AGENCY FINANCIAL REPORT

Fiscal Year 2017

SocialSecurity.gov

SOCIAL SECURITY
USA
ADMINISTRATION

A MESSAGE FROM THE ACTING COMMISSIONER

The Social Security Administration touches the life of nearly every member of the public. For more than 80 years, we have delivered critical services at significant times like birth, marriage, retirement, disability, and death. Almost 69 million individuals depend on the benefits we provide. It is my honor to serve as Acting Commissioner of the agency responsible for this important work. From my first day in this role, I have made it clear that we must be mission-focused and mission-driven.

I am pleased to issue our fiscal year 2017 *Agency Financial Report*. This report describes how we managed our resources and administered our programs, and demonstrates our commitment to responsible stewardship. We made great strides this past year by focusing on our Strategic Goals:

- Deliver Innovative, Quality Services;
- Strengthen the Integrity of Our Programs;
- Serve the Public Through a Stronger, More Responsive Disability Program;
- Build a Model Workforce to Deliver Quality Service; and
- Ensure Reliable, Secure, and Efficient Information Technology Services.

For the 24th consecutive year, we received an unmodified opinion on our financial statements. Based on the results of our internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate. I am also pleased to announce that we have no material weaknesses in our internal controls.

We are the face of government in our communities. The people we serve are our top priority and expect well-managed programs that provide timely and accurate payments. We have updated the ways in which we provide our services by taking advantage of technology. We are committed to providing service that is efficient and compassionate, and we are firm in our commitment to protect the integrity of our programs.

Respectfully,

Nancy A. Berryhill

Baltimore, Maryland
November 9, 2017

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To access this report online, please visit our **Fiscal Year 2017 *Agency Financial Report* webpage (www.socialsecurity.gov/finance)**.

INTRODUCTION

Our *Agency Financial Report* (AFR) provides financial management and high-level performance information that enables the President, Congress, and the public to assess how well we accomplished our mission, achieved our goals, and managed the financial resources entrusted to us. We organize our AFR into the following major sections:

Management's Discussion and Analysis: The *Management's Discussion and Analysis* section gives an overview of our mission, organization, Strategic Goals and Objectives, Priority Goals, and key fiscal year (FY) 2017 performance measures. We highlight the FY 2017 results of our key performance measures and discuss our accomplishments and plans to achieve our mission. We provide a summary of the financial information contained in subsequent sections of the AFR. We also include a synopsis of our systems, controls, and legal compliance.

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

Other Information: The *Other Information* section includes the *Inspector General Statement on SSA's Major Management and Performance Challenges*, as well as our Summary of Financial Statement Audit and Management Assurances tables. We also provide information on our entitlement reviews and Office of the Inspector General anti-fraud activities, agency fraud reduction efforts, civil monetary penalties, biennial review of user fee charges, actions to comply with the Reduce the Footprint initiative, grants oversight, and debt collection and management activities. The *Payment Integrity* report concludes this section.

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

For the 19th year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting* (CEAR) *award for our annual Agency Financial Report. Receiving the CEAR for our FY 2016 Agency Financial Report is a significant accomplishment for a Federal agency.

Management's Discussion and Analysis

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

The *Overview of the Social Security Administration* highlights our mission as set forth in our *Agency Strategic Plan*. We identify the major programs we administer and provide a brief explanation of our organization.

The *Overview of Our Fiscal Year 2017 Goals and Results* provides a high-level discussion of our goals and our key mission results. We link our agency-wide Strategic Goals with our Priority Goals, display our fiscal year 2017 operating expenses by Strategic Goal, highlight how our results contribute to achieving our Strategic Goals and Objectives, and discuss how we plan to address the challenges we face.

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

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

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

OUR MISSION

Deliver Social Security services that meet the changing needs of the public

SOCIAL SECURITY BENEFITS AMERICA

Few government agencies touch the lives of as many people as we do. We administer three programs under the *Social Security Act*:

- **Old-Age and Survivors Insurance**: Created in 1935, the Old-Age and Survivors Insurance (OASI) program provides retirement and survivors benefits to qualified workers and their family members. In fiscal year (FY) 2017, we paid approximately $793 billion in OASI benefits to an average of approximately 51 million beneficiaries a month, including 88 percent of the population age 65 and over.
- **Disability Insurance**: Established in 1956, the Disability Insurance (DI) program provides benefits for workers who become disabled and their families. In FY 2017, we paid approximately $141 billion in DI benefits to an average of more than 10 million disabled beneficiaries and their family members a month.
- **Supplemental Security Income**: Established in 1972, the Supplemental Security Income (SSI) program provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2017, we paid approximately $51 billion in Federal benefits and State supplementary payments to over 8 million SSI recipients on average each month.

