002 goal is a 5 percent increase over CY 2001 actual performance.

Data Source: Master Beneficiary Record.

Performance Indicator 39: Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a) status.

FY 2001 Performance Discussion: We did not meet our goal. This measure tracks the number of disabled individuals receiving SSI benefits who are working and earning at least $740 per month. Our FY 2001 goal was to increase the number of individuals working at this level by 5 percent. In FY 2001, the number of individuals working at this level fell from 25,772 to 24,816.

Several factors may have a role in causing the numbers to fall from FY 2000 to FY 2001. First, the economy has been in decline throughout FY 2001, and it is likely that jobs were harder for beneficiaries to find. Also, we had anticipated that the Ticket-to-Work program would be operational well before the end of the fiscal year, but its startup was delayed. While we hope that the Ticket program has an immediate impact on return-to-work among beneficiaries, it is not clear how long it will take for the Ticket program to catch on with beneficiaries and supporting service providers.

In FY 2002, we will continue to aim for a 5 percent increase over the actual number of beneficiaries in 1619(a) status in FY 2001. The FY 2002 target will be revised from 28,414 to 26,057 in our Revised Final FY 2002 Annual Performance Plan. If the economy improves over the next year, we could see a dramatic increase in the numbers of beneficiaries in 1619(a) status. If not, it is likely that the numbers will be fairly flat. In years beyond FY 2002, the impact of the Ticket-to-Work program should slowly emerge with corresponding increases in work activity reflected in more beneficiaries in 1619(a) status.

Year	Goal	Actual
2000	10% 21,744	25,772
2001	5% 27,061	24,816

Data Definition: Effective 2001, our 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. Our FY 2002 goal is for a 5 percent increase over FY 2001, the equivalent of 26,057. Beginning FY 2003, our goal will be for 10 percent annual increases. In years prior to FY 2001, the indicator represented the annual percentage increase relative to the base year 1997. This Performance Indicator is an interim measure that will be replaced with the long-term Indicator: "Percent increase in the number of SSI disabled beneficiaries who no longer receive benefits due to work (1619(b) status) and have earnings of at least $740 per month." This new long-term Indicator will be in our FY 2003 Final APP (issued in Spring 2002) and will be effective FY 2003.

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

Performance Indicator 40: Activities to implement provisions of the Ticket-to-Work and Self-Sufficiency Program (TWSSP) and other employment strategies.

FY 2001 Goals: 1. Publish final regulations for Ticket-to-Work Program.
2. Distribute Tickets to beneficiaries in Phase 1 States.

FY 2001 Performance Discussion: We did not meet our goals. The TWSSP is a new program that began in FY 2001. It provides Tickets to pay for service providers who will help beneficiaries return to work. The service provider will be paid only if the beneficiary leaves the disability rolls due to work or meets certain milestone criteria. A grants program will help beneficiaries gain employment. During FY 2001, we made significant progress in building the infrastructure necessary to issue Tickets in the first round of States that will participate in the program. Our goal was to start distributing Tickets in a first round of States in FY 2001, with the second round of distribution to States in FY 2002, and the third round in FY 2003. In order to begin this Ticket distribution, final regulations must be published authorizing this activity and describing the rules for the program. When we set this goal in late 2000, we expected to have the final regulation published by mid-2001 at the latest. However, the process of responding to over 500 comments on the Notice of Proposed Rule Making (i.e., proposed regulation) for the Ticket program took much longer than anticipated. The draft final regulation went to the Office of Management and Budget (OMB) in mid-August 2001. We continue to work with OMB on finalizing the regulations, and we hope to be able to issue Tickets to beneficiaries in early FY 2002. The delay in meeting these two goals will not impact our ability to continue to rollout the Ticket program as originally planned. As per the original schedule, we will issue the second round of Tickets in FY 2002.

Data Definition: This indicator represents the milestones in implementing provisions of the TWSSP and other employment strategies.

Data Source: New data system being developed to allow SSA to administer the Ticket-to-Work program.

Strategic Goal: To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse

Strategic Objective: To make benefit payments in the right amount, specifically:

- *Maintain through 2002 the accuracy of OASI payment outlays;*
- *Maintain or improve through 2002 the accuracy of DI payment outlays; and*
- *By 2002, raise to 96 percent the accuracy of SSI payment outlays*

Performance Indicator 41: Dollar accuracy of OASDI payment outlays: Percent without overpayments and percent without underpayments.

FY 2000 Performance Discussion: We met and exceeded our goals for payment outlays without overpayments and without underpayments. For several years, we have continued to maintain this high level of dollar accuracy of OASI payment outlays.

FY 2001 Performance Discussion: FY 2001 data is not available at this time and will be reported in the FY 2002 PAR. In FY 2000 and FY 2001, we continued our progress in increasing automation and providing OASI training, as well as monitoring our processes to identify and correct any problem that might affect our payment accuracy. We believe that these initiatives will continue to provide the necessary support to maintain this high level of accuracy into FY 2002 and beyond. Beginning in FY 2001, we expanded our payment accuracy measure to include the accuracy of benefits paid to DI beneficiaries. We have in place an action plan to continuously improve DI payment accuracy and expect to meet our FY 2002 goals of 99.8 percent for OASDI payments without overpayments and underpayments.

Percent without overpayments

Year	Goal	Actual
1998	99.8%	99.9%
1999	99.8%	99.8%
2000	99.8%	99.9%
2001	99.7%	NA

Percent without underpayments

Year	Goal	Actual
1998	99.8%	99.9%
1999	99.8%	99.9%
2000	99.8%	99.9%
2001	99.8%	NA

Data Definition: Stewardship accuracy is divided into accuracy for payment dollars without overpayments and accuracy for payment dollars without underpayments. The overpayment accuracy is computed by subtracting the overpayment dollars paid for the FY from the dollars paid and dividing the remainder by the dollars paid ((dollars paid - o/p dollars)/dollars paid). This error rate is subtracted from 100 percent to attain the accuracy rate. Similarly, the underpayment accuracy is computed by subtracting the underpayment dollars paid for the FY from the dollars paid and dividing the remainder by the dollars paid ((dollars paid - u/p dollars)/dollars paid). This error rate 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. The General Accounting Office (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 Annual Performance Report combines data from these two programs, stewardship reports continue to include the accuracy of OASI and DI payment outlays separately. We still have data available to discretely monitor and manage performance in both the OASI and the DI programs. For our monitoring and management purposes, there is no danger that the accuracy of each of these programs will be obscured by the GPRA reporting of the combined goal.

Data Source: OASDI Stewardship Report.

Performance Indicator 42: DDS net decisional accuracy rate.

FY 2000 Performance Discussion: We did not meet our goal even though SSA and the DDSs continue to focus on achieving a high level of quality of allowance decisions, through ongoing training initiatives that foster consistent application of laws, regulations and rulings at all stages of the disability adjudication process. FY 2000 marked the third successive year in which available resources were not sufficient to address all incoming disability claims, and backlogs continued to rise. The DDSs were under considerable pressure to keep cases moving, and this resulted in less than the desired level of development, which impacts accuracy rates. This pressure particularly affected denial accuracy because of the additional documentation requirements that must be met.

FY 2001 Performance Discussion: Data not yet available. This indicator measures the percentage of correct decisions issued by the State DDSs, both allowances and denials. Data will be available in January 2002 and the actual FY 2001 performance will be reported in the FY 2002 PAR. The performance goal was set at an approximate target level, and the deviation from that goal is expected to be slight. There will be no effect on overall program or activity performance. This indicator will be discontinued in FY 2002, leaving two more detailed performance accuracy indicators and goals: DDS allowance performance accuracy rate and DDS denial performance accuracy rate (see the following two indicators). The data will be more timely and in line with key recommendations made by the Office of the Inspector General, GAO and others.

Year	Goal	Actual
1998	NA	96.2%
1999	NA	96.7%
2000	97%	96.4%
2001	97%	NA

Data Definition: This indicator measures the percentage of correct decisions issued by the State DDSs, both allowances and denials. The DDS net decisional accuracy of disability claims - both DI and SSI - reflects the percentage of correct initial determinations - both allowances and denials - issued by State DDSs.

Data Source: Annual Disability Quality Assurance Reports.

Performance Indicator 43: DDS allowance performance accuracy rate.

FY 2001 Performance Discussion: We met this goal. This measure reflects the percentage of initial disability allowances that do not have to be returned to the DDSs for development of additional documentation or correction of the disability determination. We met this goal because SSA and the DDSs continue to focus on achieving a high level of quality on allowance decisions. Ongoing training initiatives that foster consistent application of laws, regulations and rulings at all stages of the disability adjudication process have been particularly effective. We expect to maintain high levels of allowance quality in FY 2002.

Year	Goal	Actual
1998	NA	96.1%
1999	NA	96.5%
2000	NA	97%
2001	96.5%	96.8%

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

Data Source: Annual Disability Quality Assurance Reports.

Performance Indicator 44: DDS denial performance accuracy rate.

FY 2001 Performance Discussion: We did not meet this goal. This measure reflects the percentage of initial disability denials that do not have to be returned to the DDSs for development of additional documentation or correction of the disability determination. We did not meet this goal even though SSA and the DDSs continue to focus on achieving a high level of quality on allowance decisions, through ongoing training initiatives that foster consistent application of laws, regulations and rulings at all stages of the disability adjudication process. FY 2001 marked the fourth successive year in which available resources were not sufficient to address all incoming disability claims, and backlogs continued to rise. The DDSs were under considerable pressure to keep cases moving, and this resulted in less than the desired level of development which impacted accuracy rates. This pressure particularly affected denial accuracy because of the additional documentation requirements that must be met. In FY 2002, resource issues could impact our ability to meet our 93.5 percent goal for this indicator.

Year	Goal	Actual
1998	NA	92.3%
1999	NA	93%
2000	NA	92.4%
2001	93.5%	92%

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

Data Source: Annual Disability Quality Assurance Reports.

Performance Indicator 45: OHA decisional accuracy rate.

FY 2000 Performance Discussion: We met and exceeded this goal by taking a number of steps to enhance the quality of adjudication of hearings decisions, including ongoing training initiatives for decisionmakers and quality reviews of hearings decisions. The quality reviews are done at two points in the hearings decision adjudication process and involve: 1) ALJ participation in peer reviews of hearings decisions; and 2) ALJ quality reviews of allowance decisions before they are effectuated. These in-depth evaluations demonstrate our commitment to quality. By meeting our FY 2000 decisional accuracy goal and maintaining an 88 percent accuracy rate for two years in a row, we have demonstrated our progress in improving the quality of our ALJ decisions and the value of our training and evaluation initiatives. We have come a long way from the 81 percent accuracy rate seen in our first ALJ peer review in 1995.

FY 2001 Performance Discussion: Data not yet available. The data for this goal will be available in January 2002 and will be reported in the FY 2002 PAR. We believe we will meet this goal by continuing to take steps to enhance the quality of adjudication of hearings decisions, including ongoing training initiatives for decisionmakers and quality reviews of hearings decisions. By historically meeting our decisional accuracy goal, and maintaining an 88 percent accuracy rate since 1999, we demonstrated our progress in improving the quality of our ALJ decisions and the value of our training and evaluation initiatives. Accordingly, we expect to meet our FY 2001 goal and the planned quality rate increases to 89 percent and 90 percent for FY 2002 and FY 2003. In FY 2001, we continued to work toward improving our OHA decisional accuracy rate.

Year	Goal	Actual
1998	85%	87%
1999	85%	88%
2000	87%	88%
2001	88%	NA

Data Definition: The decisional accuracy of hearings reflects the percentage 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: Bi-annual Disability Hearings Quality Review Process Peer Review Reports.

Performance Indicator 46: Dollar accuracy of SSI payment outlays: Percent without overpayments and Percent without underpayments.

FY 2000 Performance Discussion: We did not meet the goal. We identified several initiatives that we believed would improve SSI payment accuracy. These initiatives included increasing the total number of non-disability redeterminations, more timely development of computer match alerts and implementing a new data exchange with financial institutions. Our FY 2000 goal assumed that we would have sufficient resources to fully implement those initiatives. However, our FY 2000 budget did not include the additional resources we needed. We did, however, improve our redetermination profiling system, the system by which we identify cases which are more likely to be in error, and this had positive impact on SSI payment accuracy, particularly underpayment accuracy. We completed redeterminations of certain SSI cases to ensure that the non-disability factors of eligibility continue to be met, and that the payments are in the correct amount.

FY 2001 Performance Discussion: Data not yet available. Actual FY 2001 performance for this indicator will be reported in the FY 2002 PAR. In FY 2001, we believe the various initiatives we had in place had a positive impact on our ability to meet our SSI payment accuracy goals. In FY 2002 and FY 2003, our plan is to again increase the number of non-disability redeterminations that we process. However, to complete the additional redeterminations without increasing backlogs that currently exist in our field offices, SSA will need to receive the additional funding in our FY 2002 and FY 2003 budget requests.

Percent without overpayments

Year	Goal	Actual
1998	NA	93.5%
1999	NA	94.3%
2000	95%	93.6%
2001	94.7%	NA

Percent without underpayments

Year	Goal	Actual
1998	NA	98.8%
1999	NA	98.3%
2000	98.8%	98.6%
2001	98.8%	NA

Data Definition: The SSI 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 the dollars overpaid or dollars underpaid by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The current measurement system captures only the accuracy of the non-medical aspects of eligibility for SSI payment outlays.

Data Source: SSI Stewardship Report.

Performance Indicator 47: Percent of Social Security numbers issued accurately.

FY 2000 Performance Discussion: We did not meet our goal. We issued 99.7 percent of SSNs accurately. The difference in accuracy from prior years' performance is not statistically significant. We are, however, continuing efforts to improve the quality of the enumeration process through continuing reminder items focused on deficiencies identified in quality reviews and enumeration studies, and through the activities of SSA's enumeration task force that is identifying both short- and long-term changes to improve the accuracy and integrity of the enumeration process.

FY 2001 Performance Discussion: Data not yet available. Actual FY 2001 performance for this indicator will be reported in the FY 2002 PAR.

Year	Goal	Actual
1998	99.8%	99.8%
1999	99.8%	99.8%
2000	99.8%	99.7%
2001	99.8%	NA

Data Definition: The percentage rate for 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.

Data Source: Enumeration Process Quality Review Report.

Strategic Objective: To become current with DI and SSI CDR requirements by 2002

Performance Indicator 48: Percent of multi-year (FY 1996 - 2002) CDR plan completed. **We met our goal. This indicator is Key Performance Indicator 9 in the Performance Goals and Results section of the MD&A. Please see page 45 for a detailed discussion.**

Strategic Objective: To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records

Performance Indicator 49: Percent of wage items posted to individuals' records by September 30.

FY 2000 Performance Discussion: We met our goal. In the FY 2000 Performance and Accountability Report, we stated that we did not meet our FY 2000 goal of posting 98 percent of wage items to individual records by September 30. We reported that the calculation of our FY 2000 performance was based on an estimated number of items to be posted, and that the actual number of items would not be known until January 2001. Our Actuary estimated that 251 million wage items would be posted for tax year (TY) 1999. The actual number of wage items posted when the database closed in January was 248 million. We can now report that we did, in fact, meet and exceed our goal of 98 percent, with an actual posting of 98.9 percent of wage items by September 30, 2000.

FY 2001 Performance Discussion: We met and exceeded our goal. SSA's FY 2001 goal of 98 percent relates to the number of TY 2000 earnings items posted through September 30, 2001, divided by the estimated total earnings items to be posted for TY 2000. As of September 30, 2001, SSA had posted 99.3 percent of the estimated 253,900,000 wage items to be posted. The total number of wage items posted for TY 2000 will not be known until the database closes in January 2002. However, at this point in time, we believe final data will show that SSA has matched (if not exceeded) its FY 2000 accomplishment of posting nearly 99 percent by September 30.

Year	Goal	Actual
1998	98%	98.5%
1999	98%	92.9%
2000	98%	98.9%
2001	98%	99.3%

Data Definition: The computation of this rate is the number of prior tax year wage items posted by the end of September divided by the number of prior tax year wage items posted by the end of the processing year (mid-January). Wage items include W-2s, tips, earnings in excess of taxable maximum wages, etc.

Note: Tracking throughout the year is based on estimates of potential receipts, compared to actual items processed by the posting system. The actual performance reported in the FY 1999 and 2000 Performance and Accountability Report is based on the updated estimates compared to the actual items processed. Each year, once all known earnings reports have been received, performance is recalculated based on actual data. For this reason, the actual FY 2000 performance for this measure has now been updated based on the recalculation using actual data. Accordingly, beginning FY 2001, we will post performance under "Estimated" performance until all earnings reports are received and the recalculation is based on actual data.

Data Source: Earnings Posted Overall Cross Total/Year-to-Date System (EPOXY).

Performance Indicator 50: Percent of earnings posted correctly. **We met our goal. This indicator is Key Performance Indicator 10 in the Performance Goals and Results section of the MD&A. Please see page 46 for a detailed discussion.**

Performance Indicator 51: Percent of employee reports (W-2s) filed electronically.

FY 2001 Performance Discussion: We exceeded our goal to a significant degree. In FY 2001, we received electronically more than 27 percent of the annual wage reports for TY 2000, amounting to 68.5 million W-2s, with over 24 million of those submitted over the Internet. Our continuing efforts to encourage more employers to convert to electronic wage reporting, and our offering of improved services and customer support, have contributed significantly to our success this year. In 2001, we introduced expanded web-based employer information services, an Integrated Registration for Employers and Submitters process, the ability to upload wage reports, and the ability to download from the Internet a self-test AccuWage software product to check the accuracy of the wage reporting format. We also piloted the use of Public Key Infrastructure to provide additional data security for employer wage reporting via the Internet. These efforts are expected to continue to improve so that SSA will meet the increasing goals set for this performance measure. This year's performance is a good sign for achieving the goals set for electronic reporting over the next few years.

Year	Goal	Actual
1999	NA	6.6%
2000	NA	18.4%
2001	20%	27%

Data Definition: The computation of this rate 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.

Strategic Objective: Aggressively deter, identify, and resolve fraud

Performance Indicator 52: Number of investigations conducted (i.e., closed).

FY 2001 Performance Discussion: We met and substantially exceeded our goal. In FY 2001, we showed a significant increase in the number of Office of the Inspector General's (OIG) investigations conducted and closed. This increase is largely due to the expansion of some national investigative efforts such as those associated with the OIG's fugitive felon program and the Cooperative Disability Investigative (CDI) teams. The OIG continues to increase the number of CDI teams in operation each year. This annual increase has resulted in annual rises in productivity and results. The OIG continues to review productivity reports to determine if future performance goals are realistic. Based on past history, it appears that the goal set for FY 2002 continues to be appropriate.

Year	Goal	Actual
1998	NA	5,448
1999	5,700	7,308
2000	7,600	8,051
2001	8,000	9,636

Data Definition: Investigations result from allegations that have sufficient information or potential risk to warrant further review or action by a criminal investigator. Investigations are counted as “conducted” when all OIG actions have been completed, i.e., the investigator has presented the facts of the case to a prosecutor or has determined that further action is not warranted due to lack of investigative leads.

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

Performance Indicator 53: OASDI dollar amounts reported from investigative activities.

FY 2001 Performance Discussion: We met and exceeded our goal. In FY 2001, we showed a significant increase in the OASDI dollar amounts reported as a result of the OIG investigative activities. This increase is largely due to the expansion of some national investigative efforts such as those associated with the OIG special project on deceased auxiliary beneficiaries. This project focused on deceased widows and widowers of Social Security beneficiaries, who were in current payment status even though a date of death was posted to the Numident data file. The increase in CDI teams in FY 2001 also added to our performance for this goal.

Amounts shown in millions of dollars

Year	Goal	Actual
1999	$17	$45
2000	$40	$46
2001	$55	$86

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

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

Performance Indicator 54: SSI dollar amounts reported from investigative activities.

FY 2001 Performance Discussion: We met and substantially exceeded our goal. In FY 2001, we showed a significant increase in the SSI dollar amounts reported as a result of the OIG investigative activities. This increase is largely due to the expansion of some national investigative efforts such as those associated with the OIG's fugitive felon program and the CDI teams. The OIG continues to increase the number of CDI teams in operation each year. These annual increases have contributed to annual rises in productivity and results. The OIG continues to review productivity reports to determine if future performance goals are realistic. Based on past history, it appears that the goal set for FY 2002 continues to be appropriate.

Amounts shown in millions of dollars

Year	Goal	Actual
1999	$18	$140
2000	$80	$128
2001	$90	$129

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

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

Performance Indicator 55: Number of criminal convictions. **We met and exceeded our goal. This indicator is Key Performance Indicator 11 in the Performance Goals and Results section of the MD&A. Please see page 47 for a detailed discussion.**

Strategic Objective: To increase debt collections by 7 percent annually through 2002

Performance Indicator 56: OASDI debt collected.

FY 2001 Performance Discussion: We did not meet our 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 programs. Our stewardship responsibilities require that we recover as much of this debt as possible. Each year since FY 1998, our aim has been to increase OASDI debt collections by an average of 7 percent. Due to annual fluctuations in available debt and the impact of SSA's efforts to prevent and detect debt, the year-to-year increase in the amount of debt collected will vary above and below the average of 7 percent. In FY 2001, we did not meet our goal; we recovered $1,121.1 million in OASDI debt. We did not meet our goal because the actual amount of OASDI debt available for collection was reduced in FY 2001. This reduction was due to the elimination of the retirement test and subsequent reduction in overpayments due to previously unreported beneficiary earnings from work. Our recovery of a substantial amount of OASDI debt was due, however, to our effective use of available debt recovery tools. Beginning in FY 2002, we will eliminate this indicator and replace it with a measure that better expresses our performance and is a better management tool. The new debt collection measure will establish a targeted percentage of outstanding OASDI debt that is in a repayment agreement, under appeal, or newly detected, versus debt that is in pursuit. We are currently developing baseline data and will publish our new measure in Spring 2002 in our FY 2003 Annual Performance Plan.

Amounts shown in millions of dollars

Year	Goal	Actual
1998	NA	$1,103.4
1999	NA	$1,191.5
2000	$1,274.9	$1,343.5
2001	$1,364.1	$1,121.1

Data Definition: Overpayment collections for the combined total of the OASI and DI programs.

Data Source: Data are extracted from the Recovery of Overpayment Accounting Reporting (ROAR) system.

Performance Indicator 57: SSI debt collected.

FY 2001 Performance Discussion: We met our 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 programs. Our stewardship responsibilities require that we recover as much of this debt as possible. Each year since FY 1998, our aim has been to increase SSI debt collections by an average of 7 percent. Due to annual fluctuations in available debt and the impact of SSA's efforts to prevent and detect debt, the year-to-year increase in the amount of debt collected will vary above and below the average of 7 percent. In FY 2001, we met our goal; we recovered $795.5 million in SSI debt. Our recovery of this substantial amount of SSI debt was due to our effective use of available debt recovery tools. Beginning in FY 2002, we will eliminate this indicator and replace it with a measure that better expresses our performance and is a better management tool. The new debt collection measure will establish a targeted percentage of outstanding SSI debt that is in a repayment agreement, under appeal, or newly detected, versus debt that is in pursuit. We are currently developing baseline data and will publish our new measure in Spring 2002 in our FY 2003 Annual Performance Plan.

Amounts shown in millions of dollars

Year	Goal	Actual
1998	NA	$539.2
1999	NA	$640.0
2000	$684.8	$701.6
2001	$732.7	$795.5

Data Definition: Overpayment collections for the combined total of the SSI-Federal and SSI-State programs.

Data Source: Data are extracted from the Supplemental Security Record (SSR) and Overpayment/ Underpayment Processing System (OUPS).

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

Strategic Objective: To provide the necessary tools and training to achieve a highly skilled and high-performing workforce

Performance Indicator 58: Percent of offices with direct access to Interactive Video Teletraining (IVT).

FY 2001 Performance Discussion: We did not meet the goal. Prior to FY 2001, our goal was to equip SSA offices with IVT so that employees would be within a 30-minute commuting distance. Beginning in FY 2001, we redefined our goal so that employees would have access to IVT in their home offices, and would be able to receive the training they need without having to travel to other locations. The net result will be the ability to address growing individual training needs while concurrently meeting increased workload demands. In FY 2001, we set our goal at 67 percent of all offices having direct IVT access. However, we fell short of that goal due to a number of factors outside of our direct control, including a delay in converting sites to frame relay, an inability to get the satellite signal to particular sites, blockage of the satellite signal, and non-cooperation of landlords. We must have permission to install a dish on the roof and run cabling through the building at leased locations. We were unable to obtain such approvals at a number of sites. We have increased the universe of sites that we will enable with IVT from 1,500 to 1,630 to include sites not originally scheduled due to size, and sites initially believed capable of sharing IVT access. Taking into account FY 2001 installations and the increase in the universe of sites, our FY 2002 goal is to have direct access to IVT at 76 percent of SSA offices.

Year	Goal	Actual
1999	NA	NA
2000	NA	NA
2001	67%	57.7%

Data Definition: This goal for equipping SSA's offices with IVT has been redefined effective FY 2001. The prior goal was defined as access to IVT in offices within a 30-minute commute. The new Indicator is defined as direct access to IVT in each office. The total number of sites planned for installation number approximately 1,630. Employees will receive the training they need without having to travel to other locations. The net result will be the ability to address growing individual training needs while concurrently meeting increased workload demands.

Data Source: Office of Training records.

Performance Indicator 59: Formal management development programs implemented.

FY 2001 Goal: All leadership programs continued. Decisions on future Senior Executive Staff/Candidate Development Program & Advanced Leadership Program have yet to be made.

FY 2001 Performance Discussion: We met the goal. To maintain a highly skilled, high performing, and highly motivated workforce to achieve our mission, we are providing career development opportunities to our best employees to prepare them for management, leadership and other positions. During FY 2001, all leadership programs continued as stated in the goal.

- Employees continued to participate in the Leadership Development Program (LDP). Approximately 50 percent of all LDP participants have been promoted into leadership positions.
- The Advanced Leadership Program (ALP) was announced in Spring 2001 and approximately 70 people were selected for the program in September 2001.

The next Senior Executive Service Candidate Development Program will be announced by December 2001. The next LDP is expected to be announced by January 2002. As part of our comprehensive employee development agenda, new development programs will continue to be announced on a regular basis. These programs continue to receive the staff support and budget resources needed for assignments and training. We are on target with plans for the selection process for upcoming programs and also to provide staff support for those selected. Evaluations of the effectiveness of the programs are being done on an ongoing basis. Evaluations of the candidates' performance are also completed regularly.

Data Definition: Goals for this indicator represent milestones, i.e., announcement selection and implementation for management development programs

Data Source: Office of Training Records

Performance Indicator 60: Percent of managerial staff participating in management/leadership development experiences.

FY 2001 Performance Discussion: We did not meet the goal, due to extraordinary circumstances outside our control. Actual performance achieved during FY 2001 was 28 percent. One-day seminars were scheduled for delivery to one-third of all SSA managers and supervisors nationwide, but were only delivered to 28 percent of managerial staff. Various highly rated vendors provided training on leadership competencies valued by SSA. The sessions were delivered beginning in April 2001 and were all scheduled to end by September 2001, in all 10 SSA regions and Headquarters. However, the training scheduled for September was deferred following the events of September 11 and the subsequent travel restrictions. As soon as funds become available, we will reschedule classes.

Pending the availability of travel and tuition funds, we expect to achieve the one-third goal for FY 2002. At the end of FY 2002, the 3-year cycle of training one-third of SSA managers/ supervisors per year, which began in FY 2000, will be completed. We are eliminating this indicator effective FY 2002 in favor of more challenging indicators focusing on developing employee competencies to support our long-range service vision.

Year	Goal	Actual
1999	NA	60%
2000	33 1/3%	33 1/3%
2001	33 1/3%	28%

Data Definition: Number of managerial employees, those with position descriptions designated as supervisory, who participate in at least one training experience during a fiscal year. Initially all managerial employees will receive an experience over a two-year period, with an ongoing goal of 1/3 annually beginning in FY 2000.

Data Source: Office of Training counts.

Strategic Objective: To provide a physical environment that promotes the health and well-being of every employee

Performance Indicator 61: Percent of employees reporting they are satisfied with the level of security in their facility.

FY 2000 Performance Discussion: We met our goal. A component of SSA's comprehensive safety program is a biennial survey to determine employees' perceptions of the level of security in their workplaces. The first agencywide survey of randomly selected employees was conducted in FY 1996, with actual satisfaction reported at 64 percent. A second survey was conducted in FY 1998, after completion of the majority of security upgrades and changes identified in the security contractor's reports, and actual satisfaction was reported at 74.4 percent. A third survey in FY 2000 was used to identify any areas where employee perceptions may have changed; actual satisfaction was reported at 78.5 percent. Compared to survey data collected in 1996 and 1998, a larger proportion of SSA employees now feel safe and secure in their work environment. We believe the goal was exceeded because of the cumulative effect of physical security enhancements.

FY 2001 Performance Discussion: No actual performance will be measured for FY 2001. Since this is a biennial survey, we have collected the levels of employee satisfaction with security for FY 1996, 1998 and 2000. We did not collect this data for FYs 1997, 1999, or 2001. Although no data was collected for those years, we continued in FY 2001 to make additional security enhancements based on data collected in the FY 2000 survey. This performance indicator is discontinued effective FY 2002 and will be incorporated in the more-comprehensive performance indicator "Percent of employees who are satisfied with their overall physical environment, i.e., it is professional, accessible, safe and secure."

Year	Goal	Actual
1998	64%	74%
1999	70%	NA
2000	75%	78.5%
2001	75%	NA

Data Definition: Results of biennial employee surveys determined the perception employees have of physical and protective security. The computation of this rate is the number of employees who rate security as satisfactory or better, divided by the total number of employees responding to that question. Because this is a biennial survey, no actual results are collected and reportable for FY 1999 or FY 2001.

Data Source: SSA Employee Physical Security Survey

Performance Indicator 62: Percent of environmental air quality surveys completed and percent of corrective actions taken when called for.

FY 2001 Performance Discussion: We met our goals. We achieved the FY 2001 goals for surveying 20 percent of facilities and implementing 75 percent of corrective actions as called for in the indoor air quality reports filed on these sites. This activity involves collecting indoor air quality screening information at all SSA field and hearings offices. When baseline screening identifies potential air quality problems, a comprehensive indoor air quality survey is conducted and resolution/remediation of the condition is undertaken. We were successful in meeting our 75 percent corrective action goal with adequate FY 2001 funding levels. This performance indicator is discontinued effective FY 2002 and will be incorporated in the more-comprehensive performance indicator "Percent of employees who are satisfied with the overall physical environment, i.e., it is professional, accessible, safe and secure." This new indicator better assesses employees' satisfaction with their overall working environment.

Facilities Surveyed

Year	Goal	Actual
1999	20%	37%
2000	20%	20.6%
2001	20%	20%

Data Definition: Indoor air quality surveys are conducted in 20 percent of the non-headquarters facilities each year. The percent of surveys completed is based on 1,800 surveys: (1,500 facilities and an allowance for 300 potential additional surveys required for offices that relocate).

Data Source: Comprehensive Indoor Air Quality Surveys.

Percent Corrective Actions Taken

Year	Goal	Actual
1999	75%	76%
2000	75%	76.6%
2001	75%	76.3%

Data Definition: The percent of corrective actions taken is the result of dividing the number of required corrective actions taken and interim protective measures that have been implemented by the total number of required corrective actions identified by the surveys.

Data Source: Comprehensive Indoor Air Quality Surveys.

Performance Indicator 63: Number of facilities having water quality testing and percent of corrective action taken when called for.

FY 2001 Performance Discussion: We exceeded our goal. We exceeded our goal of testing water in 42 facilities and completing 100 percent of corrective actions when required. This activity involves testing field offices and hearings offices for lead, copper, and other contaminants in water, and then funding and undertaking remediation of potential or actual problems at individual sites. Prior to FY 2001, we completed testing in the majority of the offices in the SSA facility inventory. In FY 2001, we tested those offices not previously tested. We will continue conducting water testing in newly relocated offices and in offices that undergo plumbing renovations. This performance indicator will be discontinued in FY 2002 and will be incorporated into the more comprehensive performance indicator “Percent of employees who are satisfied with the overall physical environment, i.e., it is professional, accessible, safe and secure.” This new indicator better assesses employees’ satisfaction with their overall working environment.

Facilities Tested

Year	Goal	Actual
1999	600	662
2000	600	291
2001	42	65

Data Definition: A number of SSA field facilities will receive water sampling each year and remediation will be done in 100 percent of offices identified with contaminants. The computation of this rate is the number of offices requiring remediation divided by the number of offices identified to have drinking water with elevated contaminant levels.

Data Source: Water Sampling Survey Report.

Percent Corrective Actions Taken

Year	Goal	Actual
1999	100%	100%
2000	100%	100%
2001	100%	100%

Data Definition: See definition above.

Data Source: Water Sampling Survey Report.

Performance Indicator 64: Number of relocated offices having security surveys and percent of SSA-accepted security recommendations implemented.

FY 2000 Performance Discussion: We exceeded our goals. We completed the work to implement 90 percent of the recommendations that we accepted in FY 2000 as a result of physical security reviews conducted that year in our facilities. Most of the work was completed in FY 2000, with the balance completed in FY 2001 after contracts were put in place and fulfilled.

FY 2001 Performance Discussion: We did not meet our goals to survey 150 relocated offices because only 74 offices relocated and we surveyed them all. We exceeded our goal for implementing adopted security recommendations. In FY 2001, we conducted security surveys in all 74 offices that relocated, and we completed the work to implement 90 percent of recommendations that we accepted. In developing the FY 2001 goal, we initially estimated that 150 offices would relocate in FY 2001. Many factors can influence a relocation including but not limited to the availability of space, workload implications, renovation delays, longer leases and lease extensions, etc. As a result of these factors, only 74 offices actually relocated and we surveyed all 74 offices. For years, as part of SSA's ongoing security program, security surveys had been conducted in a sampling of offices. Following the bombing of the Murrah Federal Building in Oklahoma City, Oklahoma, security contractors were hired to conduct surveys in all SSA facilities. In 1996, the larger regional and field facility buildings were surveyed to determine their security vulnerabilities. In subsequent years, Headquarters facilities and smaller field facilities were surveyed. Since this initial contract work was completed, we have been sampling offices to ensure completion of security upgrades and to maintain information on the Agency's security posture. In addition, all newly relocated offices are being surveyed. We will continue these ongoing activities as well as upgrade security measures as warranted. This performance indicator will be discontinued in FY 2002 and will be incorporated in the more comprehensive performance indicator "Percent of employees who are satisfied with the overall physical environment, i.e., it is professional, accessible, safe and secure." This new indicator better assesses employees' satisfaction with their overall working environment.

Number of offices surveyed

Year	Goal	Actual
2000	150	152
2001	150	74

Data Definition: A contractor will perform security surveys for all SSA field offices that relocate during a fiscal year. Recommendations from the contractor will be accepted for implementation if the Agency's management deems them appropriate in context of other service delivery factors. For example, a recommendation that would create unnecessary barriers between SSA employees and customers may be considered unacceptable.

Data Source: Physical Survey reviews.

Percent of accepted recommendations implemented

Year	Goal	Actual
2000	85%	90%
2001	87%	90%

Data Definition: See above for definition.

Data Source: Physical Security reviews.

Strategic Objective: To promote an Agency culture that successfully incorporated our values

Performance Indicator 65: Create Agency change strategy.

FY 2001 Performance Discussion: We did not meet our goal. To support our objective to promote an Agency culture that successfully incorporates our values, in FY 2000 we conducted an organizational culture survey, completed a gap analysis and conducted a benchmarking study, all geared to support the development of a culture change strategy. In November 2000, a final report of that initiative was presented to SSA leadership. At that time, it was decided that action would be deferred pending new Administration leadership coming on board at SSA. In recent months, we have been focusing on developing and refining SSA initiatives related to the President's management agenda and our workforce restructuring plan. As part of that work, we will consider how the Agency culture factors into our priorities. In the interim, we are discontinuing use of this indicator effective FY 2002.

Data Definition: This goal will be met if we implement our strategy.

Strategic Objective: To create a workforce to serve SSA's diverse customers in the twenty-first century

Performance Indicator 66: Complete Agency plan for transitioning to the workforce of the future. **We met our goals. This is Key Performance Indicator 12 in the Performance Goals and Results section of the MD&A. Please see page 48 for a detailed discussion.**

Strategic Goal: To strengthen public understanding of Social Security programs

Strategic Objective: By 2005, 9 out of 10 Americans (adults age 18 and over) will be knowledgeable about the Social Security programs in three important areas:

- ***Basic program facts;***
- ***Value of Social Security programs; and***
- ***Financing Social Security programs***

Performance Indicator 67: Percent of public who are knowledgeable about Social Security programs.

FY 2000 Performance Discussion: We exceeded our goal to an exceptional degree. Several factors contributed to our attainment of a 75 percent knowledge level:

- First, the second year of performance measurement at the national and regional levels increased the level of attention being paid to attainment of the strategic objective;
- Second, the expansion in the number of public affairs professionals in SSA's field structure and the increased public affairs activity by field office managers permitted more and better-targeted information to be directed to members of the public; and
- Third, the educational impact of the *Social Security Statement* was considerable. Exceeding our goal in FY 2000 positions us to maintain a reasonable level of public knowledge in the face of resource challenges and program issues. It also permits us to create new strategies to focus on raising the level of knowledge among various segments of the population who are more difficult to reach with our messages.

FY 2001 Performance Discussion: We exceeded our goal for FY 2001. The percent of the public considered "knowledgeable" about Social Security stands at 78 percent in FY 2001, up 3 percentage points from the FY 2000 level of 75 percent. While the survey will need to be reconfigured to provide more detailed information about the extent of the public's knowledge of Social Security funding and other issues, this performance level shows a positive trend toward our FY 2005 goal of 90 percent.

We are pleased that our efforts helped the public retain its high level of knowledge this past year. A series of localized studies conducted in FY 2000 showed that additional attention and resources devoted to public affairs activities could have a measurable effect on public knowledge, and the results of the FY 2001 survey clearly indicate that this is so. There are several factors that may have had an effect on the level of knowledge achieved this year:

- The results suggest that the *Statement* remains an effective communications tool, and we expect to continue to use it as a tool for improving the public's understanding of Social Security. We also will focus on other very important means of communications, such as broadcast messages and the news media.
- We developed and have begun a series of strategies that target the segments of the population who know the least about Social Security.

- The issuance of another award-winning public service announcement, increased availability of information and applications over the Internet, continued attention to relationships with external community-based groups and the media, as well as sustained high-quality communications throughout the SSA field community, have helped maintain public knowledge.

We will be making major changes in our strategies to ensure that members of the public know what they need to know about Social Security. To help regional and field staff put in place effective communications programs, we have begun to survey enough individuals to provide statistically valid performance information at State and service-area levels, and we will be developing new tools with which to address communications needs at the local, regional and national levels.

Year	Goal	Actual
1999	NA	55%
2000	65%	75%
2001	75%	78%

Data Definition: Percent of Americans (adults age 18 and over) determined as "knowledgeable" in the annual PUMS Survey.

Data Source: Annual public survey of adults age 18 and over.

Performance Indicator 68: Percent of individuals issued SSA-initiated Social Security Statements as required by law. **We met our goal. This indicator is Key Performance Indicator 13 in the Performance Goals and Results section of the MD&A. Please see page 51 for a detailed discussion.**

Selected Budgeted Workloads in Support of Strategic Goals

The selected budgeted workloads, shown below, are major categories of our work that provide service to the public and/or ensure the integrity of our programs. These substantial day-to-day base workloads are the largest factor driving overall SSA administrative resource needs. Displayed below are the workloads we expected to process in FY 2001, and what we actually processed in FY 2001.

Workload 1: RSI Claims Processed

FY 2001 Performance Plan: 3,125,000

FY 2001 Actual: We processed fewer than the projected workload of Retirement and Survivors Insurance (RSI) claims.

Discussion: One of SSA's key ongoing operational responsibilities is to process the RSI claims it receives. Each year we estimate the RSI claims workload that we expect to receive based on actuarial estimates, prior years' claims receipts, legislative or policy changes, and other factors. In FY 2001, the projected workload of 3,125,000 RSI claims did not materialize, so we did not process that number of claims.

This is unlike the FY 2000 goal, when we processed 3,404,938 RSI claims. This large number of claims was mostly due to the enactment of legislation that partially repealed the annual earnings test. This caused a surge in RSI applications in FY 2000 that was not matched in FY 2001. In FY 2001, we actually processed 3,092,743 RSI applications. We allocated sufficient administrative resources in FY 2001 to process the workload.

We are not likely to process more than that number in FY 2002. The number of RSI claims received and processed in FY 2002 and subsequent years will depend in large part on the number of people who are ready to retire and file, or the number of wages earners who die and leave eligible survivors. For FY 2002, we currently estimate our RSI claims workload at 3,137,000.

Workload 2: SSI Aged Claims Processed

FY 2001 Performance Plan: 150,000

FY 2001 Actual: We processed more than the projected number of Supplemental Security Income (SSI) aged claims

Discussion: One of SSA's key ongoing operational responsibilities is to process the SSI claims it receives. Each year we estimate the SSI claims workload that we expect to receive based on actuarial estimates, prior years' claims receipts, legislative or policy changes, and other factors.

In FY 2001, we processed 153,563 SSI aged claims, which was more than the 150,000 claims projected. We allocated sufficient administrative resources in FY 2001 to process the workload.

In the absence of new legislation, the number of SSI aged claims received in any year is entirely dependent on the number of people who meet citizenship, income and resource requirements, and who elect to file for benefits. The number cannot be predicted, but based on the experience of the past two fiscal years, we expect to receive and process approximately 155,400 SSI aged claims in FY 2002.

Workload 3: Initial Disability Claims Processed

FY 2001 Performance Plan: 2,097,000

FY 2001 Actual: We processed 2,166,623 initial disability claims, which is more than the targeted number.

Discussion: We were able to process more than the targeted number of initial disability claims because we reallocated over $30 million to the State DDS budget to enable the DDSs to increase case processing capacity. By exceeding our target through additional funding, the growth of backlogged disability claims has slowed and the DDSs are better positioned to meet future processing targets. Future disability claims processing targets are based on past performance and future actuarial projections and, with sufficient funding, should be met.

Workload 4: Hearings Processed

FY 2001 Performance Plan: 526,000

FY 2001 Actual: We processed 465,228 hearings, which is fewer than the targeted number of hearings.

Discussion: Several factors adversely impacted our ability to achieve the projected level of hearings processed in FY 2001. First, from April 1999 until September 24, 2001, SSA was prevented from hiring ALJs to fill existing vacancies. This was as a result of litigation involving the Office of Personnel Management (OPM) (Azdell v. OPM), which prohibited OPM from providing Federal agencies with an ALJ certificate from which to hire new ALJs. Accordingly, the ALJ corps continued to diminish in size during FY 2001, and from FY 1999 through June 2001, we lost 172 ALJs. On September 24, 2001, we were granted a one-time exception to hire 126 ALJs, pending a long-term resolution of the issue, and we took immediate action to hire. We also were unable to fill many new staff positions until late in the FY (due to the Continuing Resolution and a brief hiring freeze) and implemented a new hearing process.

We continue to look for ways to improve productivity. We are evaluating the new hearing process, and recently renegotiated a Memorandum of Understanding with one of our unions to afford more flexibility to local hearing offices in the performance of certain administrative activities. We believe we are positioned to meet our FY 2002 workload target. Also, we are hiring 126 new ALJs earlier in the FY than anticipated. This hiring will have some impact on total hearings processed in the second half of the new fiscal year.

Workload 5: SSN Requests Processed

FY 2001 Performance Plan: 16,460,000

FY 2001 Actual: We processed 18,179,115 SSN requests, which is more than the targeted workload.

Discussion: One of SSA's key ongoing operational responsibilities is to process the requests it received for original or duplicate SSNs (i.e., original or replacement SSN cards). Each year we estimate the SSN request workload that we expect to receive. However, the number of requests processed in a given year is dependent upon the number of people who need a new or replacement

SSN, and who meet citizenship or residency requirements. This year, we received and processed 18,179,115 requests. We allocated sufficient administrative resources in FY 2001 to process the workload.

At this time, we expect to process approximately 17,000,000 requests for SSNs in FY 2002. The number of SSN requests could increase in FY 2002 if certain legislative proposals are enacted; e.g., affecting residency status of undocumented workers.

Workload 6: 800 Number Calls Handled

FY 2001 Performance Plan: 60,000,000

FY 2001 Actual: We processed 59.3 million 800-number calls, which is fewer than projected.

Discussion: In FY 2001, we received and processed 59.3 million 800-number calls. We believe there are two reasons for the smaller 800-number workload in FY 2001. First, an increased number of callers are taking advantage of the services available on SSA's Internet site. Second, we received approximately 1.4 million fewer calls in September 2001 as compared to September 2000.

We know that the public is showing a continuing preference for dealing with SSA by telephone and that overall customer satisfaction with our service is significantly influenced by the quality and scope of our telephone service.

Our ability to handle the 800-number calls we receive each year is a key factor in our continued ability to process our work in these times of increasing workloads, evolving customer demands and preferences, and limited staffing. Processing this day-to-day workload requires a major portion of our annual administrative resources. As we continue to expand the number of services available by telephone, we will continue to make related improvements in automation and implement other initiatives to improve access for customers to our 800-number.

Workload 7: Periodic Continuing Disability Reviews

FY 2001 Performance Plan: 1,729,000

FY 2001 Actual: We processed 1,730,192 CDRs, which is more than the targeted number.

Discussion: SSA conducts very effective periodic reviews called continuing disability reviews to determine whether individuals receiving disability have medically improved and no longer meet the statutory definition of disability, and therefore should have their disability benefits terminated. SSA's annual targets are set in accordance with our 7-year CDR plan, which covers FYs 1996 through 2002. The goal of our 7-year plan is for SSA to process its entire backlog of CDRs by FY 2002, and then to keep current with processing this critical workload. Congress provides special funding to SSA to process our 7-year plan workload.

In FY 2001 we processed the target number of CDRs with the special funding and by undertaking initiatives to enhance the efficiency and integrity of CDR processing. These initiatives included improving our ability to identify factors that may indicate that a beneficiary has medically improved. We use these factors in a profiling process to determine the type of CDR path a case should follow: either a full medical review or an abbreviated process using a CDR mailer questionnaire.

In FY 2002, we expect to process the targeted number of CDRs.

Workload 8: SSI Non-Disability Redeterminations

This is Key Performance Indicator 8 in the Performance Goals and Results section of the MD&A. Please see page 44 for a detailed discussion.

Workload 9: Annual Earnings Processed:

FY 2001 Performance Plan: 270,200,000

FY 2001 Actual: We processed 274,427,394 annual earnings items, which is more than the targeted workload.

Discussion: Annual earnings items reflect the total number of paper annual wage items processed through the balancing operation plus the total number of magnetic media and self-employment items posted for a given fiscal year. In FY 2001, we processed 274,427,394 annual earnings items. We attribute our achievement in FY 2001 to our continued pursuit of several effective initiatives, including: 1) Improved management information that tracked magnetic media submittals by processing location, provided processing time, and provided the number of wage items associated with each submittal; 2) targeting and tracking of large submitters to ensure their submittals were processed timely; 3) follow-up on magnetic media returns and corrections earlier in the TY process; and 4) improved communication internally within SSA and between SSA and the employer community. In FY 2002, we expect to process approximately 268,000,000 earnings items.

Workload 10: Representative Payee Actions:

FY 2001 Performance Plan: 6,858,000

FY 2001 Actual: We processed 7,135,770 representative payee actions, which is more than the target workload.

Discussion: The number of representative payee actions consists of two workloads: the number of representative payee applications processed and the number of representative payee accountings processed. SSA has little control over the number of applications received, and therefore needing to be processed, because we cannot accurately predict the number of beneficiaries that will need representative payees in any given year. This also impacts the number of payee accountings released for processing. SSA's continued intention is to process all the applications received and accountings released for processing in a given year. In FY 2002, we expect to process approximately 7,000,000 representative payee actions.

Barometer Measures

An agency's strategic and performance plans are used to assess its performance in terms of outcomes achieved and outputs produced. SSA's mission is to promote the economic security of the nation's people, to issue benefit checks in the correct amount on a timely basis, and to ensure world-class service. 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.

Although we cannot set goals for these measures, SSA has committed to identifying and defining quantitative indicators to assess the outcomes of the Agency's programs. SSA uses the indicators, which are called barometer measures, to analyze the programs' effects on the economic security of the nation's people and to help formulate options for strengthening the programs. The barometer measures will also guide future research and policy development.

The strategic goal "to promote valued, strong, and responsive social security programs and conduct effective policy development, research, and program evaluation" acknowledges SSA's responsibility to help shape the dialogue on critical long-term and short-term Social Security issues. SSA has made a commitment to provide information and policy options for the OASDI and SSI programs for use by decisionmakers. The barometer measures provide a measure of how Social Security benefits, in combination with many related factors, affect the economic well-being of the public.

No single measure can capture the effectiveness of a social program. Therefore, SSA has developed a number of barometer measures for both the OASDI and SSI programs and other economic factors. Each barometer contains multiple data measures that reflect the different bases and objectives of each program: earnings-based for OASDI and needs-based for SSI. Barometer measures should be considered both within the context of each other and in relation to external economic, social, and other factors.

Several changes have been made from last year's presentation which established baselines for the barometer measures. We have reordered the measures, combined the discussions of OASDI and SSI barometers, and added new measures. For example, estimates of Social Security replacement rates in last year's report were based only on hypothetical workers. This year we have added a complementary measure based on actual workers and their work records to provide an estimate of replacement rates. We have also developed additional barometer measures relating to private provision for retirement including pension coverage, financial assets and net worth.

Finally, we have added labor force participation as the very first barometer measure to recognize work and earnings as the key factors that lead to economic security. The five barometer 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

This report provides a brief summary and analysis of the five areas followed by the measures related to each one.

I. Measures of Program Coverage and Eligibility

The fundamental factor in ensuring economic security for the vast number of people is a job or jobs that provide sustained and consistent income. Participation in the labor force, therefore, is the foundation on which to build financial security for retirement and for unexpected risks such as disability and death.

OASDI benefits are based on lifetime labor force participation. Participation rates vary greatly by age and sex and have been changing over time, especially for women. Labor force participation increases with age for men to well over 90 percent through about age 39 and then declines with age until only about 28 percent of men aged 65 to 69 are still in the workforce. Labor force participation for women, while still lower than that for men overall, has increased in recent years. Over 70 percent of women aged 25 to 29 are now in the workforce compared with less than 40 percent 40 years ago (Barometer IA).

In addition to labor force participation rates being lower for women than for men, newly retired male workers typically earn more quarters of credit for Social Security coverage than newly retired female workers and experience fewer years with no earnings.[1] Men, on average, earned 85 percent of the quarters of coverage they could have earned from age 22 to the year before first collecting retired-worker benefits, compared with 59 percent of women. And men had, on average, 5 years with no earnings from age 22 to retirement compared with 14 years for women (Barometer IB). Because of those extra years with no earnings, and their lower lifetime earnings generally, women who collect benefits as a retired or disabled worker have lower benefits on average, than men.