In addition, we support other national programs, such as Medicare, *Employees Retirement Income Security Act of 1974*, *Coal Act*, Supplemental Nutrition Assistance Program (formerly Food Stamps), *Help America Vote Act*, State Children's Health Insurance Program, E-Verify, Medicaid, and Federal Benefits for Veterans.

We have implemented enterprise risk management processes to improve the effectiveness of our organization. Our goals are informed by both the strategic opportunities ahead, as well as our management of risks that threaten our core mission activities.

HOW SOCIAL SECURITY BENEFITED AMERICA IN FISCAL YEAR 2017

- A combined total of around $986 billion was paid in Social Security and SSI benefits;
- About 88 percent of the American population age 65 and over received Social Security benefits;
- About 95 percent of individuals age 20–49 who worked in covered employment had survivors protection for their young children and a surviving spouse caring for the children; and
- On average each month, more than 1.2 million blind or disabled children under age 18 received SSI benefits.

HOW WE SERVED AMERICA IN FISCAL YEAR 2017

- Issued 16 million new and replacement Social Security cards;
- Performed over 2.1 billion automated Social Security number verifications;
- Posted 290 million earnings items to workers' records;
- Handled over 36 million calls on our National 800 Number;
- Assisted 42 million visitors in field offices;
- Mailed nearly 250 million notices;
- Registered over 5.7 million users for *my* Social Security, a personalized online account;
- Processed 155.5 million online transactions;
- Completed 10 million claims for benefits;
- Completed 685,657 hearing dispositions;
- Completed 160,776 Appeals Council requests for review;
- Handled 18,590 disability cases in Federal court;
- Completed 874,411 full medical continuing disability reviews (CDR);
- Performed nearly 2.6 million non-medical redeterminations of SSI eligibility;
- Through data exchange partnerships with the Centers for Medicare and Medicaid Services, we identified over $23 million in estimated incorrect payments; and
- Provided access to the Social Security Benefit Statement (Statement), mailing 13,673,994 paper Statements and allowing beneficiaries to access their Statements online more than 46.2 million times.

OUR ORGANIZATION

More than 61,000 Federal employees and approximately 16,000 State employees serve the public from a network of offices across the country and around the world. The vast majority of our employees serve the public directly or provide support to employees who do.

We administer our programs and services through a network of more than 1,200 field offices. Each day, over 170,000 people visit and 260,000 call one of our field offices nationwide for a variety of reasons such as to file claims, ask questions, or update their information.

Our National 800 Number handles over 30 million calls each year. Callers can conduct a variety of business transactions by speaking directly with a customer service representative or through our 24-hour automated services, which include requesting benefit verification letters, ordering replacement Medicare cards, and obtaining claim status updates.

Our processing centers handle complex Social Security retirement, survivors, and disability claims, as well as provide support to our National 800 Number. State agencies make disability determinations for initial claims, reconsiderations, and CDRs. Administrative law judges in our hearings offices and administrative appeals judges in our Appeals Council decide appealed cases.

For information about our components and their functions, visit our Organizational Structure webpage (www.socialsecurity.gov/org).

OVERVIEW OF OUR FISCAL YEAR 2017 GOALS AND RESULTS

HOW WE MANAGE PERFORMANCE

Our Performance Framework: The *Government Performance and Results Modernization Act of 2010* (GPRMA) describes how agency strategic plans and goals should align with presidential terms and broader Federal efforts.

Setting goals and measuring our performance is vital to our success. We define our performance framework in the *Fiscal Year* (FY) *2014-2018 Agency Strategic Plan* (www.socialsecurity.gov/asp). Our *Agency Strategic Plan* (ASP) defines our Strategic Goals and details underlying objectives, strategies, and relevant risks and mitigation plans.

Our Strategic Goals are:

Strategic Goal 1: Deliver Innovative, Quality Services;

Strategic Goal 2: Strengthen the Integrity of Our Programs;

Strategic Goal 3: Serve the Public through a Stronger, More Responsive Disability Program;

Strategic Goal 4: Build a Model Workforce to Deliver Quality Service; and

Strategic Goal 5: Ensure Reliable, Secure, and Efficient Information Technology Services.