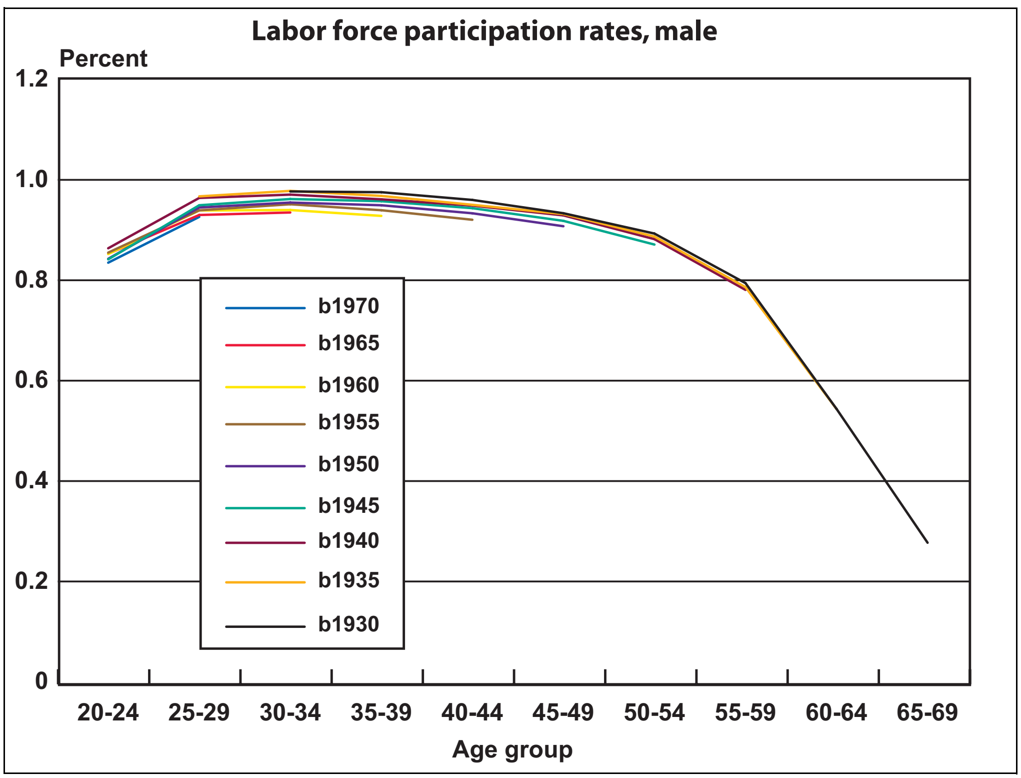
Approximately 95 percent of individuals aged 62 or older were eligible (either insured for benefits or could receive benefits based on the work record of an insured worker) for OASDI benefits in 2000 (Barometer IC). About 80 percent were insured for disability (Barometer ID).[2] Fewer women were insured for disability benefits than men (74 percent compared with 85 percent). And fewer individuals between age 62 and the normal retirement age were eligible for disability benefits than younger persons (among women 60 percent aged 62 to the normal retirement age compared with 75 percent aged 20 - 49).

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 than as a spouse. In 2000, 36 percent of the 19 million female beneficiaries aged 65 or older were receiving "retired-worker only" benefits, 29 percent were dually entitled to their worker benefit and a higher spouse benefit and 35 percent were eligible for a wife or widow benefit only (Barometer IE). When considering changes to the program such as raising the early retirement age or modifying auxiliary benefits, the effects on women should be especially considered.

1. Forty quarters of coverage are required to establish eligibility for retirement benefits.
2. Among those not eligible for Social Security are those without enough work credits and those who work in non-Social Security-covered employment, such as some state and local governments.

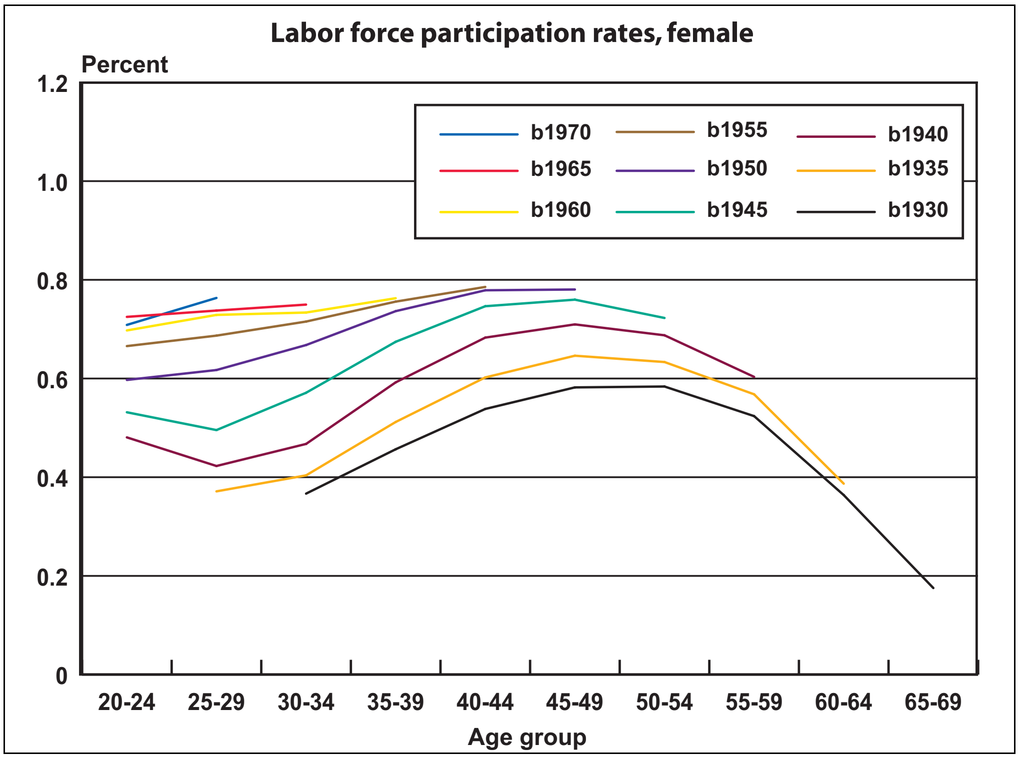
IA. Labor Force Participation Rates for Men, by Birth Year[1], in percent									
Age	1930	1935	1940	1945	1950	1955	1960	1965	1970
20-24			86	84	84	86	85	85	84
25-29		97	96	95	94	94	94	93	93
30-34	98	98	97	96	95	95	94	93	
35-39	98	97	96	96	95	94	93		
40-44	96	95	95	94	93	92			
45-49	93	93	93	92	91				
50-54	89	89	88	87					
55-59	79	79	78						
60-64	54	54							
65-69	28								
Source: Office of the Chief Actuary, 2000 Social Security Trustees Report; and Bureau of Labor Statistics, Household Survey, 2000.									

1. Each birth year represents a 5-year period, with the year shown being the middle year.



IA. Labor Force Participation Rates for Women, by Birth Year[1], in percent									
Age	**1930**	**1935**	**1940**	**1945**	**1950**	**1955**	**1960**	**1965**	**1970**
20-24			**48**	**53**	**60**	**67**	**70**	**72**	**71**
25-29		**37**	**42**	**50**	**62**	**69**	**73**	**74**	**76**
30-34	**37**	**40**	**47**	**57**	**67**	**72**	**73**	**75**	
35-39	**46**	**51**	**59**	**67**	**74**	**76**	**76**		
40-44	**54**	**60**	**68**	**75**	**78**	**79**			
45-49	**58**	**65**	**71**	**76**	**78**				
50-54	**58**	**63**	**69**	**72**					
55-59	**52**	**57**	**60**						
60-64	**36**	**39**							
65-69	**18**								
Source: Office of the Chief Actuary, 2000 Social Security Trustees Report; and Bureau of Labor Statistics, Household Survey, 2000.									

1. Each birth year represents a 5-year period, with the year shown being the middle year.



IB. Quarters of Coverage (QC) and Number of Years with Zero Earnings of New Retired-Worker Beneficiaries, in 1996-1998		
	Average Percentage of QC's Earned[1]	Average Number of Years with Zero Earnings[2]
Total	**72**	**9.3**
Men	**85**	**4.7**
Women	**59**	**14.2**
Source: SIPP and SSA program records, 1996-1998.		

1. 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.
2. Years of zero earnings are also measured from age 22 to retirement. This calculation does not subtract out the lowest 5 years as is done in the benefit calculation.

IC. Population Aged 62 or Older Eligible[1] for OASDI Benefits, in December 2000		
	Percent	Number (millions)
Total	**95**	**39.9**
Men	**93**	**16.8**
Women	**96**	**23.1**
Source: Estimate of SSA Office of the Chief Actuary, December 2000.		

1. Insured for OASDI benefits or could receive benefits based on the work record of an insured worker.

ID. Percentage Who Meet Work Requirements to Be Insured for Disability Benefits in December 2000		
Age	Men	Women
Total	**85**	**74**
20-49	**85**	**75**
50-61	**85**	**72**
62-NRA	**78**	**60**
NOTE: NRA = normal retirement age		
Source: Estimate of the SSA Office of the Chief Actuary, December 2000.		

IE. Women Aged 65 or Older Receiving OASDI Benefits, in percent, in December 2000	
Retired Worker Only	**36.4**
Dually Entitled	**28.9**
Wife	**12.6**
Widow	**17.3**
Wife or Widow Only	**34.7**
Wife	**12.6**
Widow	**22.0**
Total	**100.0**
NOTE: Total number of women aged 65 or older receiving OASDI benefits is 19.2 million.	
Source: Master Beneficiary Record (MBR), December 2000.	

II. Measures of Adequacy and Equity

Because of Social Security's progressive benefit formula, low-wage workers experience higher replacement rates than other workers. Replacement rates measure the adequacy of OASDI benefits in retirement relative to prior earnings. OASDI benefits replace 70 percent of earnings for hypothetical life-time low-wage workers, 39 percent for average-wage workers, and 24 percent for maximum-wage workers (Barometer IIA).

We have also calculated replacement rates based on actual earnings for newly retired-workers based on the worker's own earnings. Average replacement rates range from 71 percent for those in the lowest earnings group to 31 percent for those in the highest group (Barometer IIB).

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 other family members. In 1999, 8.1 percent of OASDI beneficiaries aged 65 or older (2.4 million individuals) were below poverty (Barometer IIC). Without their benefits, 48 percent of OASDI beneficiaries would be in poverty, assuming no other change in income. (Barometer IID). One measure of the effectiveness of SSI in providing adequate income is the extent to which it reduces the gap between incomes of SSI recipients and the poverty line. SSI reduces the annual poverty gap by 67 percent, on average (Barometer IIE). In 2000, an individual who had no countable income and was eligible to receive the maximum SSI Federal benefit amount of $513 per month would be at 70 percent of the poverty threshold. Some State supplements bring persons much closer to the poverty line (Barometer IIF).

One indicator of benefit equity is a measure of OASDI benefit amounts by varying levels of the Primary Insurance Amount, which is related to earnings levels. That measure shows that while low-income workers receive proportionately higher OASDI benefits relative to past earnings, high-earning workers receive higher OASDI benefits in absolute terms. Thus, the more one works and the more one earns, the higher benefits will be. On average, persons in the lowest earnings group received an annual benefit of $4,512 in 2000, those in the middle received $10,548, and those in the highest group received $15,984 (Barometer IIG). Similarly, while low-income beneficiaries rely on OASDI benefits for a much higher proportion of their total income, the highest-income beneficiaries received about twice as much in aggregate benefits as the lowest-income beneficiaries (Barometer IIH).

While historical data show that the poverty rate for the aged overall has declined greatly, poverty rates vary substantially for subgroups of beneficiaries. Younger beneficiaries, women, and minorities have much higher poverty rates. On the other hand, replacement rates are low at high incomes. Concerns about adequacy must be balanced with equity across subgroups.

IIA. Hypothetical Replacement Rates of Retirees at NRA, in percent, in 2000		
Benefits at Normal Retirement Age as a Percent of Last Year's Earnings Assuming Wages for All Years Were:		
Minimum Wage[1]	**Average Wages**	**Maximum Taxable Earnings**
70	**39**	**24**
Source: Calculation by SSA Office of Research, Evaluation and Statistics, 2000.		

1. Many retirees, particularly women, have years with no earnings or work part time and earn less than the minimum wage. Assuming that wages for all years were three-fourths of the minimum wage, the replacement rate would be 79 percent.

IIB. Actual Earnings Replacement Rates of Retirees at First Benefit Receipt, in percent, in 1996-1998				
Total	**Male**		**Female**	
40	**36**		**49**	
AIME Quintiles				
Lowest	**Second**	**Third**	**Fourth**	**Highest**
71	**50**	**40**	**35**	**31**
NOTE: The replacement rate is the median monthly benefit amount based on the worker's own earnings, divided by the average indexed monthly earnings (AIME). The AIME, which is used in the calculation of Social Security benefits, is a worker's highest 35 years of actual past earnings that have been adjusted by changes in the average wage index. AIME quintile limits are $711/$1,350/$2,170/$3,040.				
Source: SIPP and SSA program records, 1996-1998.				

IIC. OASDI Beneficiaries in Poverty in 1999		
Age	**Percent of Group Below Poverty**	**Number of People in Poverty (Millions)**
65+	**8.1**	**2.4**
18 - 64	**16.6**	**1.4**
Under 18	**20.2**	**1.0**

NOTE: Beneficiaries aged 65+ and 18 to 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, not including non-money transfers such as food stamps.

Source: March 2000 Current Population Survey (CPS), for 1999.

IID. Percent of OASDI Beneficiaries in Poverty Without Social Security in 1999	
Age	**Percent**
65+	**48**
18 - 64	**45**
Under 18	**37**

NOTE: Beneficiaries aged 65+ and 18 to 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, not including non-money transfers such as food stamps.

Source: March 2000 CPS, for 1999.

IIE. Annual Poverty Gap With and Without SSI, in 1998			
Age	**Without SSI (millions of dollars)**	**With SSI (millions of dollars)**	**Percent Reduction in Gap Due to SSI**
All	**25,032**	**8,307**	**67**
65+	**6,143**	**1,945**	**68**
18 - 64	**16,651**	**5,721**	**66**
Under 18	**2,238**	**641**	**71**

NOTE: The poverty gap is the dollar amount needed to bring income of SSI recipients (and spouses) as of December 1998 to the poverty level. Poverty is based on family money income in 1998, not including non-money transfers such as food stamps. SSI amounts from the Survey of Income and Program Participation have been replaced with SSI Federal and federally administered State supplemental payments from SSA's program records that have been matched to the SIPP. This measure has been changed from monthly to annual.

Source: Survey of Income and Program Participation (SIPP) and SSA program records, 1998.

IIF. SSI as a Percent of the Poverty Threshold in States with "Broad Coverage" State Supplement Groups, in 2000				
	Number in a Broad SSI Coverage Group (Thousands)	**Percent of All State Recipients**	**SSI Annual Income Level (dollars)**	**SSI as Percent of Poverty Threshold for One Person**
Federal Benefit With State Supplement*				
California	**807**	**75**	**8,304**	**95**
Massachusetts	**81**	**48**	**7,692**	**88**
Michigan	**192**	**91**	**6,312**	**72**
New Jersey	**110**	**75**	**6,516**	**74**
New York	**313**	**51**	**7,188**	**82**
Pennsylvania	**248**	**89**	**6,468**	**74**
Federal Benefit Only	**6,608**	**NA**	**6,156**	**70**

* Federal SSI plus federally administered State supplements in the above States for one person.

NOTES: 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.
NA = not applicable.

Source: SSR and data from States, 2000.

IIG. Average Primary Insurance Amounts (PIA) And Benefits Paid for Newly Retired Workers in 2000, by PIA Quintiles (in dollars)		
	Yearly Average	
PIA Quintiles	**PIA**	**Benefit**
Lowest	**4,380**	**4,512**
Second	**8,184**	**7,368**
Third	**11,700**	**10,548**
Fourth	**15,348**	**14,136**
Highest	**17,760**	**15,984**

NOTE: The Primary Insurance Amount (PIA) is the benefit amount payable to a retired worker who begins to receive benefits at full retirement age. About one-third of the lowest quintile is dually entitled to worker and spouse benefits; thus the monthly benefit is somewhat higher than the PIA. Dual entitlements in the four other quintiles are minimal. Benefits are generally less than PIAs on account of reduction for early retirement.

Source: MBR, benefits newly awarded in 2000.

IIH. Percent of All OASDI Dollars Paid in 1999		
Income Quintiles	**65+**	**18 - 64**
Lowest	**12**	**12**
Second	**19**	**19**
Third	**22**	**23**
Fourth	**23**	**23**
Highest	**24**	**22**

NOTE: The family income quintile limits for those aged 65 or older are $13,057/$21,065/$31,353/$51,493. The family income quintile limits for those 18 - 64 are $11,969/$21,001/$35,656/$57,736.

Source: March 2000 CPS, for 1999.

III. Measures of Reliance on Social Security Programs

Over half of beneficiaries aged 65 or older and over two-fifths of beneficiaries aged 18 to 64 relied on OASDI for half or more of their family income in 1999, and 14 percent of both age groups relied on OASDI for all of their income (Barometer IIIA). Reliance was higher for women, racial minorities, and low-income groups.[3] For example, OASDI provided over 80 percent of the income of beneficiaries in the lowest income quintile compared with less than 20 percent for those in the highest income quintile (Barometer IIIB). Reliance on SSI is measured for individual beneficiaries rather than for families. On that basis, SSI constituted over half of total income for almost two-thirds of SSI recipients aged 18 to 64 in 1998 and was the only income for almost one-third of that group. (Barometer IIIC). Adult beneficiaries were less reliant on SSI than were children.

OASDI was designed to be a partial replacement of income lost because of retirement, disability or death of a worker. SSI was enacted as a means tested program for the aged and disabled poor. The barometer measures 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, SSI 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.

IIIA. OASDI as a Percent of Total Family Income, in 1999

	Percent Who Rely on OASDI for:		
Age	**Half or More of Total Income**	**90% or More of Total Income**	**100% of Total Income**
65+	**56**	**22**	**14**
18-64	**43**	**20**	**14**

NOTE: Counts the family OASDI income of persons aged 18 or older as a percent of the family's total income. 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. The numbers under that calculation are 64, 29 and 18 percent. We use a different method here so that age groups are measured similarly and because the method used for the aged is not appropriate for younger groups.

Source: March 2000 CPS, for 1999.

3. Current Population Survey (CPS), for 1999.

IIIB. Percent of Income from OASDI, in 1999		
Income Quintiles	**65+**	**18 - 64**
Lowest	**88**	**83**
Second	**74**	**66**
Third	**58**	**45**
Fourth	**40**	**29**
Highest	**17**	**14**

NOTE: Counts persons based on family money income quintiles and family reliance on OASDI. 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 numbers under that calculation are 84, 80, 64, 45 and 18 percent. We use a different method here so that age groups are measured similarly and because the method used for the aged is not appropriate for younger groups. The family income quintile limits for those aged 65 or older are $13,057/$21,065/$31,353/$51,493; the family income quintile limits for those 18 to 64 are $11,969/$21,001/$35,656/$57,736.

Source: March 2000 CPS, for 1999.

IIIC. SSI as a Percent of Total Income, in 1998			
	Percent Who Rely on SSI for:		
Age	**Half or More of Total Income**	**90% or More of Total Income**	**100% of Total Income**
65+	**42**	**19**	**14**
18-64	**63**	**38**	**30**
Under 18	**99**	**99**	**95**

NOTE: Counts the person's SSI as a percentage of the person's total money income in 1998, not including non-money transfers such as food stamps. SSI amounts from SIPP have been replaced with SSI Federal and federally administered State supplementary payments from SSA's program records that have been matched to the SIPP. This measure has been changed from monthly to annual.

Source: SIPP and SSA program records, 1998.

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. In 2000, only 0.2 percent of all DI beneficiaries, after completing a trial work period, lost their benefits because they had earnings above the substantial gainful activity (SGA) level. However, in 1998 (the most recent year for which data are available) 16 percent of DI worker beneficiaries were working, earning an average of about $7,000 for the year. Note that the median earnings level - $3,167 for DI beneficiaries who worked - was less than half of average earnings; thus, the majority had relatively low earnings. (Barometer IVA). In December 2000, 7 percent, or almost 263,000, of disabled SSI beneficiaries aged 18 to 64 were working, with 90 percent working at or below SGA.[4] (Barometer IVB). Of those working in the last quarter of 2000, about 6 percent (16,200) stopped receiving cash SSI benefits because of their earnings. That group constituted less than 1 percent of all SSI beneficiaries (Barometer IVC).

SSA is implementing several projects to facilitate work among DI and SSI beneficiaries, including the Ticket to Work Program, which Congress passed in 1999. A demonstration is being designed that would modify the cliff currently faced by DI beneficiaries who earn above SGA. Under this demonstration, DI beneficiaries would lose one dollar of benefits for each two dollars earned. Also, in an Early Intervention Demonstration, SSA will identify program applicants with impairments that may reasonably be presumed to be disabling. Strategies to provide work payments, early Medicare, benefit offsets, and employment-related services to such applicants will be part of that demonstration.

Major efforts should continue to focus on implementing the Ticket to Work legislation which includes the provision of tickets, new grant programs, and demonstration projects.

IVA. Work Among DI Beneficiaries

	Number	Percent of All DI Beneficiaries
Working and Receiving Benefits in 1998	**694,000**	**16.0**
Benefits Suspended Because of Work Above the SGA Level After TWP in 2000	**10,700**	**0.2**

NOTE: DI beneficiaries working and receiving benefits in SIPP are those who had any earnings in December 1998 and whose entitlement began in December 1996 or earlier. Average yearly earnings were $6,944; median yearly earnings were $3,167. SGA = Substantial Gainful Activity ($700 per month in 2000). TWP = Trial Work Period.

Source: Data for working and receiving benefits are from SIPP and SSA program records, 1998. Data for benefits suspended because of work above SGA after a TWP are from MBR, 2000.

4. Through section 1619(a) of the Social Security Act, SSI recipients who earn more than SGA can continue to receive cash benefits until their benefit amount, or the Federal benefit rate minus their countable income, reaches zero.

IVB. Disabled SSI Beneficiaries Aged 18-64 Who Worked in December 2000				
	Working Above SGA	**Working At or Below SGA**	**Total Working[1]**	**All Disabled Beneficiaries**
Number	**27,000**	**235,000**	**263,000**	**3,660,000**
Percent of All Disabled Beneficiaries	**0.7**	**6.4**	**7.1**	**NA**
Average Gross Monthly Earnings (dollars)	**946**	**244**	**316**	**NA**
Source: Supplemental Security Record (SSR), December 2000.				

1. Does not include 84,000 persons whose earnings preclude a cash payment. They remain SSI beneficiaries for Medicaid purposes. NA = not applicable.

IVC. Disabled SSI Beneficiaries Aged 18-64 Whose Benefits Ceased in October to December 2000 Because of Work		
Number	**Percent of All SSI Recipients**	**Percent of All Workers**
16,200	**0.4**	**6.2**
NOTE: Number of recipients whose benefits (cash, Medicaid or both) ceased during the quarter ending December 31, 2000. These data are reported quarterly. Quarterly numbers cannot be added together because doing so would produce an overcount of people who start and stop work multiple times during a year.		
Source: SSR, December 2000.		

V. Measures of Private Provision for Retirement

OASDI was intended to be a floor of protection in retirement that would be supplemented by employer pensions and individual savings. Adequacy of income in retirement is highly dependent on having sources of income other than OASDI, such as employer-sponsored pensions and income from one's own savings. In 1995, slightly more than half (54 percent) of the working population had coverage in an employer-sponsored pension plan. Plan participation was highest among workers aged 40 to 54, with 60 percent reporting employer-provided pension coverage. The largest group had only a defined benefit plan (38 percent). However, a substantial proportion had only a defined contribution plan (22 percent), and 10 percent had both types of plans[5]. Plan participation was substantially lower for the total population than for the working population (37 percent compared with 54 percent) (Barometer VA).

Assets can provide income, such as interest or dividends, and they can be spent. 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 1998, median family financial assets were $63,300 and median net worth was $217,600 for married individuals aged 65 or older, and nonmarried individuals aged 65 or older had median financial assets of $15,800 and a median net worth of $87,600. (Barometer VB). As these figures indicate, asset amounts vary greatly by marital status. They also vary greatly by age, with persons aged 65 or older having the largest asset values.

Participation in employer pension plans is far from universal. 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. Also, pension plan participation is shifting from largely defined benefit plans toward defined contribution plans, which add more personal choice but also add risk in accumulating a pension. The amounts of assets accumulated varies greatly with some groups having very little accumulated in old age.

VA. Percent Participating in an Employer-Sponsored Pension Plan in 1995

Age	Total Population	Working Population
Total	**37**	**54**
25 - 39	**36**	**48**
40 - 54	**43**	**60**
55 - 64	**25**	**55**

NOTE: Includes private pensions, Federal employee pensions, military retirement and State and local pensions. Does not include IRAs or Keoghs.

Source: Survey of Income and Program Participation, Pension Plan Coverage and Retirement Expectations Topical Module, 1995.

5. In a defined benefit plan, an employer provides a guaranteed retirement benefit usually based on the employee's salary and number of years of service. In a defined contribution plan, contributions are made into individual employee accounts and the amount of the retirement benefit depends on the balance in the account, which is the sum of all contributions plus interest, dividends and capital gains or losses.

VB. Median Family Financial Assets and Total Net Worth in 1998 (in dollars)				
	Financial Assets		Net Worth	
Age	Married	Nonmarried	Married	Nonmarried
25 - 54	22,000	4,790	81,870	17,280
55 - 64	59,000	17,500	203,300	71,500
65 or older	63,300	15,800	217,600	87,600
Total	19,700		78,850	
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, SIPP does not include tax-deferred retirement accounts or the cash value of life insurance in assets. SSA will study these differences as it updates this barometer measure in future years.				
Source: Survey of Consumer Finances, 1998.				

In summary, the barometers 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 men.
- One-third of women receive benefits only as wives or widows.
- Another 28 percent of women receive both worker and auxiliary benefits.

The effects on the well-being of subgroups should be assessed when changes to benefits are considered.

II. Adequacy and Equity of Benefits

- Poverty rates have been reduced but still vary greatly.
- The young, women, and minorities are more likely to be poor.
- The current benefit formula provides higher replacement rates to low earners.
- Higher lifetime earners receive higher benefits but lower replacement rates.

Although Social Security has helped to reduce poverty rates, both adequacy and equity issues are important to continuing public support.

III. Reliance on Social Security and SSI

- 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 low-income beneficiaries.
- For two-thirds of SSI beneficiaries, SSI payments provide 50 percent or more of their income.

Too much reliance on OASDI and SSI benefits can result in inadequate income for beneficiaries; plans for diverse sources of income are critical.

IV. Return-to-Work Opportunities Among Persons with Disabilities

- About 16 percent of SSI beneficiaries and 7 percent of SSI disabled beneficiaries work.
- Less than 1 percent of SSDI and SSI disabled beneficiaries lost benefits due to work.

Implementing the Ticket to Work, national work incentive grants and demonstration projects should remain an important priority.

V. Private Provision for Retirement

- About half of today's workers have pension coverage.
- Increasingly, these plans are defined contribution plans, increasing the potential of higher returns together with individual risk.
- Levels of financial assets and net worth indicate that many have little private savings to supplement Social Security.

Planning for retirement should be a priority to ensure greater economic security.

Program Evaluation

SSA has broadened the scope of its evaluation activities beyond studies of outputs and performance measures, to include evaluation of our program outcomes and their effects on the lives of Americans. We use multi-dimensional evaluations that combine quality, satisfaction, timeliness etc., to build models and create baseline information that helps us address our long-range issues.

We use various types of program evaluations to examine program performance and context. We prepare an annual Agency coordinated evaluation plan that covers our Agency's goals, objectives and business processes, and ensures that there are no overlaps, duplications or gaps. In addition to the ongoing, recurring periodic evaluations of accuracy, service, etc., the evaluation activities described below were completed in FY 2001. The findings from many of these activities are woven throughout this report. Copies of the evaluation results can be obtained by writing to:

The Office of Strategic Management
Social Security Administration
500 Altmeyer Building
6401 Security Boulevard
Baltimore, MD 21235

We use four main types of program evaluation, along with other information, to study the benefits of a program or how to improve it. They are:

- process evaluation--to assess whether a program is operating as it was intended (i.e., conformance to statutory and regulatory requirements, program design, and professional standards or public expectations;
- outcome evaluation--to assess the extent to which a program achieves its outcome-oriented objectives. The focus is on outputs and outcomes (including unintended effects), but may also assess program processes;
- impact evaluation--to assess the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program. This form of evaluation is used extensively to assess the Responsive Programs goal; and
- cost-benefit /cost-effectiveness analysis--to compare a program's outputs or outcomes with the costs (resources expended) to produce them. They determine the cost of meeting a single goal or objective and identify the least costly alternative to meet it.

Many of SSA's evaluations are combinations of the above. Following are brief summaries of those completed in FY 2001, with an annotation of how they link to key program outcomes:

- 800 Number Evaluation Findings for April 1999 through March 2000 is based on monitoring 3,916 calls during this 12-month period. Payment accuracy continued to be high and service accuracy increased significantly, perhaps in part due to the rollout of decision support software to all teleservice centers. Call length increased from 5 to 5.4 minutes, which should be balanced with accuracy improvements and an increase in issues processed to completion at the time of the first call. *(Providing timely, accurate, and useful information and services to the public).*
- 800 Number Evaluation Findings for FY 2000 provided a thorough assessment of national toll-free number customer service. Results presented a mixed picture of performance. There was a gradual upward trend in service accuracy although still short of the 90 percent goal. Failure to comply with the identity requirement continued to be a major source of error. Payment accuracy declined and fell below the 95 percent goal. The most common payment errors involved the failure to protect filing and/or inform callers when a delay in filing could result in a loss of benefits, and failure to act on a caller's request to appeal a payment-affecting decision. Corrective action for these errors was initiated where recontact was possible. *(Providing determinations that are more timely and accurate).*
- Survey of 800 Number Callers for August 2000, the semi-annual interaction tracking survey under our Market Measurement Program measures caller satisfaction with service received during a discrete 800 number contact. Eighty percent of the survey respondents rated service as good, very good or excellent, which is identical to the February 2000 and August 1999 rates. Over half of those who rated the service as fair, poor or very poor were dissatisfied with having to wait too long, difficulty getting through, or not receiving answers to their questions. Access to service was rated at 75 percent, not a statistically significant difference from 77 percent for February 2000 and 76 percent for August 1999. *(Providing timely, accurate, and useful information and services to the public).*
- Report on the 800 Number Multiple Caller Survey is a targeted survey to address our concerns about people who call SSA's 800 number multiple times on a given day. Forty-six percent of the repeat calls were caused by access difficulties, i.e., hanging up in queue or receiving a busy signal or message. Results represent the opinions of 1,842 callers who made 2 or more "completed" calls to SSA's 800 number on a single day during a 3-week sample period in September 2000. Over one-third of the responders comments/ suggestions related to easier and faster access to live service. Recent revisions to the 800 number script may alleviate caller frustration at having to listen to a list of automated

services before reaching a representative. *(Providing timely, accurate, and useful information and services to the public).*

- Organizational Culture Project gathered baseline information about our current culture and conducted a gap analysis between the current and the desired culture. “Zero tolerance for fraud and abuse” and “knowing what is expected [of me] at work” were the two practices rated highest by employees. The two lowest rated practices were “the performance appraisal system” and “understanding the administrative budget.” This study revealed healthy beliefs, behaviors, practices, values, and attitudes on the part of SSA employees. *(To promote an Agency culture that successfully incorporates our values).*
- Hearing Process Improvement Process Analysis evaluated the hearing process for “bottlenecks” and suggested more efficient process/workflow modifications, evolving into the Hearing Process Improvement (HPI) plan. This plan outlines process changes that should reduce processing times without additional resources, and refinements to ensure high quality service from SSA’s Office of Hearings and Appeals (OHA). *(Providing determinations that are more timely and accurate).*
- Disability Claim Manager (DCM) Phase II Nonmedical Payment Accuracy Report provided findings regarding the accuracy of the DCM’s decisionmaking. Under the 1994 Disability Redesign Plan and DCM test, the DCM is the decisionmaker on both the medical and the nonmedical aspects of the claim. Accuracy rates for Social Security disability DCM awarded cases were statistically comparable to our ongoing disability accuracy review, the Index of Dollar Accuracy (IDA) review, for FY 2000. The DCM case accuracy rate for awarded SSI cases was significantly higher than the IDA review, with payment accuracy being comparable. The findings were based on about 650 Social Security disability cases and about 730 SSI cases. *(Providing determinations that are more timely and accurate).*
- Social Security Retirement and Survivors Insurance (RSI) Program Disallowances Report evaluates the accuracy results of 1,424 RSI cases disallowed from FY 1996 through FY 1999. Fifty-nine cases were found to have errors, or a weighted case accuracy rate of 97.1 percent, resulting in $179.9 million projected underpayments over the lives of these claims. A September 2000 Payment Accuracy Task Force used this report to develop recommendations for improvements. *(Providing timely, accurate, and useful information and services to the public).*
- Causes of SSI Overpayments-FY 1996-1999 examined four years of data to determine the causes of SSI overpayments. Consistent with SSI stewardship findings for FY 1999, wages and excess resources were the top causes of overpayments. Overpayments caused by prisoner status jumped to third place in FY 1998 and remains there, probably the result of the new prisoner eligibility rules and increased detection from prisoner computer matching. Overpayments caused by the recipient’s move to a nursing home decreased each year, perhaps due in part to the new nursing home computer match runs. *(Providing timely, accurate, and useful information and services to the public).*
- FY 1999 SSI Payment Accuracy (Stewardship) Report is based on a monthly sample of SSI cases reviewed for non-medical factors of eligibility, and provides the data for an SSI performance indicator and SSA reports to Congress and other authorities. At the end of FY 1999 there were 6.6 million SSI recipients receiving about $29.6 billion SSI benefits during the year. SSI payment accuracy (based on a projected $1.8 billion in overpayments) was 94.3 percent for FY 1999, compared to 93.5 percent for the previous year. This is the second time an increase in the accuracy rate has occurred in the past 10 years. Wages and financial accounts continue to be error-prone areas. To reduce payment errors due to wage deficiencies, we began in January 2001 to access the Office of Child Support Enforcement’s quarterly wage database. *(Providing timely, accurate, and useful information and services to the public).*

- FY 1999 Title II Payment Accuracy (Stewardship) Report is based on a monthly sample of Social Security (Title II) cases reviewed for non-medical factors of eligibility, and provides the data for a performance indicator and SSA reports to Congress and other authorities.
  - In FY 1999 thirty-eight million beneficiaries received nearly $322.4 billion in Social Security retirement and survivors insurance payments. The FY 1999 payment accuracy rates (99.8 percent accuracy for overpayments and 99.9 percent accuracy for underpayments) are virtually the same as for FY 1997 and FY 1998.
  - The review also includes non-medical aspects of Social Security disability (DI) payments reporting 99.2 percent overpayment accuracy and 99.1 percent underpayment accuracy. Improper imposition of workers' compensation (WC) offset provisions are a major source of DI errors. We are giving high priority to preventing these errors, including planned systems enhancements to improve future WC accuracy. *(Providing determinations that are more timely and accurate).*
- FY 1998 and 1999 SSI Index of Dollar Accuracy Reports provides the Index of Dollar Accuracy (IDA) for SSI initial claims awards and field office processed redeterminations, based on a review of nonmedical factors of entitlement/eligibility. IDA data are included in SSA's Performance and Accountability Report and provide a measure of the quality of SSI service delivery. After bottoming out at 93 percent in FY 1997, the SSI IDA rate inched upward to 93.9 percent for FY 1998 and 94.2 percent for FY 1999. Neither increase is statistically significant, but it may signal a reversal of the downward trend in accuracy since 1990. The two leading types of error were earned income and unearned income. Over half of the deficiencies were attributed to recipients not providing complete or accurate information at the time they were initially awarded benefits or during redeterminations, or not reporting information about changes in income. *(Providing determinations that are more timely and accurate).*
- Aged Disabled Noncitizen Nonmedical Denial Study provided findings on all "failure to cooperate" denial cases (about 1,100) from August 1997 through mid-February 1999 where no appeal had been filed. The purpose of this study was to identify how many claims had been processed incorrectly before additional instructions on the subject were issued in February 1999. The results were inconclusive because the cases were already 9 months to 2 years old when the review began and a tenth of the cases could not be reviewed because the folder, folder materials, or the claimant could not be located. *(Providing determinations that are more timely and accurate).*
- 15-Year Work-History Documentation Study provided an assessment of the impact of shortening the documentation requirement to either ten or five years and how such a change may affect the disability allowance rate. Over 2,100 cases were examined to see if a shortened work history would have resulted in the same decision. The study showed that the evidence in file would have supported the same decision in nearly 1,700 cases under either a 10-year or a 5-year documentation requirement. Any increase in the disability allowance rate would be virtually negligible, if either a 10-year or a 5-year work history documentation requirement were adopted. *(Providing determinations that are more timely and accurate).*
- FY 2000 Dismissal Report evaluated the results of 1,200 hearing dismissal decisions from late FY 1999 and early FY 2000 that were reviewed by Administrative Law Judges (ALJ) acting as reviewing judges. And for the first time, medical consultants and disability examiners reviewed some of these dismissals (240 cases). Problems were found with following pre- and post-hearing date contact and follow-up procedures. Some claimants improperly received dismissals even though they may have met the medical or medical/vocational criteria for disability. We will revisit this subject in FY 2002 and evaluate the impact of the Hearings Process Improvement Plan (implemented after this study) on the frequency and quality of dismissal decisions. *(Providing determinations that are more timely and accurate).*

- Report on Prototype Rationale Review Findings for the Period December 1999 – December 2000 measured disability determination services (DDS) adherence to the rationale requirements and evaluated the quality of rationales prepared by the Prototype sites in the 10 Prototype States. Of the 7,531 cases reviewed, there were 921 cases that contained at least one rationale deficiency. Forty-eight percent of the deficiencies for which a reason was shown occurred because the explanation was incomplete, and not because the explanation was either missing or incorrect. For this reason, the overall rationale deficiency rate of 12.2 percent is not considered a cause for serious concern. *(Providing determinations that are more timely and accurate).*

- Field Office Caller Survey Report for November 2000 is our second survey of field office (FO) callers, conducted under our Market Measurement Program. This survey obtains callers' perceptions of the service they received shortly after their contact with us. The FY 2001 survey was based on the responses of nearly 1,200 callers who called FOs during November 2000. Seventy-eight percent rated overall service satisfaction as good to excellent, including 25 percent who rated it excellent. These results were comparable to our first survey in November 1999. Beginning FY 2002, this survey will be conducted semiannually in November and May. *(Providing timely, accurate, and useful information and services to the public).*

- Report on the Quality of the Enumeration Process, FY 2000. The findings from our review of the enumeration process are used as the Agency's measurement of performance accuracy for the process. In FY 2000, we reviewed a random sample of 2,695 records from all applications for original and replacement cards processed in the year, excluding enumeration at birth transactions. Fifteen percent were applications for an original SSN and 87 percent were applications for a replacement card. The review identifies errors that result in the misassignment of an SSN (a critical error), or incomplete/incorrect information on the Numident record (a major error). The rate of cases free of critical error in FY 2000 was 99.7 percent; the rate of cases free of major error was 92.5 percent. *(Providing determinations that are more timely and accurate).*

- The Visitor Information Service Analysis Evaluation Report provides a preliminary evaluation of our pilot to automate our FO reception area process. We purchased equipment to run the VISA system for offices with high walk-in traffic. This customer traffic management system uses ticket dispensers, personal computers and voice activated announcements to direct traffic and obtain management information on waiting and service times. The report concludes that the VISA system may eliminate the need to conduct waiting time studies and collect data manually, provides "real time" management information, and has significant customer service benefits, including reduction in stand-up waiting times and increased customer privacy. *(Providing timely, accurate, and useful information and services to the public).*

- Results from Three of the Initial Models of the SSA Medicare Part B Buy-in Demonstration evaluates efforts to increase participation in Medicare Buy-in programs. Low-income senior citizens and individuals with disabilities, enrolled in Medicare, may be eligible for Medicaid Buy-in assistance which pays Medicare Part B premiums and, in some instances, Medicare co-payments and deductibles. Since March 1999, we have been conducting demonstration projects to determine how best to increase participation in Medicaid Buy-in programs. This study looks at three initial models and concludes that they increased Buy-in enrollment by about 10 percent. The *application model,* which involved SSA staff to a greater extent than the other models, had the greatest impact on Buy-in enrollment. *(Providing timely, accurate, and useful information and services to the public).*

- Results from the SSA Buy-In Demonstration provides detailed information on the outcomes of three of the six models tested as part of a national demonstration to determine how to increase participation in "Buy-in" programs that pay for Part B Medicare premiums. This was the fourth and final report. The analyses focused on the impact of each model over a nine-month period. Overall, the demonstration increased enrollment by approximately seven percent. The models that used SSA's toll-free number, and appointments for potentially eligible callers, had a much greater positive impact on enrollment rates than models that required the beneficiary to take several steps with less assistance. *(Providing timely, accurate, and useful information and services to the public).*

- Enumeration Process Focus Groups were conducted in Florida, Washington, D.C., and Seattle with individuals who had recently applied for original or replacement Social Security Number (SSN) cards. The purpose was to hear about their expectations, experiences and recommendations for the enumeration process. We are studying the feasibility of implementing specific recommendations contained in a report of findings. *(Providing determinations that are more timely and accurate).*
- The Field Office (FO) Caller Survey Report evaluated caller satisfaction by interviewing over a thousand callers who had called a FO during November 1999. About 80 percent rated service as good or better, with 28 percent rating service as excellent. These are almost exactly the same ratings as found in the 800 Number customer survey, and are presented in a combined report with the "800 Number Caller Survey" and the "Office Visitor Survey." *(Providing timely, accurate, and useful information and services to the public).*
- Evaluation of SSI Match with HCFA Nursing Home Data Final Report provided an assessment of computer database matching between SSA and HCFA, to identify SSI recipients ineligible during an extended stay in a nursing home. In FY 1999 the computer match runs generated about 72,000 nursing home alerts, which cost $6.8 million to process but led to the prevention or recovery of about $27 million in overpayments (a 4 to 1 benefit to cost ratio). As nursing homes become more familiar with the new reporting system, the quality of data received in the match is expected to improve to the point that FOs can take action in some situations without further development. We are planning a follow-up study. *(Reducing fraud, waste and error in the SSI program).*
- Office Visitor Survey Report for the Second Quarter, FY 2000 provided the service satisfaction survey results for visitors to our field and hearing offices. The survey sampled 2,157 visitors to 52 field and 13 hearing offices shortly after their visit, and asked about their satisfaction with service. Eighty-eight percent of responders rated service as excellent, very good or good, indicating a high degree of satisfaction. This rate does reflect a small statistically significant decline from the 91 percent rate reported in the survey for the July 1999 quarter. Since the January quarter is usually our busiest, this could account for the slightly lower satisfaction levels. Those who rated service as excellent most often attributed their satisfaction to the way they were treated by staff. *(Providing timely, accurate, and useful information and services to the public).*
- Employer Satisfaction Survey Report provided information on employers' 1) satisfaction with our wage reporting services, 2) use of these services, and 3) opinions about our plans to improve these services. Of the 1,325 employers who responded (about a 40 percent response rate), 82 percent rated our wage reporting services as good, very good or excellent, indicating general satisfaction. However, we did not meet our 93 percent goal. The survey also told us that our wage reporting services are seldom used; about half of the employers were not aware the service exists. Recent publicity on SSA's website and in other publications may help correct this. About 35 percent of employers use a third party, such as a payroll service, to complete their wage reports; we had little success getting responses from such proxies. Due to the low response rate, we are exploring a new methodology for measuring employer satisfaction. (*Providing timely, accurate, and useful information and services to the public; providing determinations that are more timely and accurate; reducing long-term disability benefits because people return to the workplace; providing timely information to decisionmakers necessary to address program policy issues such as long-term trust fund solvency; and reducing fraud, waste and error in the SSI program).*

- Social Security Online Customer Survey Report provided the results of our first interaction tracking survey of online website visitors, who viewed any of 13 designated pages from February 16 to March 6, 2000. Visitors to these pages were automatically linked to a survey questionnaire, and we received over 4,300 hits and 1,700 survey forms. We got a 79 percent good or better satisfaction rating. Some respondents reported difficulties with site navigation. We are aggressively pursuing enhancements to the website, as we continue to expand, provide more services, and improve functionality. *(Providing timely, accurate, and useful information and services to the public).*
- Analysis of Instances Where Multiple Social Security Numbers (SSNs) Are Assigned to One Individual studied whether an existing database, containing information regarding cross-referenced SSNs, could help us find issues of identity fraud. The study found no hint of fraud and recommended no further action be taken to investigate multiple SSNs on this particular database. *(Reducing fraud, waste and error in the SSI program).*
- Findings from the Office of Quality Assurance and Performance Assessment Talking and Listening to Customers (TLC) Customer Survey included all people who "registered" a compliant, compliment or suggestion using TLC between October 27 and December 1, 2001. TLC is an agencywide automated process enabling us to capture, analyze and address spontaneous public complaints, compliments and suggestions. Our goal is to resolve public concerns and identify/address larger systemic problems and trends. Ninety-one percent of respondents indicated that it is very important for SSA to have such a process. Only about half of the respondents realized that they had "registered" a complaint, compliment, or suggestion. Over 75 percent of respondents were satisfied with what we did to resolve the issue, but less than two-thirds were satisfied with the timeliness of the resolution. *(Providing timely, accurate, and useful information and services to the public).*
- Disability Claim Manager (DCM) Phase II Claimants Survey Report evaluated claimants' experience filing for initial disability benefits through a DCM and measured satisfaction with the process. The survey, conducted in August and September 2000, included individuals who received a medical decision made from April 30 through June 30, 2000. The decisional outcome of the claim strongly affected the claimant's opinion of service with 94 percent of awarded claimants rating overall service as good or better, and 68 percent of denied claimants rating overall service as good or better. The overall satisfaction level of awarded claimants was comparable to the current process; however, denied claimant satisfaction was significantly higher. The DCM process was rated higher in many areas of claimant satisfaction, as compared to the current process, for both awarded and denied claimants. This was particularly evident in ratings of employee attributes such as helpfulness, courtesy, job knowledge, and time spent with the claimant. *(Providing timely, accurate, and useful information and services to the public).*
- Follow-up Contacts with Internet Retirement Benefit (IRIB) Filers analyzed why over 4000 retirement applications (22 percent), filed online from October 2000 through January 2001, remained pending without a signed application. We interviewed 216 applicants who had not returned their applications. Almost 80 percent of the interviewees planned to submit a signed application, but more than half were uncertain what to do and needed some assistance. Most of this uncertainty could be minimized through routine follow-up. Also, our online screens need to reinforce the requirement to submit a signed application, and to do so before the 6-month protective filing period elapses. (*Providing timely, accurate, and useful information and services to the public and providing determinations that are more timely and accurate).*
- Cost Benefit Analysis (CBA) for the Computer Match between the Bureau of Public Debt, Department of the Treasury Savings Bond Registration Records and Supplemental Security Records analyzed if the match was cost effective. The analysis confirmed that the match operation is cost effective at a rate of 6.2 to 1. The match identified $2.52 million per year for both: 1) Incorrect payments that were avoided; and 2) overpayments that would have

otherwise gone undetected. The costs for performing the match totaled $402,000. *(Reducing fraud, waste and error in the SSI program).*

- Reports of Claimant Satisfaction Survey of the Disability Redesign Prototype measured satisfaction with the Prototype experience, as compared to claimant satisfaction with the current disability process per the FY 2000 Market Measurement Program. The survey was conducted during August and September 2000; 861 claimants were contacted whose decision was rendered during the period of June 1 through July 14, 2000. Overall satisfaction of claimants who were awarded benefits through the Prototype process was about the same as that of the current process (92 vs. 91 percent respectively). Denied Prototype claimants, who had a claimant conference, had higher levels of overall satisfaction than those denied under the current process (64 vs. 55 percent). The claimant conference interview seemed to have a positive effect on: 1) The number of contacts needed to complete the application; and 2) the clarity of the decision explanation. However, Prototype claimants, denied after a conference, were less satisfied with the caring/helpful attributes of employees and the amount of time spent with them, than claimants were under the current process. *(Providing timely, accurate, and useful information and services to the public and providing determinations that are more timely and accurate).*

- PIN (Personal Identification Number)/Password User Survey Report obtained public reaction to a PIN/password process that allows the public secure access to information and the ability to make changes in their SSA records via the Internet. The survey involved retirement applicants who filed claims via the Internet during the week of March 9, 2001. Nearly all (98 percent) who registered a PIN/password found the instructions very or somewhat easy to follow. Overall, these users rated SSA's current Internet services as good to excellent. Those declining to request a PIN/password cited a variety of reasons for not doing so. Well over a third stated they didn't see a need for one or didn't have enough information regarding available Internet services. *(Providing timely, accurate, and useful information and services to the public).*

- Evaluation of Field Office (FO) Telephone Service Findings for October 1999 Through June 2000 evaluated the quality and courtesy of FO telephone service. About 100 FOs participated in the survey and handled about 6.4 million incoming calls during the survey period. Using this data, the annualized projected volume of incoming calls for all FOs was estimated to be 85 million for FY 2000. We monitored 1,806 calls. Telephone payment accuracy was 96.1 percent and service accuracy was 90.4 percent. FO employees were extremely courteous to callers with only one incidence of discourteous service noted. *(Providing timely, accurate, and useful information and services to the public).*

- Report on Customer Segment Surveys of Social Security and SSI Postentitlement Customers focused on the public's experiences with SSA, their perceptions, expectations, and suggestions for improvement. From May through September 1999, opinions were obtained from about 900 Social Security respondents and 900 SSI respondents who rated service as good or better 85 and 89 percent of the time, respectively. Those who rated service as fair, poor, or very poor, most often cited poor employee performance. *(Providing timely, accurate, and useful information and services to the public).*

- Interaction Tracking Survey Results--Combined Satisfaction Rates for FY 2000 Performance Reporting measured the percentage of core business customers rating overall service as good or better, and the percentage that rated service as excellent (on SSA's 6-point world-class service rating scale). Eighty-two percent rated overall service as good or better and 29 percent rated it as excellent, indicating a high degree of satisfaction with service. However, we fell short of our respective FY 2000 88 and 37 percent goals. *(Providing timely, accurate, and useful information and services to the public).*

- Internet Retirement Benefit (IRIB) Non-User Survey Report surveyed 593 claimants who did not use the Internet to file their Retirement claims. Fifteen percent said they preferred to complete the application with a field office employee, and 40 percent said they had no Internet or computer access. Only 3 percent cited privacy or security as a reason for not filing over the Internet, and 4 percent found the application too complicated or the questions too difficult. *(Providing timely, accurate, and useful information and services to the public and providing determinations that are more timely and accurate).*
- Fiscal Year (FY) 2000 Supplemental Security Income (SSI) Redeterminations Change Rate Study randomly sampled 12,000 high error-prone redetermination cases, and 4,000 redetermination cases of various types, including limited issue cases. Results projected an estimated $2.1 billion in overpayments and $933 million in underpayments. *(Reducing fraud, waste and error in the SSI program).*
- Report on the Social Security Replacement Card Fee Survey collected information on who requested replacement Social Security cards and whether/why they would pay for the cards. The survey was conducted in 50 field offices in January and February 2000. It costs SSA $17 to replace one Social Security card, resulting in a total expenditure of $187 million each year. Nearly 90 percent of the applicants were willing to pay a $5 fee for a replacement card, with a third willing to pay $20. If everyone paid $20 for a replacement card, SSA would save $197 million per year. If $5 was paid for a replacement card, and exceptions were made for SSI recipients, persons requesting name changes or corrections, and persons requesting a first or second replacement card, $22 million would be saved each year.
- Appeals Council (AC) Review Process Focus Groups were conducted with claimants and attorneys who have filed appeals disability denials through the AC process. The purpose was to discuss their expectations/experiences with the AC process, solicit their reactions to our AC Process Improvement Plan, and get their recommendations for process improvement. A report of findings/recommendations is under Agency consideration. *(Providing timely, accurate, and useful information and services to the public and providing determinations that are more timely and accurate).*
- SSA Management Association In-depth Interviews identified 1) key management concerns about technology and communication, and 2) recommendations about how we can improve service to external customers, stakeholder organizations, and the managers of SSA's workforce. *(Providing timely, accurate, and useful information and services to the public)*
- AFGE Union Representatives In-depth Interviews with representatives of SSA's labor organizations obtained their input about how well SSA is providing service to the public. They provided their views on these critical aspects of service: 1) The knowledge level of employees; 2) how helpful SSA is to the public, and 3) and how responsive we are as an Agency. Interview findings are under Agency consideration. *(Providing timely, accurate, and useful information and services to the public).*
- The Public Understanding Measurement System (PUMS) is the primary evaluation tool for measuring SSA's progress toward achieving our Strategic Goal: "Strengthening public understanding of Social Security programs," and meeting our Strategic Objective: "By 2005, 9 out of 10 American adults will be knowledgeable about these programs." The PUMS is designed to measure public knowledge, the effectiveness of our public education programs, and the effectiveness of our communication activities, including the Social Security Statement. PUMS is a national phone survey of adult Americans (age 18 and over) conducted annually for SSA by the Gallup Organization. Based on FY 2000 PUMS data, we find that 75 percent of Americans (adults age 18 and over) are knowledgeable about Social Security programs. PUMS results also reveal that 80 percent of Americans who contact SSA for information, or who recalled receiving a Social Security Statement, were knowledgeable about Social Security. *(Providing timely, accurate, and useful information and services to the public).*

The Office of the Inspector General, Office of Audit (OIG/OA) also contributes to SSA's efforts to assure audit and evaluation coordination, and coverage of SSA goals, objectives, key initiatives and business processes. OIA/OA conducts the following types of audits and evaluations:

- ***Financial statement audits*** provide reasonable assurance about:
  1. Whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles; and
  2. whether the entity has complied with laws and regulations that may have a material effect on the financial statements.
- ***Financial-related audits*** determine whether:
  1. Financial information is presented in accordance with established or stated criteria;
  2. the entity has adhered to specific financial compliance requirements; or
  3. the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.
- ***Economy and efficiency audits/evaluations*** determine:
  1. Whether the entity is acquiring, protecting, and using its resources economically and efficiently;
  2. the causes of inefficiencies; and
  3. whether the entity has complied with laws and regulations on matters of economy and efficiency.
- ***Program audits/evaluations*** determine:
  1. The extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved;
  2. the effectiveness of organizations, programs, activities, or functions; and
  3. whether the entity has complied with significant laws and regulations applicable to the program.