Our Planned Performance: In May 2017, we published our *Annual Performance Plan for FY 2018, Revised Annual Performance Plan for FY 2017* (www.socialsecurity.gov/agency/performance) and our *Annual Performance Report FY 2016* (www.socialsecurity.gov/agency/performance), as part of the *President's FY 2018 Budget Request* (www.socialsecurity.gov/budget/). These plans and report outline our tactical plans for achieving the goals and objectives in our ASP and complete our performance commitments for FY 2017.

Each September, a draft consolidated *Annual Performance Plan and Annual Performance Report* (APR) accompanies our budget submission to the Office of Management and Budget. The draft APR provides our priorities and key initiatives for the next two fiscal years, the performance measures we will use to evaluate our success, and our progress to date on current fiscal year commitments. The budgeted workloads published in our APR correspond to the key workload measures contained in the *FY 2017 Operating Plan* (www.socialsecurity.gov/budget/).

Our Actual Performance and Program Results: We update the APR after the close of the fiscal year to provide performance results for the previous fiscal year. We will issue the final APR, containing our actual FY 2017 results, in February 2018. The final APR will be available on our Budget Estimates and Related Information website (www.socialsecurity.gov/budget/).

This *Agency Financial Report* summarizes our key initiatives, overall performance results, and financial activities in carrying out our mission in FY 2017. The following table shows our operating expenses by Strategic Goal.

FY 2017 Operating Expenses by Strategic Goal
(Dollars in Millions)

Deliver Innovative, Quality Services	$ 2,862
Strengthen the Integrity of Our Programs	$ 2,354
Serve the Public through a Stronger, More Responsive Disability Program	$ 6,033
Build a Model Workforce to Deliver Quality Service	$ 353
Ensure Reliable, Secure, and Efficient Information Technology Services	$ 1,130

Our Priorities: In support of the GPRMA, we established four Agency Priority Goals (APG). Our APGs were aggressive 24-month goals and reflect the performance improvement priorities of our executive leadership as well as those of the Administration. We routinely review our progress and take actions to improve our outcomes, promote innovation, and deliver favorable results.

For FYs 2016 and 2017, our APGs were:

1. Improve customer service and convenience by increasing online transactions by 25 million each year;
2. Increase customer satisfaction with our services;
3. Improve the integrity of the Supplemental Security Income (SSI) program by ensuring that 94 percent of our payments are free of overpayment; and
4. Improve customer service by reducing the wait time for a hearing decision.

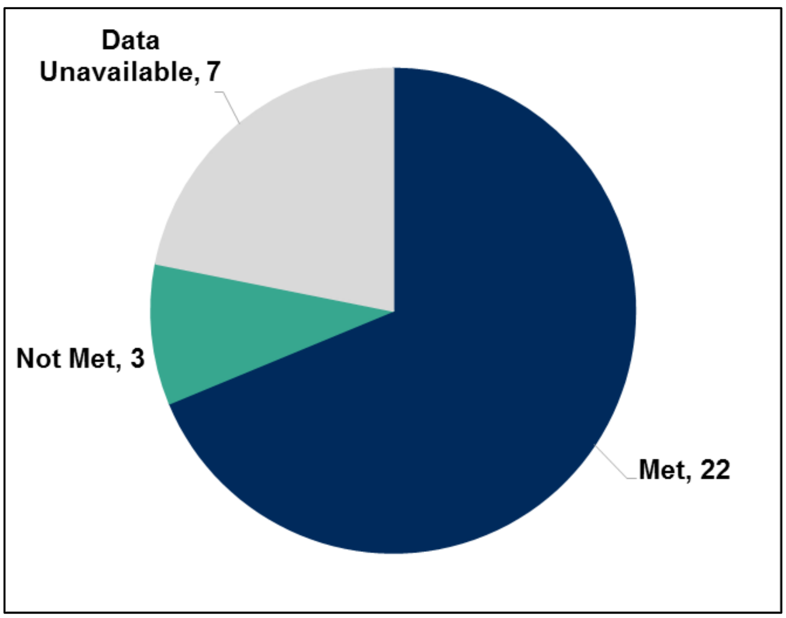
SUMMARY OF FISCAL YEAR 2017 PERFORMANCE

This summary highlights the approaches we used to achieve the performance measures and targets set in support of our goals during FY 2017. It also outlines some of the challenges we faced meeting these goals and analyzes our performance. We base our planned performance measures and targets on the President's Budget request. If necessary, we adjust our resources to ensure we can complete our budgeted workloads and agency goals within our budget.