Further details on specific reports may be found in the Office of the Inspector General’s Semiannual Reports to Congress.

Supplemental Information

Adequacy of Trust Fund Financing

Calendar Year	1951	1961	1971	1981	1991	2001
Trends in factors affecting revenues						
- Taxable wage base for coverage:						
Social Security	$3,600	$4,800	$7,800	$29,700	$53,400	$80,400
Medicare (HI)	NA	NA	7,800	29,700	125,000	No Limit
- Tax contribution & distribution rates:						
- FICA tax rate (employers and employees, each)						
OASI (initiated 1937)	1.50%	2.75%	4.05%	4.70%	5.60%	5.30%
DI (initiated 1957)	NA	.25%	.55%	.65%	.60%	.90%
HI (initiated 1966)	NA	NA	.60%	1.3%	1.45%	1.45%
Combined	1.50%	3.00%	5.20%	6.65%	7.65%	7.65%
- SECA tax rate						
OASI (initiated 1951)	2.25%	4.125%	6.075%	7.025%	11.20%	10.60%
DI (initiated 1957)	NA	.375%	.825%	.975%	1.20%	1.80%
HI (initiated 1966)	NA	NA	.60%	1.30%	2.90%	2.90%
Combined	2.25%	4.50%	7.50%	9.30%	15.30%	15.30%
- Percent of benefits taxed	NA	NA	NA	NA	50.0%[1]	85.0%[2]
Trends in factors affecting outlays						
- No. of beneficiaries (in millions)[3]	4.4	16.5	26.8	36.0	40.6	45.8[4]
Retirees/dependents	3.0	11.7	17.2	23.9	28.8	32.0[4]
Survivors of deceased workers	1.4	3.8	6.7	7.6	7.3	7.0[4]
Disabled workers/dependents	NA	1.0	2.9	4.5	4.5	6.8[4]
- Benefit payment COLA increase[5]	NA	NA	NA	11.2%	5.4%	3.5%
- No. of workers per beneficiary[6]	14.5	4.7	3.6	3.2	3.3	3.4[4]
- Retirement Age						
Largest Benefits[7]	65 yrs.	65 yrs.	70 yrs.	70 yrs.	70 yrs.	70 yrs.
Full Benefits[8]	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.
Reduced Benefits	NA[9]	62 yrs.[9]	62 yrs.	62 yrs.	62 yrs.	62 yrs.

1. Income over $25,000 for an individual or $32,000 for a couple.
2. Income over $34,000 for an individual and $44,000 for a couple; income between $25,000 and $34,000 for an individual and between $32,000 and $44,000 for a couple are taxed at 50%.
3. The first old-age and survivors benefit checks were issued in 1940 and the first disability checks in 1957. Number of beneficiaries are those current-payment status for December 31.
4. Estimated, based on the intermediate economic and demographic assumptions in the 2001 Trustees Report. Totals may not add due to rounding.
5. Prior to 1975, benefit increases were at the discretion of Congress. Data represents the increase in the benefit check received during the calendar year. Cost of Living Adjustment for FY 2000 is effectively 2.5% pursuant to Public Law 106-554.
6. Per OASI beneficiary in 1951; per OASDI beneficiary in 1961, 1971, 1981, 1991 and 2001.
7. Delayed retirement credits, increasing benefits up to age 70, became available in 1971.
8. Age at which there is neither a reduction in benefits for early retirement nor an increase for delayed retirement.
9. Reduced benefits were not offered until 1956 for women and 1961 for men.

Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see Major Issues Facing SSA 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

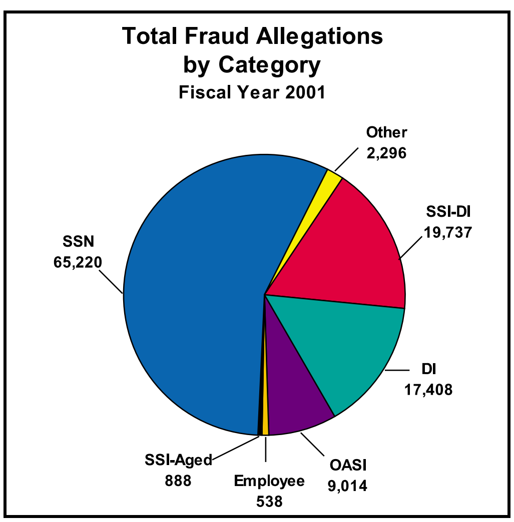
Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct.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

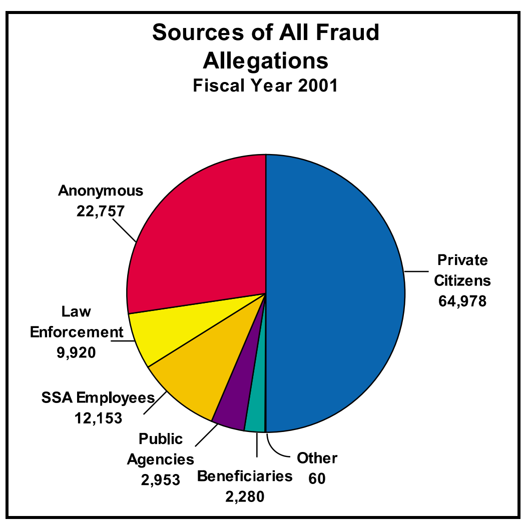
- OASI and SSI quality assurance reviews (pages 146 through 151)
- Disability quality reviews (pages 208 and 209)
- SSI redetermination (pages 44 and 45)
- CDRs (pages 45 and 212)

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested more than $1 billion in processing over 9 million alerts in FY 2001. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of $7.1 billion in overpayments detected and/or prevented.

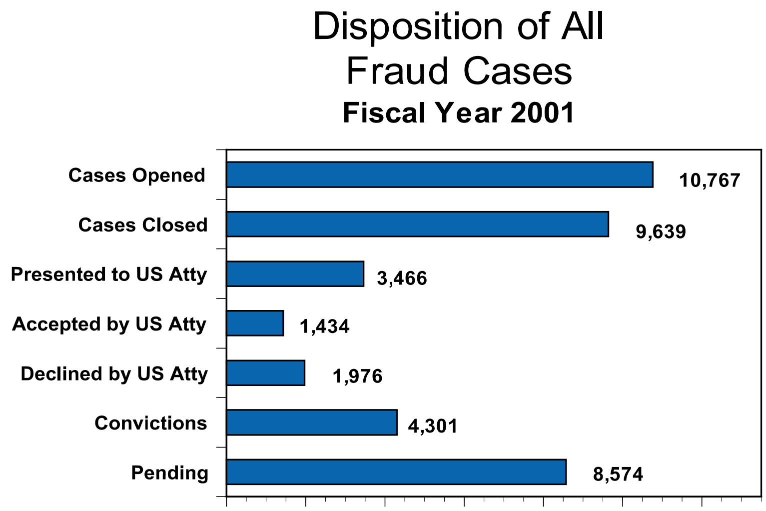
Anti-Fraud Activities

In FY 2001, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our Office of Inspector General (OIG), the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The following charts 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 data bases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection of data security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.



Debt Management

During the 1990s, SSA has focused on expanding its use of aggressive debt collection tools. As a result of its efforts, the Agency has had many noteworthy successes. In 1992, SSA implemented its tax refund offset (TRO) program to collect delinquent DI (Title II) overpayments, in the process collecting over $50 million in that year alone. In 1995 and again in 1998, the Agency expanded its use of the TRO program to include other classes of DI delinquent debts, as well as SSI (Title XVI) debts.

In addition, SSA began using the Treasury Offset Program (TOP) in 1998. TOP assimilated the former TRO program and added the capability of using administrative offset, or collection of a debt from a Federal payment other than a tax refund. To date, TRO and TOP have yielded $535 million in debt collections.

Also in 1998, SSA began reporting its delinquent title II debtors to credit repositories as a way to induce repayment of the delinquent debts. To date, SSA has reported over 100,000 delinquent debtors to two major credit repositories -- Trans Union and Equifax Credit Information Services Inc. As a result of credit bureau reporting, many debtors have repaid their debts in full or have resumed regular monthly payments of their debts.

FY 2001 saw a continuance of all of the foregoing debt collection activities. FY 2001 was also a time of planning and development of two major debt collection projects that are expected to yield direct collections of more than $115 million over five years. The two projects, cross program recovery and administrative wage garnishment, will enable SSA to collect both DI and SSI delinquent debts.

Cross program recovery was authorized as law in October 1998, and SSA immediately began developing this tool. Cross program recovery is the collection of a former recipient's SSI debt from any DI benefits due that person. Plans are to implement it in January 2002.

Administrative wage garnishment was authorized by the Debt Collection Improvement Act of 1996; it allows Federal agencies to serve garnishment orders directly upon a debtor's employer. SSA wrote a Notice of Proposed Rulemaking for garnishment, which will be implemented after the final regulations are published.

In December 1999, the Foster Care Independence Act of 1999 was signed into law. This legislation authorizes the use of all available debt collection tools for recovering SSI debts. These tools include administrative offset, interest charging, Federal salary offset, credit bureau reporting and the use of private collection agencies. Shortly after this legislation was passed, planning and development for two of the debt collection tools, administrative offset and credit bureaus reporting, was set in motion. SSA wrote final regulations for these two tools, which will be implemented after the regulations are published.

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 GPRA performance report only includes legally defined overpayments in which beneficiaries have certain due process rights.

SSA's Debt Management Activities	**FY 1997**	**FY 1998**	**FY 1999**	**FY 2000**	**FY 2001**
Total debt outstanding end of FY (in millions)	$5,119.1	$5,727.3	$6,524.4	$7,107.7	$11,437.1
% of outstanding debt					
- Delinquent	14.5%	14.6%	13.5%	15.5%	9.3%
- Estimated to be uncollectable	28.0%	29.0%	30.2%	33.9%	25.3%
New debt as a % of benefit outlays	0.8%	0.8%	1.0%	0.9%	1.7%
% of debt collected	38.9%	33.2%	34.0%	33.5%	19.9%
Cost to collect $1	$0.09	$0.11	$0.11	$0.10	$0.11
% change in collections from prior FY	12.4%	(11.9%)	16.5%	7.6%	(4.4%)
% change in delinquencies from prior FY	125.1%	12.1%	5.4%	25.6%	(3.5%)
Debt clearance rate	36.1%	30.1%	30.8%	31.0%	21.5%
Collections as a % of clearances	69.2%	76.2%	73.3%	73.7%	70.8%
Total write-offs of debt (in millions)	$887.60	$595.1	$807.6	$850.8	$941.3
Average number of months to clear receivables:					
- OASI	12	13	12	12	14
- DI	29	29	25	26	32
- SSI	25	23	20	27	4

FY 2001 Quarterly Data (In Millions)				
	1st Qtr	**2nd Qtr**	**3rd Qtr**	**4th Qtr**
Total receivables (cumulative)	$7,228.40	$7,612.1	$7,394.4	$11,437.1
Total collections (cumulative)	575.7	1,185.8	1,705.6	2,280.6
Total write-offs (cumulative)	195.9	442.8	713.3	941.3
TOP collections (cumulative)	1.6	46.3	79.7	96.8
Aging schedule of delinquent debt:				
- 180 days or less	$520.6	$459.3	$464.6	$525.7
- 181 to 10 years	500.9	531.0	511.9	524.6
- Over 10 years	11.3	11.3	11.3	11.2
- Total delinquent debt	$1,032.8	$1,001.6	$987.8	$1,061.5

Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of $246 and $253 million in FY 2000 and FY 2001, respectively, accounted for less than 1 percent of SSA's total annual revenue. Over 95 percent of user fee revenues are derived from agreements with 25 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2001, SSA charged a fee of $8.10 per payment for the cost of administering State supplemental SSI payments. As required by law, this fee will increase to $8.50 for FY 2002. Starting in FY 2003, the user fee will be adjusted based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The Chief Financial Officers' Act of 1990 requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. SSA is planning to perform a review of these fees during FY 2002.

Programmatic Information

This section provides detail on how effectively and efficiently SSA performs its day-to-day program processes and service delivery functions. Included are performance indicators to assess the effectiveness in achieving intended results relating to service delivery goals and objectives outlined in the Agency's strategic plan and unit cost data to measure the efficiency of operations.

"N/A" indicates that actual data are unavailable for that particular fiscal period. When current dollars are presented to restate prior period costs at the 2001 cost levels, the conversion from "actual dollars" to current dollars is calculated based on the change in the cost of an average SSA workyear. The indices used to adjust prior period costs are 1.053011 for 2000, 1.119658 for 1999 and 1.132708 for 1998.

Enumeration Process

Enumeration is the process by which SSA assigns Social Security numbers (SSN) to individuals who request them and issues original and replacement cards as a record of each number assigned to a particular individual. The purpose of the number is to maintain accurate records of earnings covered by the Social Security Act and to pay benefits accurately under various Social Security programs.

Social Security Numbers Issued (in millions)

	FY 98	FY 99	FY 00	FY 01
Original at Birth	3.8	3.8	4.0	3.8
Other Original	1.7	1.7	1.8	2.0
Replacement	10.7	10.9	11.3	12.3

Application for both original and replacement cards is made through SSA field offices and the data is transmitted to SSA Headquarters in Baltimore where the numbers are assigned and the cards are issued. Application for original SSNs for newborns is also made through another process called Enumeration at Birth, which accounts for the majority of original SSN cards issued. As part of the State's birth registration process in the hospital, a parent can request an SSN be assigned to his/her newborn. The State's Office of Vital Statistics then extracts the data SSA needs to assign a number and transmits the data to SSA Headquarters where the cards are issued .

The issuance of original and replacement cards must be prompt and efficient. SSA's ability to advise applicants of their assigned SSN within 24 hours of initial processing has remained very high over the last several years.

% of applicants that can be notified orally of their SSN within 24 hours of initial processing of application

FY 98	FY 99	FY 00	FY 01
98.9%	96.5%	96.8%	96.8%

Requests for SSNs are processed timely, without sacrificing the integrity of the numbers issued. SSA has assigned over 400 million SSNs since the program began in 1936.

Average Processing Time (days)			
FY 98	FY 99	FY 00	FY 01
0.1	0.3	0.3	0.3

Enumeration Workload Data	FY 98	FY 99	FY 00	FY 01
Workyears	2,902	2,692	2,909	3,036
Production Per Workyear	5,584	6,063	5,888	5,988
Unit Costs (Current $)	$15.86	$15.55	$16.10	$16.26

Earnings Process

Reports of earnings must be filed annually by every employer who is liable for Social Security and Medicare taxes. Employers may submit wage reports to SSA on paper or on electronic or magnetic media. To ensure completeness of earnings data, wage items are matched yearly against employer tax data reported to the Internal Revenue Service (IRS). Record corrections may be initiated by an employer, IRS, SSA or an employee. Individuals may request statements of their earnings records and corrections to those records by contacting SSA in person, by phone, through the mail or the Internet.

The data on the following charts shown as FY 2001 performance relates to the processing of tax year 2000 data. SSA annually estimates the number of annual wage reports (AWRs) and the amount of self-employment income that will be posted for a particular tax year. These estimates are used to monitor current year processing. Once all wage and self-employment income information is processed, these measures are recalculated using actual data.

Number of months to post 98.5 percent of AWRs for the tax year			
FY 98	FY 99	FY 00	FY 01
9.0	9.5	8.5	8.0

% of AWRs Posted Following Close of the Tax Year				
	FY 98	FY 99	FY 00	FY 01
Within 6 Months	83.0%	83.1%	91.3%	94.0%
Within 9 Months	98.5%	92.9%	98.9%	99.3%

% of Self Employment Income Posted Following the Close of the Tax Year				
	FY 98	**FY 99**	**FY 00**	**FY 01**
Within 9 Months	89.5%	88.5%	88.4%	87.0%
Within 12 Months	99.8%	100%	99.9%	N/A

Earnings Workload Data	**FY 98**	**FY 99**	**FY 00**	**FY 01**
Earnings Processed	266,011,984	249,867,974	277,145,696	274,427,394
Workyears	1,223	1,007	904	809
Production Per Workyear	217,440	248,131	306,577	339,218
Unit Costs (Current $)	$0.40	$0.33	$0.26	$0.23

Earnings Suspense File

Each year SSA receives annual wage reports from employers and self-employment income from the Internal Revenue Service. These earnings records are used to determine eligibility and benefit amounts for OASDI. Once received, the reports are matched with SSA's Numident File (the repository for all issued SSNs) to verify an individual's name and SSN. Some annual wage reports have invalid name and SSN combinations. The invalid combinations are placed in the Earnings Suspense File (ESF). Once the item is placed on the ESF, another series of processes are used in an attempt to determine the correct identity (name/SSN) so the reported earnings can be posted to the correct individual's Master Earnings File. SSA hired an outside contractor to ensure we follow sound business practices and more properly reflect the Agency's activity regarding unidentified earnings reports in its records. Many objectives were set forth under the contract, including identifying alternative approaches for managing the ESF, recommending ways to improve the integrity of the data maintained in the ESF and recommending approaches to administer the ESF in a more cost effective way. In July 2001 the contractor completed their analysis and provided many recommendations to SSA on how to improve the ESF process. SSA is currently evaluating the recommendations by the contractor.

Claims Process

To become entitled to benefits under any of the programs that SSA administers, an individual must file an application and submit proof of eligibility. Those who are dissatisfied with SSA's decisions may request further review. The claims process comprises the actions that SSA takes to determine an individual's eligibility for benefits, beginning with the individual's initial contact through payment effectuation or administrative appeal.

The process for determining eligibility for benefits involves certain basic functions that are consistent across each of the programs that SSA administers: outreach and information, intake, evidence collection, determination of eligibility, notification of award or denial and initial payment. However, eligibility requirements vary considerably by program and type of benefit.

Following are several performance measures for the claims process.

Initial Claims Processing Times (in Days)				
	FY 98	**FY 99**	**FY 00**	**FY 01**
OASI	15.7	14.4	12.0	11.5
SSI Aged	32.6	20.8	14.6	11.2
DI	90.1	94.3	93.4	99.8
SSI Blind/Disabled	108.8	114.0	109.9	112.0

% of continuing monthly payments made on the scheduled delivery date				
	FY 98	**FY 99**	**FY 00**	**FY 01**
OASI	99.9%	99.9%	99.9%	99.9%
SSI	99.9%	99.9%	99.9%	99.9%

The "Initial Payment Accuracy Rate" is the measure of accuracy of the first payment made to newly awarded OASI and SSI claimants. It is calculated by dividing the amount of payments made correctly by the total amount that should have been paid. The Accuracy Rates from FY 1999 to FY 2000 have increased.

Initial Payment Accuracy Rate				
	FY 98	**FY 99**	**FY 00**	**FY 01**
OASI	97.1%	93.4%	N/A	N/A
SSI	93.3%	91.6%	92.8%	N/A

The Index of Dollar Accuracy is based on a statistically reliable sample of the workloads reviewed. It measures the dollar accuracy of adjudicative decisions over the retrospective, current and prospective lifetime of the payment. For OASI, the Index of Dollar Accuracy rate represents total dollars paid divided by dollars that should have been paid over the life cycle of the award. For SSI, it expresses the relationship of field office processed initial claims and redetermination dollars paid to dollars that should have been paid over the expected life of the award or determination. The lifetime of the SSI award continues until termination or redetermination. The percent of lifetime OASI initial awards has remained consistently high for the past several years. The changes in the SSI index of dollar accuracy rate from one year to the next are not statistically significant.

% of lifetime dollars from a claims award or redetermination that are paid correctly				
	FY 98	**FY 99**	**FY 00**	**FY 01**
OASI	99.8%	99.6%	N/A	N/A
SSI	93.9%	94.2%	94.0%	N/A
- Awards	94.8%	93.2%	93.3%	N/A
- Redets.	93.5%	94.5%	94.2%	N/A

Claims Workload Data	**FY 98**	**FY 99**	**FY 00**	**FY 01**
Workload Receipts				
-OASI	2,992,786	3,041,782	3,368,093	3,071,173
-DI	1,487,545	1,505,689	1,598,479	1,747,539
-SSI Aged	138,570	149,716	153,536	153,678
-SSI Blind/Disabled	1,444,351	1,480,536	1,546,883	1,620,902
Total	6,063,252	6,177,723	6,666,991	6,593,292
Year-To-Year Change	-3.2%	1.9%	7.92%	-1.11%
Workloads Processed				
-OASI	3,020,268	3,076,937	3,404,938	3,092,743
-DI	1,536,900	1,513,780	1,577,815	1,733,537
-SSI Aged	135,442	148,382	153,474	153,563
-SSI Blind/Disabled	1,429,247	1,440,689	1,493,390	1,585,246
Total	6,121,857	6,179,788	6,629,617	6,565,089
Year-To-Year Change	-4.6%	0.6%	8.29%	-$0.97
End-of-Year Pendings				
-OASI	55,505	38,531	30,667	154,440
-DI	259,018	291,104	343,362	395,482
-SSI Aged	8,469	9,101	7,602	12,845
-SSI Blind/Disabled	328,260	365,281	412,495	438,922
Total	651,252	704,017	794,126	1,001,689
End of Year Pendings as % of Current Year's Dispositions				
-OASI	1.8%	1.3%	0.9%	5.0%
-DI	16.9%	19.2%	21.8%	22.8%
-SSI Aged	6.3%	6.1%	5.0%	8.4%
-SSI Disabled	23.0%	25.4%	27.6%	27.7%
Workyears	17,263	16,714	17,236	17,101

Claims Workload Data	FY 98	FY 99	FY 00	FY 01
Production Per Workyear	355	370	385	384
Unit Cost (Current $)				
-OASI	$257.12	$212.60	$199.90	$210.04
-DI	765.00	678.07	649.60	615.42
-SSI Aged	385.79	298.76	236.56	228.96
-SSI Disabled	684.90	585.11	572.71	548.34
Overall Average	487.35	415.53	391.76	399.21

Disability Determination Services (DDS)

The following tables illustrate the DDS performance accuracy for disability determinations. Performance accuracy rates reflect the estimated percentages of initial disability determinations and reconsideration disability determinations that do not have to be returned to the DDS for development of additional documentation or correction of the disability determination. Accuracy of initial disability determinations have remained relatively constant over the last 4 years.

Performance Accuracy -- Initial Disability Determinations				
	FY 98	**FY 99**	**FY 00**	**FY 01**
Overall Average	93.7%	94.3%	94.2%	93.9%
Allowances	96.1%	96.5%	97.0%	96.8%
Denials	92.3%	93.0%	92.4%	92.0%

Performance Accuracy -- Reconsideration Disability Determinations				
	FY 98	**FY 99**	**FY 00**	**FY 01**
Overall Average	91.6%	92.3%	92.2%	91.0%
Allowances	95.6%	96.0%	96.9%	96.8%
Denials	90.9%	91.6%	91.3%	89.9%

The table on the following page reflects the net accuracy of initial disability determinations. Net accuracy is the percentage of correct DDS disability determinations. The net accuracy rate is based on the net error rate (defined as the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases that are not covered by the report) divided by the number of cases reviewed. Fiscal year net accuracy is calculated approximately 3 months following the end of the fiscal year. Net accuracy of initial disability determinations has remained fairly stable over the past 4 years.

Net Accuracy of Initial Disability Determinations				
	FY 98	FY 99	FY 00	FY 01
Overall Average	96.2%	96.7%	96.4%	NA
Allowances	97.9%	98.0%	98.4%	NA
Denials	95.3%	95.8%	95.2%	NA

SSA is mandated by statute to review at least 50 percent of the favorable disability insurance determinations made by State DDSs. These reviews of initial and reconsideration allowances are conducted prior to effectuation of the DDS determination. We also perform preeffectuation reviews of DDS determinations of continuing eligibility. SSA uses a profiling system to select cases for review. This helps to 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.

Preeffectuation Reviews				
	FY 98	FY 99	FY 00	FY 01
% of accurate decisions to allow or continue benefits by State DDSs	96.4%	96.4%	96.6%	96.8%
No. of cases reviewed	241,611	254,134	259,785	298,150
No. of cases returned to DDS due to error or inadequate documentation	8,729	9,082	8,748	9,602

SSA also 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 tables below show that the State DDSs have consistently made the correct decision to allow benefits.

Quality Assurance Review				
	FY 98	FY 99	FY 00	FY 01
% of accurate decisions to allow or continue benefits by State DDSs	96.1%	96.1%	96.7%	96.8%
No. of cases reviewed	42,303	43,863	42,196	39,515
No. of cases returned to DDS due to error or inadequate documentation	1,638	1,705	1,381	1,281

DDS Workload Data	FY 98	FY 99	FY 00	FY 01
Workload Receipts				
- Initial Disability Cases	2,040,738	2,053,492	2,116,667	2,209,275
- Total Cases	3,848,878	3,786,564	3,887,035	3,765,764
Workload Processed				
- Initial Disability Cases	2,023,748	2,012,047	2,035,627	2,166,623
- Total Cases	3,792,151	3,774,209	3,756,923	3,770,212
End-of-Year Pendings				
- Initial Disability Cases	416,378	457,823	535,407	578,524
- Totals Cases	760,026	772,381	900,502	891,037
Production Per Workyear	265	258	264	262

Due Process Operations

Due process operations consists of reconsiderations, hearings and appeals.