Below, we highlight 10 performance measures and targets that promote our Strategic Goals. Final data for 3 of the 10 performance measures and targets we highlighted were not available at the time we published this report. We will include those overall results in our FY 2018 *Agency Financial Report*. We met our targets for six of the seven performance measures with available data.

Overall, we met our targets for 22 of the 32 total performance measures that we use to track agency progress towards meeting our Strategic Goals and objectives. Final data for 7 of the 32 performance measures and targets were not available at the time we published this report. Data on those performance measures will be published in our *Annual Performance Plan for FY 2019, Revised Performance Plan for FY 2018, and Annual Performance Report for FY 2017* in February 2018.

Summary of Our FY 2017 Performance Measure Results



STRATEGIC GOAL 1:
DELIVER INNOVATIVE, QUALITY SERVICES

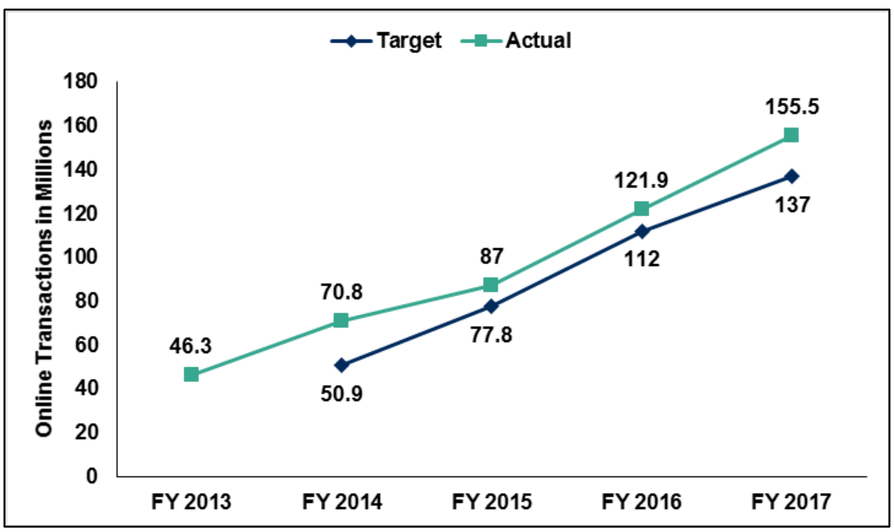
Strategic Objectives

- Develop and Increase the Use of Self-Service Options
- Enhance the Customer Experience by Completing Customers' Business at the First Point of Contact
- Partner with Other Agencies and Organizations to Improve Customers' Experience and Align with the Administration's One-Government Approach
- Evaluate Our Physical Footprint to Incorporate Improved Service Options

Create an account:
www.socialsecurity.gov/myaccount

We selected the following performance measures to help demonstrate our progress in delivering innovative, quality services:

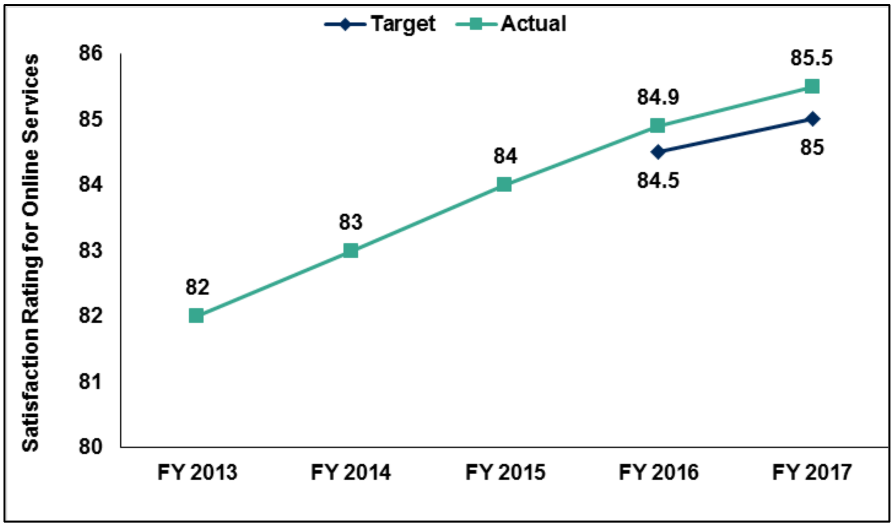
Improve customer service and convenience by increasing online transactions by 25 million each year (APG)



Analysis: We processed 155.5 million online transactions in FY 2017. We continue to look for opportunities to add new online features to improve service delivery. Individuals who register for a *my* Social Security account can access their personal Social Security information and complete certain services with us online. In FY 2017, we enhanced *my* Social Security by adding the Get Help widget and Message Center. Users can check the status of their initial claims or appeals, and if they receive disability benefits, they can now report their wages online. In FY 2017, we also enhanced the security of *my* Social Security by requiring multifactor authentication for each registration.

Increase customer satisfaction with our services (APG)

Online Services



Office and Telephone Services

Fiscal Year	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2017 Target	Target Achieved
Performance	80% satisfaction rating	Data is not available	79% satisfaction rating	80% satisfaction rating	80% satisfaction rating	80% satisfaction rating	Met

Analysis: Demonstrating our commitment to customer service, we are pleased that 7 of our 8 online applications earned scores of at least 80 out of 100 in the Forsee E-Government Satisfaction Index. (Note: A score of 80 or higher is considered the threshold for excellence.)

Our efforts to deliver innovative, quality services include:

ENHANCE *my* Social Security

Individuals who register for a *my* Social Security account can access their personal Social Security information and complete certain services with us online. In FY 2017, we enhanced *my* Social Security by adding the Get Help widget and Message Center. Users can check the status of their initial claims or appeals, and if they receive disability benefits, they can now report their wages online. In FY 2017, we also enhanced the security of *my* Social Security by requiring multifactor authentication for each registration.

EXPAND THE AVAILABILITY OF THE ONLINE SOCIAL SECURITY REPLACEMENT CARD APPLICATION

Replacing Social Security cards is one of our most requested services. Each year, we process about 10 million Social Security replacement cards in our field offices. Adults with a *my* Social Security account, who meet certain criteria, may apply for a replacement card through the Internet Social Security Number Replacement Card (iSSNRC) online application.

Since we launched iSSNRC in November 2015, we have increased the number of States where people may request a replacement Social Security card. We currently offer iSSNRC in 24 States and the District of Columbia. In FY 2016, we successfully issued more than 100,000 replacement cards through iSSNRC, and issued approximately 500,000 cards through the iSSNRC application in FY 2017.

STRATEGIC GOAL 2:
STRENGTHEN THE INTEGRITY OF OUR PROGRAMS

Strategic Objectives

- Transform the Way We Record Earnings to Enhance Data Accuracy
- Protect the Public's Data and Provide Secure Online Services
- Increase Payment Accuracy

Report Wages from Your Mobile Device

Available now in
Google Play: play.google.com/store and Apple app: www.apple.com/itunes/charts/free-apps/

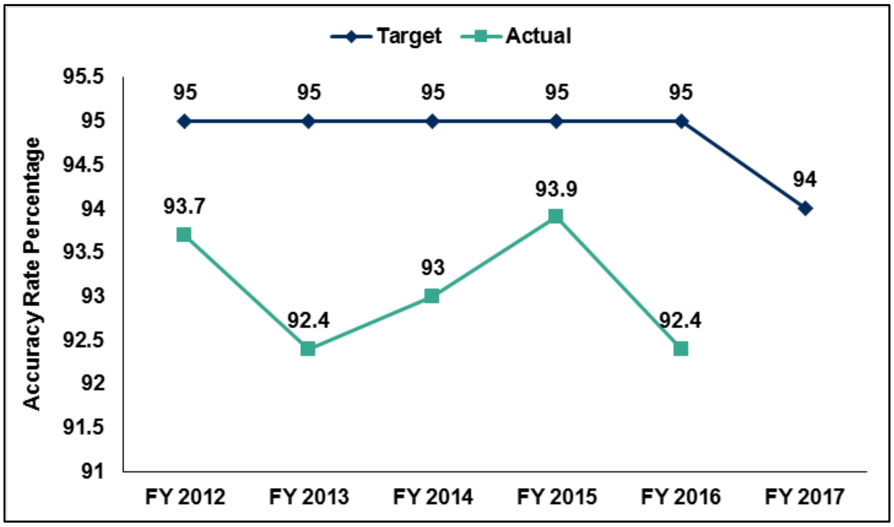
We selected the following performance measures to indicate our progress in strengthening the integrity of our programs:

Increase secure access to the public's data

Fiscal Year	2017 Actual	2017 Target	Target Achieved
Performance	Completed all mainframe encryption in our data centers in May 2017	Encrypt all mainframe data stored in our data centers by September 2017	Met

Analysis: We maintain a comprehensive, agency-wide information security program to protect our network, information, and communication assets. We are strengthening the security of our systems by implementing consistent management controls at all of our data facilities. We review our policies and processes continually to ensure adequate safeguards are in place to prevent misuse and unauthorized access to our systems and data. As part of the *Cybersecurity Act of 2015*, Federal agencies must encrypt data that is stored or passing through the agency's information systems. In FY 2017, we began the Data at Rest Encryption initiative to protect data in our most sensitive information technology (IT) environments and completed Data at Rest Encryption for mainframe.