Reconsiderations of initial claims constitute the majority of all reconsideration actions. Should a reconsideration be filed, it is expected that the beneficiary will receive a prompt reply. In prior years, data was collected on the percent of requests for reconsideration completed within 60 days of filing. However, beginning with FY 2001, disability reconsiderations are considered timely if they are processed with an overall time of 120 days or less. In FY 2001, 74.7 percent of reconsiderations were processed within 120 days or less.

Data for the hearings processing time performance indicator may be found in this report on page 42 and pages 138 through 141.

In FY 2001, the processing time for appeals workload decreased to an average of 447 days. The average processing time was 58 days less in FY 2001 than in FY 2000. Early in calendar year 2001, the Appeals Council Process Improvement (ACPI) Plan was implemented with an eye toward reducing average processing time for the appeals workload. Differential case management was implemented as one means of increasing the number of appeals processed. Additional sources were tapped to increase the number of adjudicators available to process claims.

Appeals Council Processing Time (Days)			
FY 98	**FY 99**	**FY 00**	**FY 01**
430	458	505	447

As a result of these initiatives, productivity increased and the decline in the pending level, begun in FY 2000, continued. Likewise, a corresponding decrease occurred in the average time required to process these claims. However, another major initiative, which emphasized the processing of aged claims, limited the extent of this decrease in processing time. This year we tracked the percent of Appeals Council claims that have decisions made within 105 days after the appeals filing date.

Early in calendar year 2000, the Appeals Council implemented the ACPI Plan. The Plan contained numerous initiatives aimed at reducing both the number of pending requests for review cases as well as the processing time. These initiatives included differential case management and hiring to increase the number of adjudicators available to process claims. As a result of these efforts, the pending level has decreased. However, at the same time, other initiatives impacted negatively on the Council's endeavor to process claims within 105 days. Most importantly, the Council made a concerted effort to reduce its pending workload of aged cases. By definition, aged cases are already over the 105-day limit. As the Council has reduced the number of pending request for review cases, including the number of aged claims over the past year, the percent of cases processed within 105 days has gradually increased. At the beginning of the fiscal year, in October 2000, only 5.94 percent of appeals were processed within 105 days. By September, this percentage had increase to 17 percent. The cumulative percent for the year was 12.2 percent. In FY 2000, we tracked the percent of these claims that had decisions within 90 days after the filing date and found that only 2 percent were processed within that time frame.

Due Process Workload Data	**FY 98**	**FY 99**	**FY 00**	**FY 01**
Workload Receipts				
- Hearings	519,179	524,644	569,276	554,376
- Appeals	129,033	135,379	130,534	104,864
Workloads Processed				
- Reconsiderations	1,054,512	981,347	910,921	780,039
- Hearings	618,578	596,999	539,426	465,228
- Appeals	119,271	109,691	146,980	135,912
End-of-Year Pendings				
- Hearings	384,313	311,958	346,756	435,904
- Appeals	127,367	153,056	136,002	104,457
End-of-Year Pendings as a % of Current Year's Dispositions				
- Hearings	62.1%	52.3%	64.3%	93.7%
- Appeals	106.8%	139.5%	92.5%	76.9%
Workyears	13,218	12,951	12,149	11,582
Production Per Workyear (total)	136	130	131	119
Unit Costs (Current $)				
- Reconsiderations	$435	$454	$450	$457
- Hearings	1,569	1,570	1,590	2,157
- Appeals	515	576	463	762
- Overall Average	889	911	883	$1,060

Postentitlement Process

Once individuals become entitled to Social Security or SSI benefits, any changes in their circumstances that affect the amount or continuation of payment must be reflected in SSA's records. The postentitlement process encompasses the actions that SSA takes, after an OASDI or SSI claim is processed to an initial award, to ensure continuing eligibility and timely and correct payment of benefits. Examples of these actions include change of address, benefit recomputations, overpayments and reviews of disability beneficiaries to determine their continuing eligibility for benefits. The performance accuracy of these continuing disability reviews (CDRs) is displayed below.

CDR Performance Accuracy

	FY 98	FY 99	FY 00	FY 01
Overall Average	94.8%	95.3%	96.1%	96.1%
Allowances	95.7%	95.8%	96.5%	96.4%
Denials	91.5%	93.3%	93.6%	93.8%

Postentitlement Workload Data	FY 98	FY 99	FY 00	FY 01
Workloads Processed				
- OASI	64,970,602	58,571,017	63,883,455	63,140,789
- DI	14,101,384	13,139,294	14,158,427	14,376,519
- SSI	21,783,670	20,192,328	20,379,354	22,395,858
- Total	100,855,656	91,902,639	98,421,236	99,913,166
Workyears	20,175	20,420	20,236	20,832
Production Per Workyear	4,999	4,501	4,864	4,796
Periodic CDRs Processed	1,391,889	1,703,414	1,836,510	1,730,192
Redeterminations Conducted	1,852,842	2,122,279	2,182,027	2,315,856
Representative Payee Actions	7,063,595	7,644,563	6,151,264	7,135,770
Unit Costs (Current $)				
- OASI	$10.69	$11.35	$10.51	$10.76
- DI	41.65	41.57	39.59	41.61
- SSI	45.24	56.15	51.03	46.30
- Overall Average				
- Per Work Unit	22.49	25.52	23.08	23.17
- Per Beneficiary	44.84	46.09	44.26	44.36

800-Number Telephone Service

In addition to providing face-to-face service, SSA offers a single nationwide toll-free number (1-800-SSA-1213) weekdays from 7 a.m. to 7 p.m. in each time zone. Service is available for the hearing-impaired community during the same hours using a telecommunications device for the deaf. Automated services are also available at all times including after normal business hours, on weekends and holidays. Using the automated services, callers can request applications for SSNs, Social Security statements, verification of monthly benefit amounts, Medicare information and a replacement Medicare card, and recorded information on local field offices and Medicare carriers and intermediaries.

SSA conducts an ongoing evaluation of the national 800-Number service. National 800-Number accuracy rates are derived from the remote monitoring of calls handled by teleservice representatives and program service center SPIKE employees (individuals in program service centers who answer 800-Number calls during high volume periods).

Portion of National 800-Number calls handled accurately

	FY 98	FY 99	FY 00	FY 01
% of responses leading to correct payments (payment accuracy - all calls)	97.0%	97.4%	97.1%	NA
% of responses leading to correct payments (payment accuracy - payment affecting calls)	94.7%	95.4%	94.5%	NA
% of responses which did not result in inconvenience to the caller or cause additional SSA workloads (service accuracy)	81.7%	81.8%	84.9%	NA

The payment accuracy rates represent the percentage of all calls free of teleservice failures which have a reasonable potential to improperly affect payment of or eligibility to benefits. There are two measures of payment accuracy: 1) Payment accuracy based on the universe of all calls; and 2) payment accuracy based only on calls with the potential to affect payment of or eligibility to benefits. Service accuracy is a measure of whether SSA's 800-Number representatives respond correctly to all non-payment eligibility inquiries. Service errors involve situations which can: 1) Result in inconvenience to the public; 2) cause additional SSA workloads; or 3) result in situations where information is released from SSA records or reports which affect SSA records and are accepted before obtaining all identifying information required by SSA.

The public's perception of SSA's 800-Number service remained stable in FY 2001, as reflected in the results of the semi-annual interaction tracking surveys of 800-Number callers. The FY 2001 overall satisfaction rate of 80 percent was comparable to the FY 2000 result of 81 percent, and staff courtesy again received a high rating of 91 percent excellent, very good or good. Other aspects of staff performance, such as helpfulness and job knowledge, received similarly high ratings. The public continued to see access, including time on hold, as the weakest aspect of 800-Number service: Only 73 percent of survey responders rated how quickly they got through as excellent, very good or good. As in the past, poor perceptions of access contributed to negative impressions of 800-Number service overall.

The chart below displays SSA's 800-Number workload data. Calls placed represent the actual number of calls placed to the 800-Number including busy signals. Calls received consist of all

Staff Courtesy			
FY 98	FY 99	FY 00	FY 01
97%	90%	91%	91%

Service Satisfaction			
FY 98	FY 99	FY 00	FY 01
83%	84%	81%	80%

callers that get through and either conduct business or hang up while on hold. Calls handled represent all callers that conduct business with SSA.

SSA's 800 Number Workload Data (In Millions)	FY 98	FY 99	FY 00	FY 01
Calls Placed	78.9	78.7	87.1	85.9
Calls Received	70.5	71.8	76.0	74.8
Calls Handled	54.7	58.8	59.5	59.3

Strengthening Public Understanding

One of SSA's core responsibilities -- and one of its strategic goals -- is to "strengthen public understanding of Social Security programs." To define success in achieving this goal, SSA established the strategic objective that, by 2005, 9 out of 10 American adults age 18 and over will be knowledgeable about Social Security programs.

Reaching this objective requires that SSA engage in strategies to deliver products and services focused on effectively communicating our key Agency messages. Working with the Gallup Organization, SSA uses data from the Public Understanding Measurement System (PUMS) to provide an independent and objective measure of the public's knowledge of Social Security. In FY 2000, the level of public knowledge, according to the latest PUMS data, stands at 75 percent.

Strengthening public understanding about Social Security programs is a cornerstone of SSA's mission for a number of very important reasons.

- to discharge our ultimate responsibility as an agent of the public's trust by ensuring that members of the public understand the programs for which they pay;
- to ensure that the public knows about the major programs and benefits to which they might become entitled;
- to support our ability to administer the programs effectively and efficiently;
- to ensure continued support for the programs and for government in general by underscoring the value of Social Security to American society;
- to help members of the public plan for their financial future;
- to support the public's ability to engage in a national discussion about how to strengthen and modernize the Social Security program.

In FY 2001, SSA released its five-year communications plan, *Strengthening Public Understanding of Social Security in the New Millennium*, which contains the principles and strategies that will guide SSA in reaching its strategic objective.

Using this plan, SSA continued in FY 2001 with an aggressive national public education program that focused on and accomplished the following:

Reinforcing SSA as *the* place to go for information about the programs

According to the latest PUMS data, over 20 percent of the public (about 40 million Americans) contacted SSA for information in the past year. Over 85 percent of those were “very satisfied” or “somewhat satisfied” with the information received.

Enhancing the *Social Security Statement* as the centerpiece for mainstream communications

In FY 2001, SSA issued nearly 135 million *Social Security Statements* automatically and over 1 million more by request. The latest PUMS data show that the overall level of public knowledge continues to be higher for individuals who received the *Statement* than for other Americans. The PUMS data also show that public satisfaction with the *Statement* is very positive. Over 80 percent of those who recall receiving a *Statement* report it to be useful in increasing their knowledge of benefits that may affect them directly, and they find it to be “very easy” to “somewhat easy” to understand. Individuals who receive a *Statement* also report being much more likely to take action to increase their own financial security and to plan for their retirement.

Creating a strong program of community engagement

The strength of SSA’s programs to inform the public has always been anchored in the community-based activities of SSA’s local field managers and public affairs specialists. In past years, SSA has made tremendous strides in revitalizing and strengthening this function. Approximately 100 full-time community-based public affairs specialists are now deployed. These specialists help spearhead SSA’s participation in over 10,000 local and media events by working closely with community organizations, local governments, financial organizations and local media on a variety of ongoing, innovative, informative programs tailored to the local community. SSA knows that these efforts are successful, as our PUMS data show that persons who received information from SSA are significantly more knowledgeable about Social Security programs than other Americans.

Tailoring tools and tactics and using a variety of technologies to reach all audiences

SSA continues to expand the use of the Internet as an information source. SSA’s website (www.ssa.gov) is recognized as among the most innovative and information-rich in government. The website provides visitors with program information and downloadable versions of many SSA forms used by the public. In FY 2001, the public downloaded 8,141,698 copies of SSA’s 22 most commonly used forms using our Internet site. The website presents several online applications that the public can use to transact business, including an online retirement application. It also provides access to a “Benefit Planner” that allow individuals of any age to compute estimates of their Social Security benefits. These calculators provide benefit calculations and estimates based strictly on input from users to ensure that there are no privacy concern.

SSA’s website also offers both English- and Spanish-language versions of nearly all information pamphlets and fact sheets that SSA publishes on its benefit programs as well as informational material on the SSI and Medicare programs. In FY 2001, SSA introduced its “Multi-Language Gateway” website, containing a number of information products in 14 additional languages.

In the last two years, SSA introduced websites specifically directed to women, immigrants and client representatives. Additionally, the *Newsletter on Newsletters* awarded SSA its prestigious Gold Award for *eNews*, SSA's electronic newsletter, which reaches nearly 200,000 subscribers.

Strengthening Public Understanding Workload Data	**FY 98**	**FY 99**	**FY 00**	**FY 01**
Earnings Statements				
- Total Number Issued	24,109,695	30,140,944	137,538,881	136,708,746
- Workyears	267	252	220	35
- Unit Costs (Current $)	$1.01	$0.73	$0.48	$0.34

Face-to-Face Service

SSA has a long tradition of providing face-to-face service for the public in its field offices (FO). SSA has 1,338 FOs nationwide which provide a full array of services for the public, from answering general questions about programs to making complex eligibility determinations. Providing prompt, courteous service in our FOs is crucial to becoming an Agency that truly provides "World-Class Service." An indicator of this type of service is the length of time visitors spend in FOs waiting for service.

The following tables display the results of the waiting times in SSA's FOs.

National Field Office Waiting Times

	FY 98	**FY 99**	**FY 00**	**FY 01**
Wait time to first contact (in minutes)	12.5	12.9	14.3	15.2

National Field Office Waiting Times -- Visitors with Appointments

	FY 98	**FY 99**	**FY 00**	**FY 01**
Average wait time (in minutes)	5.8	6.6	6.2	6.1
% seen within 10 minutes	87.4%	84.6%	84.2%	84.4%
% seen within 15 minutes	92.5%	89.9%	90.2%	90.2%

National Field Office Waiting Times -- Visitors without Appointments

Average wait time (in minutes)	25.8	25.6	24.3	27.2
% seen within 30 minutes	71.9%	71.6%	73.2%	70.0%
% seen within 60 minutes	89.9%	90.4%	91.5%	89.4%

In FY 2001, SSA's semi-annual interaction tracking surveys of office visitors again found that visitors were highly satisfied with the service they received during in-person contacts. The overall satisfaction rating from persons who had recently visited field or hearings offices was 89 percent excellent, very good or good. Although this rating appeared slightly lower than the FY 2000 result of 91 percent, the difference was not statistically significant. As illustrated in the table below, which displays satisfaction ratings for individual aspects of office service, office visitors had a very positive view of the service provided by SSA staff. While the more tangible aspects of service, such as waiting time and privacy in the office, received much lower ratings, these factors clearly did not have as strong an impact on the overall perception of service in SSA offices as staff quality.

The table below provides satisfaction ratings, defined as the percent rating service as excellent, very good or good, for the various aspects on office survey rated in the survey.

Office Visitors	
Aspect of Service:	**Percent "Satisfied"**
Employee Attributes	
Staff helpfulness	90%
Staff courtesy	91%
Staff knowledge	93%
Clarity of staff explanations	90%
Office Environment	
Office location	89%
Office hours	88%
Signs/Instructions in waiting area	85%
Office comfort	79%
Office privacy	70%
Access to Service	
Appointment convenience	92%
Waiting time	72%
Forms Completion	
Ease of completion	93%

Mail

The public can initiate requests for all information and services by writing to SSA. Though members of the public do not often make their first contact with SSA through the mail, SSA's need to make contact on a large scale means that SSA frequently interacts with the public by mail. General program information is mailed to requesters and notices are sent to explain eligibility and payment decisions and to inform clients of their rights and responsibilities.

Previous Accountability Reports have included an annual public rating of the clarity of SSA mail. This rating, which was derived from a survey of the public, has helped us monitor the effect on public satisfaction of notice language and the notice improvements we make. Throughout the 1990's, there was a gradual increase in the percent of the public's rating SSA notices as good to excellent. Satisfaction rose from 78 percent in 1996 to 86 percent in 1999. We discontinued that measure to pursue targeted notice studies that will provide specific information to help us improve clarity of our most difficult notices.

Although approximately 90 percent of SSA notices have been improved, some of our most difficult notices are yet to be improved. In General Accounting Office (GAO) audit number 11999024, “SSA: Longstanding Problems in SSA’s Letters to the Public Need to be Fixed,” GAO recommended that SSA develop performance measures to assess whether changes to notices achieve intended results.

We are in the process of securing benchmark information about how well our beneficiaries currently understand some of our problematic notices. In September 2001, we initiated a survey to measure satisfaction with Title II overpayment notices that explain the outcome of processing work and earnings actions. We will begin a targeted benchmark survey of certain problematic SSI notices in FY 2002.

Using the feedback from the benchmark surveys, we will develop performance measures that address GAO’s concerns. As we continue to revise notice language, we will conduct follow-up surveys targeted to measure the level of public understanding of the revised notices and the degree to which the desired performance has been achieved.

AUDIT OF THE SOCIAL SECURITY ADMINISTRATION'S FISCAL YEAR 2001 FINANCIAL STATEMENTS

SOCIAL SECURITY

Office of the Inspector General

December 11, 2001

To: Jo Anne B. Barnhart
Commissioner

This letter transmits the PricewaterhouseCoopers LLP (PwC) report on the audit of the Fiscal Years (FY) 2001 and 2000 financial statements of the Social Security Administration (SSA) and the results of the Office of the Inspector General's (OIG) review thereof. PwC's report includes the firm's *Opinion on the Financial Statements*, its *Report on Management's Assertion About the Effectiveness of Internal Control*, and its report on SSA's *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 is required to be made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 01-02. The audit includes obtaining an understanding of the internal control over financial reporting, and testing and evaluating the design and operating effectiveness of the internal control. Due to inherent limitations in any internal control, there is a risk that error or fraud may occur and not be detected. The risk of fraud is inherent to many of SSA's programs and operations, especially within the Supplemental Security Income (SSI) program. In our opinion, people outside of the organization perpetrate the majority of frauds 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 OIG, PwC, an independent certified public accounting firm, performed the audit of SSA's FY 2001 financial statements. PwC also audited the FY 2000 financial statements, presented in SSA's Performance and Accountability Report for FY 2001 for comparative purposes. PwC issued an unqualified opinion on SSA's FY 2001 and 2000 financial statements. PwC also reported that SSA management's assertion, that its systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, is fairly stated in all material respects. However, the audit identified one reportable condition in SSA's internal control. The control weakness identified is: ***SSA Needs to Further Strengthen Controls to Protect Its Information.***

This is a repeat finding from prior years. It is the opinion of PwC 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 impacting key elements of its distributed systems and networks. The general areas where exposures occurred included:

- Implementation, enforcement, and ongoing monitoring of technical security configuration standards;
- Implementation, enforcement, and ongoing monitoring of technical standards and rules governing the operation of firewalls on the SSA network;
- Monitoring controls over security violation, periodic review of user access, and firewall logs; and
- Physical access controls at non-headquarters locations.

The results of PwC's tests of compliance disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

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 2001 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 No. 01-02;
- Coordinating the issuance of the audit report; and
- Performing other procedures that we deemed necessary.

Based on the results of our review, we determined that PwC planned, executed and reported the results of its audit of SSA's FY 2001 financial statements in accordance with applicable standards. Therefore, it is our opinion that PwC's work provides a reasonable basis for the firm's opinion on SSA's FY 2001 and 2000 financial statements and SSA management's assertion on the effectiveness of its internal control. Based on our oversight of the audit, we concur with PwC's finding of a reportable condition related to a weakness in internal control.

James G. Huse, Jr
Inspector General of Social Security

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REPORT OF INDEPENDENT ACCOUNTANTS

To Ms. Jo Anne B. Barnhart
Commissioner of Social Security

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

- The consolidated balance sheets of SSA as of September 30, 2001 and 2000, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and statements of custodial activity 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, 2001 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 transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America and that assets be safeguarded against loss from unauthorized acquisition, use or disposal; and
- 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, 2001 and 2000, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and statements of custodial activity 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 65 through 85 of this performance and accountability report, present fairly, in all material respects, the financial position of SSA at September 30, 2001 and 2000, and its net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary resources, and custodial activity for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

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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 management to establish internal accounting and administrative controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America and that assets be safeguarded against loss from unauthorized acquisition, use or disposal. SSA's management is responsible for maintaining effective internal control over financial reporting. 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 over financial reporting, 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, 2001.

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 over financial reporting 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 transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America and that assets be safeguarded against loss from unauthorized acquisition, use or disposal, is fairly stated, in all material respects, as of September 30, 2001.

However, we noted certain matters involving the internal control and its operation 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. The reportable condition we noted is that SSA needs to further strengthen controls to protect its information.

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 principal 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.

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SSA Needs to Further Strengthen Controls to Protect Its Information

SSA has continued to make progress in addressing the information protection issues raised in prior years. Specifically, in FY 2001 the agency has:

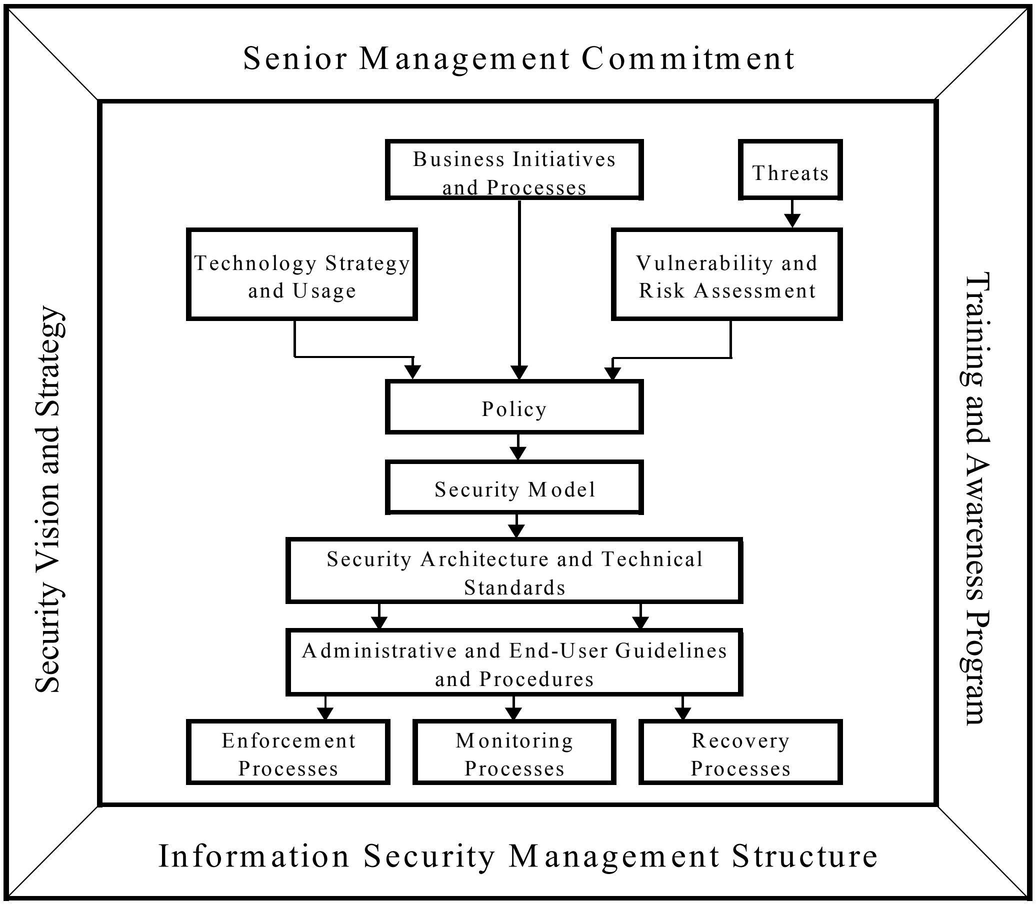
- Conducted a risk assessment to identify critical assets and vulnerabilities as part of the Critical Infrastructure Protection project;
- Issued a final security policy for the State Disability Determination Service (DDS) sites in accordance with the information security requirements included in the National Institute of Standards and Technology (NIST) Special Publication 800-18;
- Established and published technical security configuration standards for NT, Unix, AS 400, and firewall servers;
- Completed updates for accreditation and certification of key systems; and
- Further strengthened physical access controls over the National Computer Center (NCC).

Although SSA has made improvements to its entity-wide security program and standards, we identified weaknesses in controls that expose key elements of SSA's distributed systems and networks to unauthorized access to sensitive data. The general areas where exposures occurred included:

- Implementation, enforcement, and ongoing monitoring of technical security configuration standards throughout the SSA environment, including systems housed in the NCC and off-site housed systems;
- Implementation, enforcement, and ongoing monitoring of technical standards and rules governing the operation of firewalls on the SSA network;
- Monitoring controls over security violations, periodic reviews of user access, and firewall logs; and
- Physical access controls at non-headquarters locations, including SSA's Regional Offices, Program Service Centers, and selected State DDS facilities.

These exposures exist primarily because SSA is in the process of implementing its enterprise-wide security program. The following diagram represents a framework for a fully integrated and functional enterprise-wide security program. This information security framework diagram incorporates the key system security provisions of OMB Circular A-130, Appendix III, and associated NIST guidelines.

Information Security Framework



During fiscal year 2001, SSA has made progress in certain elements of this information security framework; however, the weaknesses we identified show that elements of the framework related to the implementation, enforcement, and monitoring of security policies and technical security standards need to be addressed. Disclosure of detailed information about these weaknesses might further compromise controls. Rather than provide such details in this report, we present them in a separate, limited-distribution management letter, and we present in this report the following examples, which provide an overview of the types of weaknesses we identified.