Improve the integrity of the SSI program by ensuring that 94 percent of our payments are free of overpayment (APG)



Analysis: The primary cause of overpayment (O/P) errors is the failure by SSI recipients and their representative payees to report payment-affecting changes, which has been a perennial problem since the inception of the SSI program. In FY 2016, our O/P accuracy was 92.4 percent, based on improper payments totaling a projected $4.3 billion (compared with $3.4 billion in FY 2015). This decrease is statistically significant from the FY 2015 O/P accuracy rate of 93.9 percent, the highest O/P accuracy rate since FY 2003. FY 2017 data is not available until summer 2018.

Some of the initiatives we are undertaking to strengthen the integrity of our programs include:

IMPROVE THE DEATH REPORTING SYSTEM PROCESS

We are updating our death reporting system to ensure we are collecting accurate data from Federal, State, and local agencies as well as from other countries with whom we have Totalization agreements. We rely on our death reporting system, so we can stop Social Security and SSI benefits as soon as possible after an individual's death. The early detection of an individual's death is a key means of preventing improper payments.

EXPAND OUR COOPERATIVE DISABILITY INVESTIGATIONS PROGRAM

Cooperative Disability Investigations (CDI) units are jointly operated by SSA, the Office of the Inspector General, State disability determination services (DDS), and State and local law enforcement. Generally, CDI units investigate suspected fraud before the agency awards benefits as well as during the CDR and redetermination process when fraud may be involved.

Currently, the CDI program has 40 units, covering 34 States, the Commonwealth of Puerto Rico, and the District of Columbia. In FY 2017, we expanded coverage to New Jersey.

STRATEGIC GOAL 3: SERVE THE PUBLIC THROUGH A STRONGER, MORE RESPONSIVE DISABILITY PROGRAM

Strategic Objectives

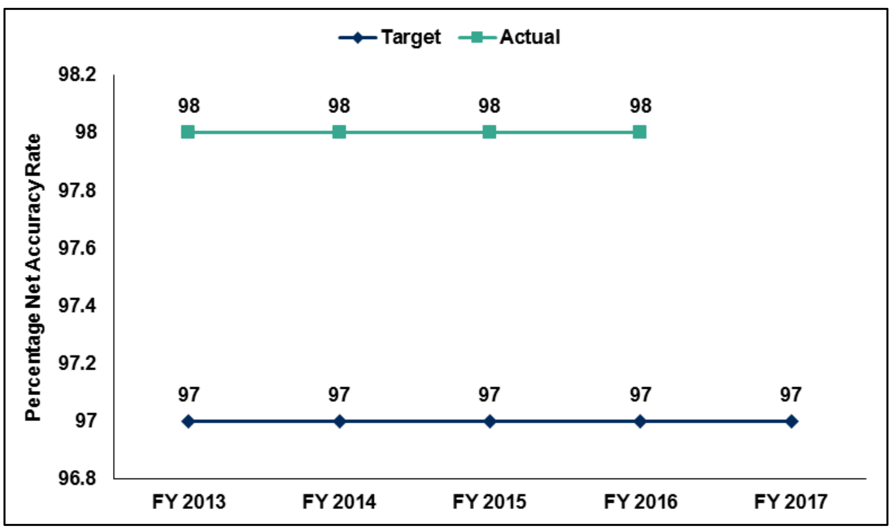
- Improve the Quality, Consistency, and Timeliness of Our Disability Decisions
- Maximize Efficiencies throughout the Disability Program
- Enhance Employment Support Programs and Create New Opportunities for Returning Beneficiaries to Work

Faces and Facts of Disability

[Disability facts: www.socialsecurity.gov/disabilityfacts/index.html](www.socialsecurity.gov/disabilityfacts/index.html)

We selected the following performance measures to demonstrate our efforts to serve the public through a stronger and more responsive disability program:

Ensure the quality of our decisions by achieving the disability determination services net accuracy rate for initial disability decisions



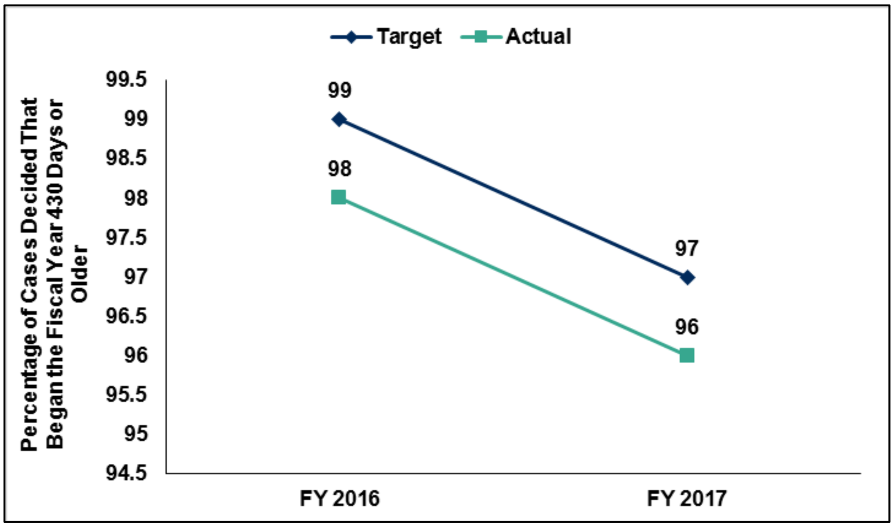
Analysis: The public expects us to make timely and accurate decisions. We have consistently met our target for this measure since FY 2010. In FY 2016, we demonstrated the quality of our decisions by achieving the DDS net accuracy rate of 98 percent for initial disability decisions, exceeding our target of 97 percent. FY 2017 data is not available until January 2018.

Increase our ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days or older

Fiscal Year	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2017 Target	Target Achieved
Performance	88% of cases pending less than 365 days	91.1% of cases pending less than 365 days	84% of cases pending less than 365 days	82% of cases pending less than 365 days	83% of cases pending less than 365 days	94% of cases pending less than 365 days	82% of cases pending less than 365 days	Met

Analysis: As we decide more cases at the hearing level, the Appeals Council receives more requests for review of hearing decisions. In FY 2017, we increased the percentage of cases pending less than 365 days to 94 percent, our highest percentage since we began tracking the data.

Improve customer service by reducing the wait time for a hearing decision (APG)



Analysis: Currently, over 1 million people are waiting for a hearing decision. In FY 2017, due in part to reduced disability receipts and increased adjudicative capacity, we began reducing the number of hearings pending. We continue to prioritize those who have waited the longest for a hearing decision.

Our efforts to deliver quality disability decisions and services include:

EXPAND ACCESS TO ELECTRONIC MEDICAL EVIDENCE

We depend on healthcare providers to gather the medical records we need to determine whether a claimant is disabled. On average, the agency processes over 15 million pieces of medical evidence per year. We are improving our process by expanding the use of electronic medical evidence. Electronic medical evidence provides faster access to medical information and reduces the time providers spend to comply with our requests. By using medical evidence and applying business rules, we can complete disability claims faster.

INCREASE THE NUMBER OF PEOPLE WITH DISABILITIES WHO RETURN TO WORK

Many disabled beneficiaries want to work, and with adequate support, some beneficiaries attain self-sufficiency. The Ticket to Work and the Vocational Rehabilitation (VR) cost reimbursement programs help beneficiaries transition to employment and progress towards reduced reliance on disability related benefits.

We continue to improve our outreach to beneficiaries. Ongoing mailings; marketing efforts, and monthly webinars; and an interactive presence on social media have also led to thousands of beneficiaries connecting with employment networks (EN) and State VR agencies to get the services they need to return to work. In FY 2017, we implemented systems enhancements to our Internet Ticket Operation Support System to expedite business processes for our EN service providers. We also automated and modernized the VR payment operation eliminating paper claims and streamlining the VR payment process.

REDUCE THE HEARINGS BACKLOG

In FY 2017, due in part to less disability receipts and increased adjudicative capacity, we began reducing the number of hearings pending. To reduce the backlog and enhance productivity, we implemented numerous initiatives as part of our Compassionate And REsponsive Service (CARES) plan. We updated our plan this year to take into consideration the $90 million in special funding that Congress provided to address the backlog.

Along with hiring, our CARES plan includes a variety of initiatives to increase decisional capacity and achieve business process efficiencies, as well as plans for IT investments.