- *Technical Standards Implementation and Ongoing Enforcement* - Security configurations for four technical environments were inconsistent with SSA guidelines for system configurations. These inconsistencies represent weaknesses in controls over these systems, which could be exploited to improperly access sensitive SSA systems and data. Further, no process has been established to monitor configurations to determine that they remain consistent with the technical configuration standards once implemented. Finally, a configuration standard has not been established to consistently address security for one of the SSA platforms.
- *Monitoring Processes* - Monitoring of systems security within SSA's network and distributed systems environment has been inconsistent. Although SSA's program for monitoring controls over internal modems for dial-in access has been effective, its use of violation reports to monitor the effectiveness of the mainframe security requires enhancement. Mainframe system security monitoring at headquarters and non-headquarters facilities, such as SSA's Regional Offices and Program Service Center sites and State DDS facilities, was weak. Also, the monitoring of employees' access to systems has not been

periodically performed. Finally, the review of firewall logs is not consistently performed for the SSA firewalls.

- *Physical Security Enforcement* Processes - Enforcement of security policies and procedures for physical access to information resources at non-headquarters locations, including SSA's Regional Offices, Program Service Centers and selected State DDS facilities was not sufficient. We noted weaknesses in physical security at these sites that could allow unauthorized employees or visitors to access sensitive SSA information.

Until a complete security framework is implemented and maintained, SSA's ability to mitigate effectively the risk of unauthorized access to, and/or modification or disclosure of, sensitive SSA information will be impaired. Unauthorized access to sensitive data can result in the loss of data, loss of Trust Fund assets, and/or compromised privacy of information associated with SSA's enumeration, earnings, benefit payment processes and programs. The need for a strong security framework to address threats to the security and integrity of SSA operations will grow as the agency continues to implement Internet and Web-based applications to serve the American public.

Recommendations

We recommend that SSA continue its efforts to fully implement the information security framework by:

- Assigning specific resources to complete the full information security framework, with priority given to implementation, enforcement, and monitoring of technical security standards;
- Fully implementing technical security configuration standards;
- Establishing a process to determine that configuration standards remain consistently enforced;
- Establishing and enforcing effective procedures for monitoring security violations, periodic review of access assignments and firewall log reviews; and,
- Consistently enforcing policies and procedures for physical access to information resources based on the concept of access required to perform assigned job responsibilities.

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 that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

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.

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 36 to 51 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.

CONSISTENCY OF 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 other accompanying information included on pages 1 to 6, and 111 to the end of this performance and accountability report, is presented for purposes of additional analysis and is not a required part of the consolidated and combined 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.

The required supplementary information included on pages 7 to 62, and 90 of this performance and accountability report and the required supplementary stewardship information included on pages 91 to 110 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 and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, 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.

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 consolidating and combining information included on pages 86 to 88 of this performance and accountability report, is presented for purposes of additional analysis of the consolidated and combined financial statements rather than to present the financial position, changes in net position, and reconciliation of net cost to budgetary resources of the SSA programs. The consolidating and combining 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.

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 required supplementary information, Schedule of Budgetary Resources, included on page 89 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. This information is also presented for purposes of additional analysis of the consolidated and combined financial statements rather than to present the budgetary resources of the SSA programs. This 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.

* * * * *

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

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

PricewaterhouseCoopers LLP

Arlington, Virginia
November 30, 2001

APPENDIX

SOCIAL SECURITY
Office of the Commissioner

November 21, 2001

PricewaterhouseCoopers LLP
1616 N. Fort Myer Drive
Arlington, Virginia 22209

Ladies and Gentlemen:

We have reviewed the draft combined report containing the Fiscal Year 2001 Report of Independent Accountants, Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations. We agree with all the findings, recommendations and conclusions contained in the report and our response and comments are enclosed.

We are pleased that the report indicated that the Social Security Administration has continued to make progress in addressing the reportable condition concerning the need to further strengthen controls to protect its information. We are also pleased that your testing of compliance with laws and regulations disclosed no instances of noncompliance with the laws and regulations required to be reported under Government Auditing Standards and Office of Management and Budget Bulletin Number 01-02.

Please direct any questions on our comments to Thomas G. Staples, Associate Commissioner for Financial Policy and Operations, at (410) 965-3839.

Sincerely,

JoAnne B. Barnhart

Jo Anne B. Barnhart
Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Comments of the Social Security Administration (SSA)
on PricewaterhouseCoopers' (PwC) Draft Combined Report
Containing the Fiscal Year (FY) 2001 Report of Independent Accountants,
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 (OMB) Bulletin No. 01-02 is fairly stated, in all material respects as of September 30, 2001.

We are pleased that there were no new reportable conditions identified since last year's report. We are also pleased that you acknowledged that SSA continues to make progress in addressing the information protection issues raised in prior years that comprise the reportable condition that SSA needs to further strengthen controls to protect its information. The fact that the major thrust of these findings discussed in the report focus on monitoring and enforcement, rather than the development of policies, is a clear indicator of the progress SSA has made. As this reportable condition continues to become more focused and defined, SSA remains committed to continue making improvements to its overall information protection control structure by completing all planned actions and addressing any issues that emerge.

Furthermore, SSA is pleased that your testing of compliance with laws and regulations disclosed no instances of noncompliance with the laws and regulations required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02.

SSA agrees with all the recommendations provided concerning the reportable condition that SSA needs to further strengthen controls to protect its information. Below are additional comments on the recommendations.

Recommendations

We recommend that SSA continue its efforts to fully implement the information security framework by:

- **Assigning specific resources to complete the full information security framework, with priority given to implementation, enforcement, and monitoring of technical security standards;**

SSA Comment

We have assigned resources to complete security configuration standards, complete implementation and establish monitoring policy and procedures. The program, which will be in effect in FY 2002, includes improvements to security reporting (SMART report) for Headquarters and non-Headquarters facilities and monitoring of firewall logs.

- **Fully implementing technical security configuration standards;**

SSA Comment

SSA is in the process of providing and fully implementing technical security configuration standards for three of the four environments. The technical security configuration standard for the final SSA platform will be established and implemented in the next calendar year. We are also acquiring and testing monitoring packages and establishing the monitoring policies for these environments. Ongoing enforcement will be in place during the next calendar year.

- **Establishing a process to determine that configuration standards remain consistently enforced;**

<u>SSA Comment</u>

SSA is developing a process to monitor and enforce the technical security configuration standards implemented for SSA's systems platforms. As part of that development, SSA has procured and is in the process of implementing products that will provide better automated monitoring of compliance of the configuration standards. In addition to these platform specific monitoring products, SSA employs a variety of additional security tools to monitor such items as password and access compliance.

- **Establishing and enforcing effective procedures for monitoring security violations, periodic review of access assignments and firewall log reviews; and,**

<u>SSA Comment</u>

SSA is in the process of implementing a revised security violation report and procedures that are useful and relevant to monitor SSA's access security policies. In addition, SSA continues to improve the SMART report to facilitate its effectiveness as a monitoring tool. A plan is currently being developed for the annual recertification of mainframe access. We expect that a prototype of the recertification process will be developed in early 2002 with expansion to the rest of the Agency by the end of 2002. We understand PwC’s concern regarding Disability Determination Services (DDS) firewall log reviews. Firewall policy and implementation documents have been issued. These documents capture the standards and procedures SSA has been following for many years while successfully protecting SSA assets. Firewall monitoring and an Intrusion Detection Service have also been in place for many years for the access firewalls. Over the past year SSA has taken the initiative by establishing an Intrusion Protection Team with a specific mandate to increase the level and sophistication of the analysis of information culled from all firewalls. As part of this process the team will review compliance of the firewalls with the standards.

- **Consistently enforcing policies and procedures for physical access to information resources based on the concept of access required to perform assigned job responsibilities.**

<u>SSA Comment</u>

SSA’s physical and systems security policies for Agency and DDS sites are written to address the need to limit access to space and/or systems. SSA management is committed to enforcing existing policy and procedures by conducting periodic reviews and developing new strategies where needed to meet changing requirements. SSA will also continue to help our DDS partners fully implement physical security policies to ensure the integrity of SSA sensitive data.

SOCIAL SECURITY

Office of the Inspector General

December 7, 2001

The Honorable Jo Anne B. Barnhart
Commissioner

Dear Ms. Barnhart:

In November 2000, the President signed the *Reports Consolidation Act of 2000*, which requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing the agencies and the agencies' progress in addressing them. This document responds to the requirement to include this statement in the Fiscal Year (FY) 2001 *Social Security Performance and Accountability Report*.

In January 2001, we identified the following 10 significant management issues facing the Social Security Administration (SSA) for FY 2001.

Critical Information Infrastructure	Disability Redesign
Earnings Suspense File	Enumeration
Fraud Risk	Government Performance and Results Act
Identity Theft	Representative Payees
Service to the Public	Systems Security and Controls

In FY 2001, SSA took action to address these issues, many of which are of a long-term nature and do not lend themselves to quick fixes. Our assessment of the status of these 10 management challenges is enclosed.

Sincerely,

James G. Huse, Jr.
Inspector General of Social Security

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Inspector General Statement on the Social Security Administration's Major Management Challenges

DECEMBER 2001

Critical Information Infrastructure

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes more important. Protection of critical information and its infrastructure is an issue that is significant not just to the Agency, but to the entire Government. For example, Presidential Decision Directive (PDD) 63, issued in 1998, requires Federal agencies to identify and protect their critical infrastructure and assets. One of the Social Security Administration's (SSA) most valuable assets is the information it collects and uses to complete its mission. SSA is depending on technology to meet the challenges of ever-increasing workloads with fewer resources. A physically and technologically secure Agency information infrastructure is a fundamental requirement.

SSA Has Taken Steps to Address this Challenge

SSA addresses critical information infrastructure and systems security in a variety of ways. It has established workgroups to conduct ongoing system reviews, including a Critical Infrastructure Protection workgroup that works toward compliance with PDD 63. The workgroup has created several components throughout SSA to handle systems security.

Government Information Security Reform Act: The Government Information Security Reform Act requires each agency to develop and implement an agency-wide information security plan for its assets and operations, and requires the agency's Office of Inspector General (OIG) to determine the efficiency and effectiveness of the overall security program and practices. SSA has initiatives underway in support of key Governmentwide initiatives focused on information assurance and data protection. For this mandate, SSA completed an assessment of its security program using a self-assessment tool provided by the National Institute of Standards and Technology.

PDDs 63 and 67: PDDs 63 and 67 address the new physical and cyber threats to our national infrastructure. PDD 63 calls for a national level effort to assure the security of increasingly vulnerable and interconnected infrastructures of the United States, and provides for a protection plan for national assets from both physical and cyber attack. SSA has identified its most critical assets and their relationship to other critical functions of Government and private industry. It has begun vulnerability analyses of these most critical assets.

PDD 67 directs all executive agencies to have a viable continuity of operations plan to enable the agency to continue essential functions during an emergency. SSA revised PDD-67 plan to reflect current Agency priorities, and further actions are planned to permit automated updating and access of information.

Additionally, SSA is planning to increase its information infrastructure to better meet the American public's expectations and needs. SSA is building an Internet infrastructure to allow its users and business partners to enter information about life events directly into its programmatic systems, rather than calling or visiting a teleservice center or field office (FO) and having SSA employees enter the data. SSA expects to make the conversion to this new architecture within the next 2 years.

SSA Needs to Continue to Address this Challenge

SSA has taken steps to strengthen its critical information infrastructure, however, further action is needed to protect the systems and information SSA is charged with managing and protecting.

Exposures exist primarily because SSA has not completed implementation of its enterprise-wide security program. Until a complete security framework is implemented and maintained, SSA's ability to mitigate effectively the risk of unauthorized access to, and/or modification or disclosure of, sensitive SSA information will be impaired. Unauthorized access to sensitive data can result in the loss of data, loss of trust fund assets, and/or compromised privacy of information associated with SSA's enumeration, earnings, and benefit payment processes and programs. The need for a strong security framework to address threats to the security and integrity of SSA operations will continue to grow as SSA implements Internet and Web-based applications.

We have recommended SSA continue its efforts to fully implement the information security framework by:

- Assigning specific resources to complete the full information security framework, with priority given to implementation, enforcement, and monitoring of technical security standards;
- Fully implementing technical security configuration standards;
- Establishing a process to determine that configuration standards remain consistently enforced;
- Establishing and enforcing effective procedures for monitoring security violations, periodic review of access assignments, and firewall log reviews; and
- Consistently enforcing policies and procedures for physical access to information resources based on the concept of access required to perform assigned job responsibilities.

The continuing expansion of SSA's information infrastructure is an essential part of SSA's plans to meet its future workloads. However, expansion of the critical information infrastructure must be implemented in a balanced manner. SSA must continue to ensure that its critical information infrastructure is secure as it expands to better meet the demands of the American public and an ever-increasing workload.

Disability Redesign

SSA's initiatives to redesign its disability determination process have not resulted in significant improvements. SSA administers two programs providing benefits based on disability: Disability Insurance (DI) and Supplemental Security Income (SSI). Most disability claims are initially processed through Social Security FOs and State Disability Determination Services (DDS). SSA's FO staff are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, or marital status information. The FO sends the case to a DDS for a disability evaluation. DDSs are State agencies fully funded by SSA responsible for developing medical evidence and rendering the initial determination on whether the claimant is legally disabled or blind. In Fiscal Year (FY) 2001, some 2,166,623 initial disability claims were processed, and the average processing time was 106 days.[1]

If a claimant is not satisfied with a DDS decision, the individual may file an appeal. The Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions at two distinct stages in SSA's appeals process—in hearing offices and at the Appeals Council. Administrative Law Judges (ALJ) hold hearings and issue decisions in hearing offices nationwide. In FY 2001, hearing offices disposed of 465,228 cases, and the average time a claimant waited for a decision on an appeal was 308 days.[2] The Appeals Council is the final level of administrative review for claims filed under SSA's disability programs. The Appeals Council reviews ALJ decisions and dismissals upon the claimant's request for review. In FY 2001, the Appeals Council disposed of 115,589 cases.

SSA Has Taken Steps to Address this Challenge

SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and quality of its service. SSA's Disability Redesign plan combines initiatives that have been tested and piloted over the last few years and includes all levels of eligibility determinations beginning with State DDSs and continuing through the hearings and appeals processes.

The Disability Redesign plan was originally issued in September 1994, but SSA has revised its plans several times to accommodate changes in the improvement initiatives. SSA's updated plan entitled, *Social Security and Supplemental Security Income Disability Programs: Managing for Today Planning for Tomorrow*, was issued on March 12, 1999. The updated plan had four broad goals: Improve the Disability Adjudication Process; Enhance Beneficiaries' Opportunities to Work; Safeguard the Integrity of Disability Programs; and Improve the Knowledge Base for the Next Century.

1. In FY 2000, the average processing time was 102 days.
2. In FY 2000, a claimant waited 297 days for a decision on an appeal.

To date, SSA's initiatives have not resulted in significant improvements to the disability determination process.

- As of May 2, 2001, decisions about the expansion of a prototype initiative at additional DDSs were delayed. Preliminary data from the prototypes raised questions about the program costs of national implementation.
- On October 22, 2001, the Disability Claim Manager (DCM) initiative was cancelled. The DCM test results showed that case-processing costs increased and more resources would be needed to support a blended Federal/State process.
- A plan for a new quality assurance (QA) system has not been developed. In reviewing SSA's QA system, a contractor informed SSA that modifying the system would not move SSA toward its quality improvement goals. Instead, SSA should adopt an advanced quality management system. In July 2001, the Acting Commissioner appointed a senior-level steering committee to develop recommendations for a new quality process. The results of the committee's work have not been released.
- The Hearings Process Improvement (HPI) initiative has not resulted in the planned improvements in OHA productivity and processing times.

SSA Needs to Continue to Address this Challenge

SSA needs to continue to improve the disability process. While it created a framework to address weaknesses in the disability process, it continues to fall short of most of its established disability-related performance goals. SSA did not meet 10 of 14 disability-related performance goals contained in SSA’s FY 2001 performance report. Particularly troublesome is the hearings and appeals process. SSA did not meet any of its goals related to the hearings and appeals process, and often failed to get within 5 percent of its goals in this area. The disability process continues to be a serious concern given the level of resources SSA has devoted to its disability process improvement initiatives and the lack of substantial improvement to date.

During FY 2001, we obtained and evaluated employee assessments of the results of OHA’s implementation of Phase 1 of the HPI plan. Our evaluation identified areas that SSA needed to improve during full implementation of the HPI plan. These areas included staffing, training, and ALJ instructions. Improvements were also needed in the staff's perception of quality of service, processing efficiency, and job satisfaction. Additionally, we found that the current medical evidence collection process accounts for a considerable portion of overall disability claims processing times. We calculated the time it took 8 DDSs to receive 663,293 medical evidence of record folders (MER) from claimant treating sources during FY 1998. For 35 percent of the MERs, the DDSs waited more than 30 days to receive them. Delays in receiving MERs from treating sources resulted in SSA paying over $1 million for MERs that were not received by these DDSs until after the disability decision was made. We made recommendations for SSA to improve DDS medical collection processes.

Earnings Suspense File

SSA's Earnings Suspense File (ESF) represents a major management challenge because its size and rate of growth may impact the calculations of beneficiaries' benefits, adds administrative costs, and represents a sizeable portion of nationwide Social Security number (SSN) misuse.

The ESF primarily consists of reported earnings that are put into suspense because the name/SSN combination does not match validation criteria within SSA's systems. Although SSA has reported it correctly posts over 99 percent of all wages received, those wages that cannot be posted to earners' accounts continue to accumulate in the ESF. Between Tax Years 1937 and 1999, the ESF grew to about $333 billion in wages representing approximately 227 million wage items. Each year, SSA receives about 21 million wage items that have an invalid name and SSN combination, and, through extensive computer matches and manual efforts, this number is reduced to about 6.5 million items, annually. However, further efforts to resolve invalid wage items can take years.

The integrity of SSA's process for posting workers' earnings is critical to ensuring eligible individuals receive the full retirement, survivor, and/or disability benefits due them. If earnings information is reported incorrectly, or not reported at all, SSA cannot ensure that all eligible individuals are receiving the correct payment amounts.

Finally, the ESF is indicative of a nationwide problem of potential fraud and misuse that not only affects SSA programs but crosses over to other Federal entities such as the Internal Revenue Service (IRS) and the Immigration and Naturalization Service (INS). The IRS uses Wage W-2s to enforce tax laws and can penalize employers and employees for providing incorrect information. The INS has oversight responsibility for unauthorized noncitizens. The Immigration Reform and Control Act of 1986 made it illegal for employers to knowingly hire or continue to employ unauthorized noncitizens. Employers must request newly hired employees to present documents that establish their identity and eligibility to work.

SSA Has Taken Steps to Address this Challenge

SSA developed Key Initiatives within its annual performance plan containing an overall strategy and several individual projects designed to reduce the ESF's size and rate of growth. For example, SSA plans to expand the use of the voluntary Employee Verification Service (EVS) to assist employers in verifying new hire names/SSNs. Under the Key Initiatives, SSA is also evaluating the results of two pilot projects that used the data bases of other Federal agencies to assist employers in verifying employees' names/SSNs. However, the success of many of these projects and pilots depends on the collaboration with and support from other agencies, such as the IRS, the INS, and the Office of Child Support Enforcement (OCSE).

SSA also hired a national accounting firm to review the ESF and provide recommendations and alternatives for management of this file. The contractor provided the final report to SSA in July 2001. The Agency is currently considering the recommendations made in the report.

SSA has developed other processes to validate the earnings data in the Master Earnings File (MEF). In recent years, SSA started mailing Social Security statements to individuals who had earnings and were age 25 or older. In FY 2001, SSA mailed 137 million of these statements. However, over 7 million were returned to SSA as undeliverable. If an individual contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF, if they are currently in suspense, or added as new earnings to the MEF.

SSA Needs to Continue to Address this Challenge

We commend SSA for its ESF Key Initiatives, but the changes called for in the Initiative are long-term, and several factors, both internal and external to SSA, hinder the efforts with the most potential to reduce the ESF's size and growth. Some of the internal factors include a higher priority placed on other automated system developments and the fact that SSA has not linked available information in its data base to identify chronic "problem" employers who continually submit annual wage reports with multiple errors. External factors include other Federal agencies with separate yet related mandates, such as the IRS' failure to sanction employers for submitting invalid wage data and the INS' complicated employer procedures for verification of eligible employees.

Recent OIG reviews have found SSA needs to improve communications with employers and enforce existing regulations if it expects to improve the accuracy of reported wages. For example, in a recent review, we found a chronic problem employer was not familiar with SSA's verification programs that could have prevented as much as 76 percent of the employer's wages from entering the ESF. In another audit, we found that SSA did not maintain sufficient controls over the wage reporting process to ensure employers were submitting quality earnings data. The audit noted that 285 employers submitted wage reports that failed SSA's wage reporting accuracy threshold 3 years in a row without SSA taking any action, even though more than $8.5 million in IRS penalties could have been assessed.

Enumeration

Enumeration, the process of assigning SSNs to U.S. workers and Social Security beneficiaries, is a major management challenge since it is one of the key elements SSA employs to effectively administer the Nation's Social Security system. The enumeration process also includes issuing replacement cards to people with existing SSNs and verifying SSNs for employers and other Federal agencies. In FY 2001, SSA issued over 18 million original and replacement SSN cards.

The magnitude of SSA's enumeration area and the importance placed on SSNs provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. To effectively combat these criminals and reduce the occurrences of fraudulent SSN attainment, SSA must employ effective front-end controls in its enumeration process.

SSA Has Taken Steps to Address this Challenge

Some of the Agency's current and planned initiatives include the following:

- SSA, INS and the Department of State are working on agreements that will enable INS and the Department of State to collect enumeration data from aliens entering the United States.
- SSA implemented an enhancement to the Comprehensive Integrity Review Program (CIRP). CIRP is a business function used to deter and/or identify fraud by selecting fraud prone transactions for review on a regular basis. The enhancement to CIRP entailed automating a process to identify instances in which five or more SSN cards are sent to the same address within a 5-week period.
- SSA is working with States through the National Association of Public Health Statistics and Information Systems to allow FOs on-line access to State vital records data. Once implemented, FOs will be able to verify all U.S. birth certificates presented in support of SSN applications.
- SSA established a workgroup to identify enhancements that could be made in the Modernized Enumeration System to address certain fraud-prone situations.

SSA Needs to Continue to Address this Challenge

The September 11th terrorist attacks have only highlighted the importance of having a secure and efficient enumeration process. Before the attacks, we made several recommendations to address a variety of enumeration weaknesses. We believe these recommendations are still relevant today and will help to make the enumeration process more secure. Specifically, we recommended SSA:

- Obtain independent verification from the issuing agency (for example, INS and State Department) for all evidentiary documents submitted by noncitizens before issuing an original SSN;

- Establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime;
- Educate SSA staff about counterfeit documents; and
- Continue public policy discussions through interaction with the Departments of Justice and Treasury as well as the Federal Trade Commission.

Additionally, as we reported to Congress, we believe Congress and SSA should consider the following steps:

- Increase the number of investigative and enforcement resources provided for SSN misuse cases;
- Expand the Agency's data matching activities with other Federal, State, and local Government entities; and
- Explore the use of other innovative technologies such as biometrics in the enumeration process.

Since the events of September 11th, SSA created the Enumeration Response Team to develop proposals to strengthen the enumeration process. The OIG is a partner on the Response Team. As a result of the team's work, the Acting Commissioner approved the following seven recommendations:

- Provide refresher training on enumeration policy and procedures, with emphasis on enumerating noncitizens, for all involved staff;
- Convene a joint task force between SSA, INS, the Department of State and the Office of Refugee Resettlement to work out procedures for verifying noncitizen documentation;
- Eliminate driver's licenses as a reason for a nonwork SSNs to be implemented through the Program Operations Manual System (POMS);
- Provide an alternative to giving out Numident printouts for SSN verification. The Numident contains much of the information needed to establish credit or to get other "breeder" documents to perpetrate identity theft;
- Conduct a mandatory interview for applicants over the age of 12 applying for an original card and require evidence of identity for all children, regardless of age;
- Expedite implementation of a pilot to photocopy or scan all documentary evidence submitted with the Form SS-5 applications; and
- Change the Modernized Enumeration System to provide an electronic audit trail, regardless of the mode used to process the Forms SS-5.

Implementation of these recommendations and continued vigilance in this area is absolutely necessary to ensure the integrity of the enumeration process. We understand the Agency has a difficult task in balancing service and security. However, we believe the Agency has a duty to the American public to safeguard the integrity of the enumeration process.

Fraud Risk

Fraud risk is a major management challenge since it drains needed resources away from SSA's programs and beneficiaries, and attacks the very credibility of SSA's programs. As SSA's payments to beneficiaries approach half a trillion dollars annually, its exposure to fraud increases proportionately. Many unscrupulous individuals target SSA's programs to secure funds for their own personal gain. Fraud is an inherent risk in all of SSA's core business processes: enumeration, earnings, claims, and post-entitlement. All of these processes include vulnerabilities that provide individuals the opportunity to defraud third parties, SSA, and/or SSA's beneficiaries and recipients. Our focus on fraud risk is based on program eligibility factors that individuals misrepresent to attain or maintain eligibility.

Examples of the eligibility factors under the Old-Age, Survivors and Disability Insurance (OASDI) program include family relationships and, for surviving spouses under age 60, children in-care. SSA's difficulties in monitoring eligibility factors for SSI recipients is a key reason the SSI program has remained on the General Accounting Office's (GAO) list of "high-risk" Federal programs since 1997. Because the SSI program is means-based, it includes eligibility factors that tend to be more difficult for SSA to verify and monitor. These include income, resources, living arrangements, U.S. residency, and deemed income. While SSA is addressing the factors affecting the complexity of the SSI program, the Agency still relies on self-reporting of income, living arrangements and medical improvement in determining whether an individual is eligible for SSI payments. Other key risk factors common to both programs are the detection of beneficiary deaths and the monitoring of medical improvements for disabled beneficiaries.

SSA Has Taken Steps to Address this Challenge

SSA has taken an active role in addressing the integrity of the OASDI and SSI programs through its "zero tolerance for fraud" initiative. Key projects under this initiative include Prisoners, Fugitive Felons, and Electronic Death Registration. Additionally, through its Access to State Records On-line program, SSA has obtained on-line query access to selected records in 69 agencies in 42 States. SSA has also implemented a program for FO staff to identify recipient income before awarding SSI payments. This program provides FO staff with direct access to OCSE data bases related to wages, new hires, and unemployment insurance.

In addition to these new initiatives to address program fraud, SSA and the OIG continue to expand existing programs. SSA's Office of Operations and Office of Disability, in conjunction with the OIG, have formed 13 Cooperative Disability Investigation (CDI) teams. To combat disability fraud, these teams rely on the combined skills and specialized knowledge of OIG investigators, State and local law enforcement officials, and SSA and DDS personnel. During FY 2001, CDI teams prevented over $52 million in improper payments.

SSA's efforts to identify and terminate payments to incarcerated beneficiaries and recipients continue to be fruitful. SSA has agreements with 5,782 correctional facilities that cover over 99 percent of the inmate population. SSA estimates the suspension of payments to prisoners is saving the OASDI and SSI programs $500 million, annually. Incentive payments under the *1996 Welfare Reform Act* have contributed to that success. From March 1997 through July 2000, SSA paid $31.57 million in incentive payments. SSA's Actuary estimates that cumulative 7-year savings through the year 2001 will be $3.5 billion. Furthermore, a study based on Calendar Year 1996 data conducted by SSA's Office of Quality Assurance and Performance Assessment (OQA) estimated that 45 percent of prisoner alerts were productive with identification of retroactive overpayments totaling $202 million. In addition, OQA found that about $20 million per month in incorrect benefit payments were prevented.

SSA Needs to Continue to Address this Challenge

For SSA to fulfill its role as a steward of public dollars, it is imperative that the universe or magnitude of fraud be identified. For example, the insurance, retail, and banking industries have baselines to estimate potential dollars lost to fraud. A specific and significant fraud risk is the detection of unreported beneficiary and recipient deaths. SSA relies on its Death Alert, Control, and Update System (DACUS) to identify unreported deaths from Federal and State data bases through computer matches. One audit disclosed that about 881 auxiliary beneficiaries were paid about $31 million after their deaths because DACUS could not properly match their records. Another audit found inadequate controls over DACUS and identified 26 individuals who appeared to have fraudulently negotiated benefits of $429,779 paid for deceased beneficiaries.

Our audits have disclosed the need for SSA to improve its capability to avoid improper payments to fugitive felons. One audit disclosed that, without effective matching of State fugitive files, SSA would pay fugitives at least $30 million in SSI payments per year. As of October 2001, SSA had obtained and matched against the SSI benefit rolls fugitive data files from a number of States, the National Crime Information Center, and the U.S. Marshals Service.

Our investigative efforts to administer the Fugitive Felon Program since August 1, 1996 have identified 45,071 fugitives who were overpaid more than $81.6 million. Of the 45,071 fugitives, 5,019 were arrested, and we estimated the related savings to be about $133 million for the SSI program. While SSA has made progress in obtaining fugitive data, much more work remains in this area.

Another audit recommended that SSA pursue legislation to prohibit the payment of OASDI benefits to fugitives. We estimated that fugitives would receive at least $39 million in OASDI benefits annually unless legislation is enacted to prohibit these payments. While SSA agreed to pursue this legislation, it was not included in SSA's FY 2003 legislative package sent to Congress.

Government Performance and Results Act

The Government Performance and Results Act of 1993 (GPRA) established a system of strategic planning and performance measurement across the Federal Government. GPRA calls for Federal agencies to develop 5-year strategic plans, annual performance plans and annual performance reports. While SSA has made strides toward improving its performance measures, SSA can further strengthen its use of performance information by fully documenting the methods and data used to measure performance, and by improving the data sources that appear to be unreliable.

President Bush has placed great emphasis on the management and performance of Federal agencies. Through the Office of Management and Budget (OMB), the President has outlined Governmentwide management reforms and specific priority management issues for SSA to address. The Governmentwide reforms are budget and performance integration, strategic management of human capital, competitive sourcing, improved financial performance, and expanding electronic Government. The specific priority management issues that OMB outlined for SSA to address are the implementation of the Ticket-to-Work program, disability process redesign, and an updating of the disability medical listings. OMB also called for specific performance measures to be included within SSA's FY 2003 budget, including measures on disability claims processing costs, retirement claims processing costs, disability claims processing times, and amounts of improper payments paid to beneficiaries each year.

Recognizing the importance of GPRA and the results-oriented management it mandates, we developed a work plan to review SSA's implementation of GPRA. Our work has focused on two issues that are critical to the success of SSA's efforts to manage for results; determining the reliability of SSA's performance data and ensuring SSA's implementation of GPRA is in accordance with its requirements.

SSA Has Taken Steps to Address this Challenge

In response to GPRA, SSA also developed strategic plans, annual performance plans, and annual performance reports. Its most recent performance report for FY 2001 is included within SSA's Performance and Accountability Report. The FY 2001 performance plan and report are organized by SSA's five strategic goals, for which SSA describes the activities performed in support of each goal. There are 17 strategic objectives and 2 categories of output measures for major budgeted workloads supporting the 5 strategic goals. Under the objectives and categories, there are 71 specific performance indicators. SSA provides a general rationale, baseline performance information, data sources, and background information for each indicator.

To date, SSA has released multiple annual performance plans and reports. It has continually updated its annual performance plans, taking in to consideration changing priorities and workloads, as well as recommendations from the OIG and GAO.

SSA Needs to Continue to Address this Challenge

Our performance reviews over the last few years have found most of SSA's data to be reliable. We have, however, found that SSA often lacks documentation of the methods and data used to measure its performance. Despite these deficiencies for most measures, we were able to reproduce or obtain enough of the needed documentation to support our conclusions.

In some cases, the lack of documentation was significant and did not allow us to conclude on the quality of SSA's performance data. In FY 2001, we could not conclude on the reliability of the data, due to a lack of required documentation, for 6 of the 15 performance measures we reviewed.

Other reviews concluded that some data sources did not provide a reliable assessment of performance of the program being measured. We found the data for 5 of the 15 performance measures we reviewed in FY 2001 to be unreliable.

GPRA provides a framework by which SSA management can strategically plan and manage to meet its mission. SSA has made a commitment to use GPRA to develop plans and strategies that help it strategically manage and meet its mission. Our work has found that SSA can further strengthen its use of GPRA in its management through additional improvements to its performance plans and reports, by fully documenting the methods and data used to measure performance, and by working to improve the data sources where we found such sources to be unreliable estimates of performance.

Identity Theft

One of the fastest growing areas of concern for SSA and the OIG is the misuse of SSNs to commit crimes, particularly in the area of identity theft. In most cases, identity theft begins with the misuse of an SSN, and, while the ability to punish identity theft is important, the ability to prevent it is even more critical.

The public's growing concern with SSN misuse and identity theft is reflected in the large number of allegations our Fraud Hotline receives annually. In FY 2001, over 56 percent of the 115,101 allegations received involved SSN misuse and/or identity theft. The growth of these numbers is only limited by our capacity to answer the calls. We believe identity theft is a significant problem, and it is growing. We anticipate the complaints will increase unless SSA and Congress take firm actions to regulate the uses of SSNs.

Identity theft was already a significant problem facing law enforcement, the financial industry, and the American public before September 11th. In the weeks since that terrible day, it has become increasingly apparent that improperly obtained SSNs were a factor in the terrorists' ability to assimilate themselves into our society while they planned their attacks. While this has heightened the urgency of the need for Congress, SSA, and the OIG to take additional steps to protect the integrity of the SSN, it has not altered the nature of the steps that must be taken.

SSA Has Taken Steps to Address this Challenge

SSA employs a number of methods to combat identity theft. Specifically, SSA protects the privacy of the American public by using personal identifying information for Social Security purposes only—SSA does not give, sell, or transfer personal information to third parties. To assist in the prevention of invalid SSN use in the workplace, SSA provides a mechanism through which States and employers can verify SSNs provided by employees. SSA has also provided training to its FO employees on how they can best advise the public on how to prevent identity theft as well as helping victims resolve their problems. To detect, identify, and deter potential employee and client fraud within the Social Security programs, SSA uses its CIRP. CIRP is a business function used to deter and/or identify fraud by selecting fraud prone transactions for review on a regular basis. High-risk transactions are selected for review based upon selection criteria designed to identify transactions that have the highest fraud potential. Additionally, SSA has entered into partnerships with other agencies, such as the Federal Trade Commission, to fight identity crimes.

SSA Needs to Continue to Address this Challenge

To successfully address identity theft, we believe SSA must focus on three stages of protection: upon issuance of the SSN card, during the life of the SSN holder, and upon that individual's death. For example, birth records, immigration records, and other identification documents presented to SSA must be independently verified as authentic before SSA issues an SSN. While this may subject the enumeration process to delays, such delays may be necessary to ensure the integrity of the SSN.

Protecting the integrity of an SSN during the life of the SSN holder is a difficult charge. The SSN has become an integral part of every day life, particularly in financial transactions, which makes it more difficult to give the number the degree of privacy it requires. Legislation, and more importantly, coordination between SSA and the financial services industry, can help limit the SSN's public availability to the greatest extent practicable.

Finally, SSA must do more to protect the SSN after the SSN holder's death. SSA receives death information from a wide variety of sources and compiles a Death Master File, which is updated monthly and transmitted to various agencies. It is also required to be offered for sale to the public and can be accessed over the Internet through a number of sources. Accuracy in this area is critical to SSA in the administration of its programs, to the financial services industry, and to the American people. Our audit work has revealed systematic errors in the Death Master File, and we have recommended steps that SSA can take to improve the reliability of this critical data.

The OIG plays an important role in helping other law enforcement agencies in their investigations. Because the SSN is such a widely-used means of identification, we are frequently contacted by Federal, State, or local law enforcement agencies seeking to verify that a name and SSN match.

Under existing law, the authority of the Commissioner of Social Security to provide this information is tenuous at best, and the authority of the Inspector General (IG) to do so is non-existent. We have entered into an agreement with the Commissioner by which the IG can provide this information under limited circumstances, but the authority should be statutory, unconditional, and irrevocable. In our current environment, this critical information should be available to law enforcement, and we should have the authority and the duty to provide it.

Privacy safeguards protecting IRS information in the possession of SSA are more restrictive than those protecting other SSA information, and rightly so. However, since the events of September $11^{th,}$ there needs to be a mechanism in place so that information can be disclosed to law enforcement in emergency situations. Specifically, there should be a provision in law under which either the Commissioner of SSA (who has possession of the necessary information) or the SSA IG (who receives requests from the Federal Bureau of Investigation [FBI] and others) can make the determination that disclosure is necessary, then authorize and make the necessary disclosures to the law enforcement community in an expeditious manner.

Representative Payees

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. While Representative Payees (Rep Payee) provide a valuable service for beneficiaries, SSA must employ appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

Congress granted SSA the authority to appoint Rep Payees to receive and manage these beneficiaries' payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individual's interests. Rep Payees are responsible for using benefits in the beneficiary or recipient's best interests. There are about 4.2 million Rep Payees who manage approximately $45 billion in annual benefit payments for 6.5 million beneficiaries.

SSA Has Taken Steps to Address this Challenge

SSA has developed a monitoring program for certain Rep Payees. This program consists of:

Triennial On-site Reviews—On a 3-year cycle, SSA conducts on-site reviews of all fee-for-service Rep Payees, all volume organizational payees (serving over 100 beneficiaries), and all individual payees serving 20 or more beneficiaries.

Annual Certification—SSA annually verifies that the required license or bond is current for all fee-for-service Rep Payees.

Random Reviews—SSA conducts reviews of a random sample of 30 percent of all volume organizational and fee-for-service Rep Payees.

6-Month Site Visits—SSA visits fee-for-service Rep Payees 6 months after their initial appointment as a Rep Payee to ensure they fully understand their duties and responsibilities.

Quick Response Checks—SSA conducts reviews of organizational Rep Payees as needed in response to certain "trigger" events, such as third-party reports of misuse, complaints from vendors of failure to receive payment, or failure to complete the annual Rep Payee Report.

Finally, SSA has established a Rep Payee Task Force to perform a comprehensive review of the features and vulnerabilities of the Rep Payee program. The Task Force is comprised of three subgroups concentrating on monitoring Rep Payees; systems support for the Rep Payee program; and bonding and licensing of Rep Payees.

SSA Needs to Continue to Address this Challenge

In FY 2001, we performed six financial-related audits of Rep Payees. Our audits showed that Rep Payees did not always meet their responsibilities to the beneficiaries they served. We identified deficiencies with the financial management of, and accounting for, benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; and inappropriate handling of conserved funds.

We continue to identify problems with SSA's oversight of Rep Payees. For example, in March 2001, we alerted SSA to a condition whereby individuals were serving as Rep Payees who also had a Rep Payee to manage their own Social Security benefits. SSA subsequently identified approximately 3,800 instances where this had occurred.

Much is left for SSA to do to address the vulnerabilities and weaknesses in the Rep Payee program. This work includes the following:

*Selection of Rep Payees—*SSA has not determined how it will stop the selection of those Rep Payees who are most likely to commit misuse. Currently, SSA does not perform background checks of Rep Payees to determine whether they have financial problems, bad credit, or have been convicted of a felony. However, SSA has issued a contract to research options for criminal and financial background checks.

*Rep Payee System—*SSA is working to correct a number of system weaknesses we previously identified. Our findings in this area include:

- SSA's systems do not effectively track Rep Payees who do not respond to and complete Rep Payee Reports.
- SSA cannot always locate and retrieve completed Rep Payee Reports when needed.
- SSA's systems do not include information on all Rep Payees, and beneficiaries who have Rep Payees, as required by law.

*Bonding and Licensing of Rep Payees—*SSA's policy specifies neither the amount of bond necessary to adequately protect beneficiaries nor the type or nature of licenses that are required. To date, SSA has not made any revisions to its policy to address these vulnerabilities.

Stored Value Cards[3] ¾ *We are exploring the use of Stored Value Cards (SVC) to help ensure the proper management of beneficiaries' funds. SSA may be able to employ the use of SVCs to better monitor its Rep Payees and reduce the administrative costs related to mailing, processing and storing annual Rep Payee Reports.*

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3. An SVC is a prepaid spending card that can be used everywhere a credit card is accepted. SVCs do not have a line of credit and can be used to make automated teller machine withdrawals.

Service to the Public

SSA is committed to providing responsive, world-class service. Providing quality service remains a critical management issue facing SSA, and SSA recognizes there are significant service delivery problems that need attention. SSA's workloads will continue to increase as "baby boomers" reach retirement age, challenging SSA to keep pace. As the Social Security Advisory Board reported, the result has been, and will continue to be, uneven service. Persons filing for retirement or survivor benefits are likely to be satisfied with the service provided. However, individuals with complicated cases, such as DI or SSI, may encounter problems. As workloads increase, the dimensions of SSA's problems can be expected to grow. If left unattended, the public will be faced with crowded reception areas, long waiting times, inadequate telephone service, and reduced quality of work.

SSA Has Taken Steps to Address this Challenge

SSA has developed a long-term Service Vision to describe its 10-year plan. The *Vision* is based on the premise that the convergence of the forecasted trends will provide SSA with the opportunity to (1) reshape its business processes, (2) reform its management of human capital and technology, and (3) deliver the service the American public demands. SSA plans to allow individuals to have access to one-stop shopping with single-points-of-entry to high quality Government services. Business partners that use SSA's earnings reporting process will switch from paper and magnetic tape reporting to Internet reporting, reducing their costs as well as SSA's. SSA plans on sharing information with Federal and State Government partners to serve the American public better. Additionally, SSA will rely on e-government solutions to increase its productivity and allow it to bridge the resource gap that will be created by the expected explosive growth in its workloads.

SSA Needs to Continue to Address this Challenge

While SSA met or came close to all of its goals related to its service, it will need to maintain existing service levels while exploring new and innovative ways to address service delivery problems. To accomplish this, SSA must recruit and retain a cadre of highly skilled employees. However, even at current staffing levels, SSA finds it difficult to maintain an acceptable level of service especially in its most complicated workloads. To make matters worse, SSA is facing an unusual wave of management and staff retirements. At the same time, the Agency may find it difficult to replace employee losses as the Nation's labor force of people between the ages of 25 to 44 is expected to shrink. If predicted shortages in human capital are realized, SSA may not be able to strengthen and revitalize future employee ranks as its workloads continue to grow in volume and complexity. Increasing workloads coupled with human capital shortages will further stress SSA's ability to provide quality service to the public.

In January 2001, GAO designated strategic human capital management as a high-risk, Government-wide issue needing immediate attention. This issue involves four pervasive Federal agency human capital challenges:

Acquisition and development of staffs whose size, skills, and deployment meet agency needs—ensuring current and future human capital needs are identified and gaps are filled through such efforts as effective recruiting, training, and contracting.

Leadership continuity and succession planning—ensuring there are qualified people available to assume top leadership positions before they become available.

Strategic human capital planning and organizational alignment—ensuring human capital strategies support strategic and program goals so an agency's mission, vision, and objectives are realized.

Creation of results-oriented organizational cultures—ensuring staff is empowered and motivated in conjunction with workplace accountability.

OIG and GAO have identified specific SSA human capital challenges and vulnerabilities that impact the Agency's ability to meet projected service delivery needs. These include:

Increasing demands for services—Beginning around 2008, the 76 million "baby boomers" will begin to move into their disability-prone years and begin to retire. SSA anticipates that by 2010, applications for DI will increase by as much as 54 percent over 1999 levels and applications for retirement benefits by 20 percent over 1999 levels. A large proportion of retirees is expected to be non-English speaking. Also, many disability cases are expected to be mental-related impairments. Demands for the way services will be delivered are also expected to change, with citizens wanting different modes of accessibility, for example, using the Internet and "one-stop shopping" to access services and programs through one interaction with the Government.

Retirement of a substantial portion of SSA's workforce—SSA workforce retirements will peak between 2007 and 2009 with about 3,000 employees retiring per year. For example, over 80 percent of SSA's upper-level managers and executives will be eligible to retire by 2010.

Mixed success in past technological investments—To address anticipated increased workload demands, SSA plans to rely heavily on information technology. However, according to the OIG and GAO, some of the Agency's past experiences have shown mixed success.

Ensuring funds are available to support human capital management efforts—SSA must ensure that its future budget request are adequate to address its human capital needs for the future.

Systems Security and Controls

The importance of computer system security increases as opportunities for users to disrupt critical systems, modify key processes, and read or copy sensitive data increases. Strong systems security and controls are needed to prevent access to confidential information and critical systems and the fraudulent use of SSA data. SSA continues to address systems vulnerabilities that could lead to unauthorized access or sabotage. Many of these vulnerabilities have been identified during the annual audit of SSA's financial statements, which have included reviews of SSA's systems security and controls.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to strengthen its system security and controls. Its security program has a number of key components created to help protect its systems:

- SSA uses an access control package to enforce its policies of separation of duties. The package also includes an authentication process that users must complete prior to accessing SSA systems;
- SSA continues to enhance its CIRP, which is a business function used to deter and/or identify fraud by selecting fraud-prone transactions for review on a regular basis. SSA has an audit trail system that can identify individuals who have accessed or processed specific records. This system can identify suspected problems and support investigation of these problems;
- All employees with access to SSA systems are required to sign an annual acknowledgement of the Agency's sanctions for systems access violations;
- SSA uses firewall technology to protect its network. The technology includes alerts and anomaly detection that identifies suspect activity; and
- SSA monitors its network 24 hours a day, 365 days a year.

Additionally, SSA has many on-going initiatives and new projects to further security awareness including:

- The Systems Security Handbook is available to all employees on SSA's Intranet;
- SSA's Intranet also has a variety of information for users of SSA systems including virus alerts and descriptions, listings of security officers and contacts, and links to other security web sites;
- Security training for all new employees and new supervisors;
- Risk/management training for all SSA systems managers and security personnel;
- Hosting security and anti-fraud conferences, as well as participation in numerous security conferences/symposiums hosted by other organizations;
- Producing desk-to-desk security alerts; and
- Certification training for SSA security professionals.

SSA established the Division of Systems Security and Program Integrity within its Office of Operations to enhance its security and integrity network and provide a focal point to address security issues. The Office of Operations also established Centers for Security and Integrity within each region and the Office of Central Operations to provide the proper level of focus on security and integrity issues nationwide.

SSA Needs to Continue to Address this Challenge

Strong systems security and controls are essential to protecting SSA's critical information infrastructure. SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the ublic's needs.

To better protect its systems and the information contained within them, SSA should centralize all of its systems security management structure under the Chief Information Officer (CIO) to comply with the Government Information Security Reform Act (GISRA) and other laws to ensure all key security components responsible for agencywide security, policy, and administration report directly to the CIO. Currently, these functions are spread across several components within SSA.

GISRA requires each Agency to develop and implement an agencywide information security plan for its assets and operations, and requires the OIG to determine the efficiency and effectiveness of the overall security program and practices. SSA has developed and implemented an agency-wide information security plan for its assets and operations. Our assessment of SSA's compliance with GISRA concluded that SSA generally meets the requirements of GISRA; however, there are opportunities for the Agency to strengthen its information security framework to ensure full compliance with GISRA and the information security-related laws and regulations that provide the foundation for GISRA.

Our work to date has noted other control weaknesses, including:

- SSA needs to perform background checks on SSA employees and contractors to protect its most sensitive data;
- SSA needs to limit employee access to those on a need to know basis;
- SSA needs to implement more stringent physical security measures at all SSA facilities so its most valuable asset, its human capital, is properly protected;
- SSA needs to develop performance measures to protect its critical physical assets, and continue to perform risk and possibly vulnerability assessments; and
- SSA needs to strengthen its information security framework to ensure full compliance with GISRA. Specifically, SSA needs to (1) have specific security performance measures, (2) evaluate all of its critical assets, (3) globally track information technology (IT) security training by its security staff, and (4) itemize IT security costs by projects.

Glossary of Acronyms

A

AC	Appeals Council
ACAPS	Appeals Council Automated Processing System
ACIS	Allegation and Case Investigation System
ACPI	Appeals Council Process Improvement Plan
AICPA	American Institute of Certified Public Accountants
AIME	Average Indexed Monthly Earnings
ALJ	Administrative Law Judge
ALP	Advanced Leadership Program
APP	Annual Performance Plan
APR	Annual Performance Report
AWR	Annual Wage Report

B

BL	Black Lung

C

CAR	Corrective Action Review
CBA	Cost Benefit Analysis
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CIAO	Critical Infrastructure Assurance Office
CIP	Critical Infrastructure Protection
CMS	Centers for Medicare and Medicaid Services
COLA	Cost-of-Living Adjustment
COTS	Commercial Off-The-Shelf Software
CPI	Consumer Price Index
CPS	Current Population Survey
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCM	Disability Claim Manager
DDS	Disability Determination Service
DI	Disability Insurance
DOD	Department of Defense
DOL	Department of Labor
DOS	Department of State
DRI	Disability Research Institute
DT	Department of Treasury

E

EM	Earnings Modernization
EMODS	Earnings Management Information Operations Data Store
EPOXY	Earnings Posted Overall Cross Total/Year-to-Date System
ESF	Earnings Suspense File
ESR	Employment Support Representative
ETA	Electronic Transfer Account

F

FACTS	Financial Accounting System
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FECA	Federal Employeesí Compensation Act
FERS	Federal Employeesí Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managersí Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
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
GSA	General Services Administration

H

HCFA	Health Care Financing Administration
HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
HOTS	Hearing Office Tracking System
HPI	Hearings Process Improvement
HS	Human Services

I

ID	Identification
IDA	Index of Dollar Accuracy
IDD	International Direct Deposit
IG	Inspector General

INS	Immigration and Naturalization Service
IRA	Individual Retirement Account
IRIB	Internet Retirement Benefit Filers
IRS	Internal Revenue Service
ISBA	Internet Social Security Benefits Application
IVT	Interactive Video Training
IVT/IDL	Interactive Video Training/Interactive Distance Learning
IWMS/DOWR	Integrated Work Measurement System/District Office Workload Report

J

JFMIP	Joint Financial Management Improvement Program

K

KI	Key Initiative
KPI	Key Performance Indicator

L

LAE	Limitation on Administrative Expenses
LDP	Leadership Development Program

M

MAR	Monthly Activity Report
MBR	Master Beneficiary Record
MD&A	Managementís Discussion and Analysis
MIICR	Management Information Initial Claims Report
MINT	Modeling Income in the Near Term
MMP	Market Measurement Program
MOU	Memorandum of Understanding
MOURS	Modernized Overpayment and Underpayment Reporting System
MSSICS	Modernized Supplemental Security Income Claims System

N

NA	Not Available
NCC	National Computer Center
NIST	National Institute of Standards and Technology
NRA	Normal Retirement Age
NSHA	National Study of Health and Activity

O

OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance

OCACT	Office of the Chief Actuary
OCOMM	Office of the Deputy Commissioner for Communications
ODCP	Office of the Deputy Commissioner for Policy
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OIG/OA	Office of the Inspector General/Office of Audit
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OQAPA	Office of Quality Assurance and Performance Assessment
OUPS	Overpayment/Underpayment Processing System

P

PAR	Performance and Accountability Report
PDD	Presidential Decision Directives
PI	Performance Indicators
PIA	Primary Insurance Amount
PIN	Personal Identification Number
P.L.	Public Law
PP&E	Property, Plant and Equipment
PSC	Program Service Center
PUMS	Public Understanding Measurement System
PwC	PricewaterhouseCoopers LLP

Q

QC	Quarters of Coverage

R

RO	Regional Office
ROAR	Recovery of Overpayments, Accounting and Reporting System
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSI	Retirement and Survivors Insurance

S

SBR	Statement of Budgetary Resources
SDLC	Systems Development Life Cycle
SECA	Self-Employment Contributions Act
SGA	Substantial Gainful Activity
SIPP	Survey of Income and Program Participation
SMART	Security Management Action Report
SOF	Status of Funds
SSA	Social Security Administration
SSDI	Social Security Disability Income

SSI	Supplemental Security Income
SSICR	Supplemental Security Income Claims Report
SSN	Social Security Number
SSR	Supplemental Security Record

T

TBD	To Be Determined
TLC	Talking and Listening to Customers
TOP	Treasury Offset Program
TRO	Tax Refund Offset
TWP	Trial Work Period
TWSSP	Ticket-to-Work and Self-Sufficiency Program
TY	Tax Year

U

UI	Unemployment Information

V

VS	Vital Statistics

W

WC	Workersí Compensation

Y

YES	Youth Employment Strategy