STRATEGIC GOAL 4:
BUILD A MODEL WORKFORCE TO DELIVER QUALITY SERVICE

Strategic Objectives

- Attract and Acquire a Talented and Diverse Workforce That Reflects the Public We Serve
- Strengthen the Competency, Agility, and Performance of Our Workforce to Align with the Needs of the Public
- Foster an Inclusive Culture that Promotes Employee Well-Being, Innovation, and Engagement
- Enhance Planning and Alignment of Human Resources to Address Current and Future Public Service Needs

Best places to work:
www.bestplacestowork.org/BPTW/index.php

The following performance measure demonstrates our efforts to build a model workforce to deliver quality service:

Become one of the Top 10 Best Places to Work among large agencies in the Federal Government

Fiscal Year	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2017 Target	Target Achieved
Performance	Top 10 Rank	Top 10 Rank	Top 10 Rank	Top 10 Rank	Data available December 2017	Top 10 Rank	TBD

Analysis: One of our strategic objectives is to foster an inclusive culture that promotes employee well-being, innovation, and engagement. Our employees are our most valuable asset. Each year since 2007, our employees have ranked us in the top 10 Best Places to Work in the Federal Government. For FY 2016, we increased our target to become one of the top five best places to work among large agencies. Although we did not reach our goal, our employees still ranked us as number nine among large agencies. Data for FY 2017 will not be available until December 2017.

Some of the initiatives we undertook to remain an employer of choice for top talent included:

EXECUTE TALENT MANAGEMENT AND SUCCESSION PLANNING

Through talent management and succession planning, we will provide the structure and processes needed to ensure continuity of effective leadership at the highest organizational levels. In FY 2017, we addressed succession planning among the Senior Executive Service (SES) by refreshing our SES talent inventory and conducting talent management and succession planning reviews.

IMPLEMENT PERFORMANCE IMPROVEMENT TRAINING AND SUPPORT FOR MANAGERS

To provide supervisors with the tools to address employee performance, we developed a full suite of employee and labor relations training that addresses employee performance. In FY 2017, we trained practitioners and supervisors at headquarters and in the regions.

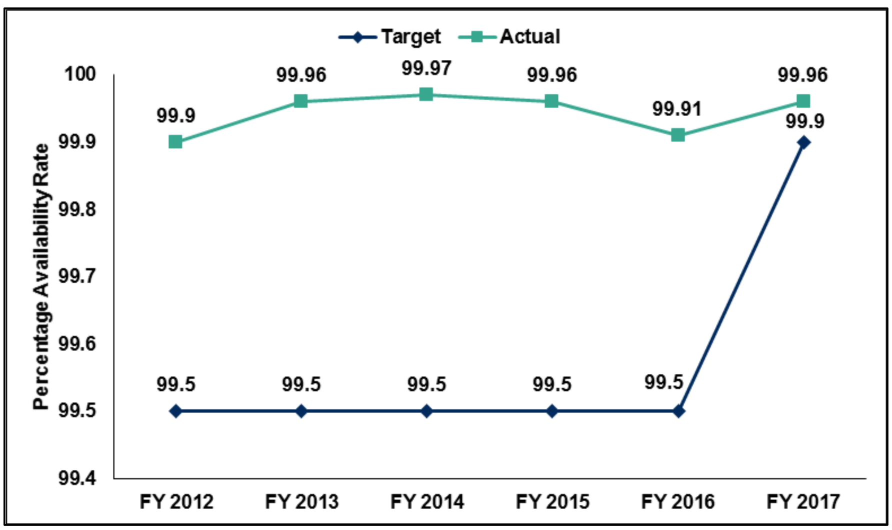
STRATEGIC GOAL 5: ENSURE RELIABLE, SECURE, AND EFFICIENT INFORMATION TECHNOLOGY SERVICES

Strategic Objectives

- Maintain System Performance and the Continuity of Information Technology Services
- Enhance and Execute Plans to Modernize Our Systems
- Incorporate Innovative Advances in Service Delivery
- Continuously Strengthen Our Cybersecurity Program

We selected the following performance measures to demonstrate our efforts to ensure reliable, secure, and efficient IT services:

Provide uninterrupted access to our systems during scheduled times of operation



Analysis: Maintaining uninterrupted access to our systems during scheduled times of operation is essential to meeting our obligation to the public. Since FY 2012, we have exceeded the target for this measure.

Provide secure and effective services to the public by improving cybersecurity performance

Fiscal Year	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2017 Target	Target Achieved
Performance	Homeland Security Presidential Directive 12 Compliance – result 87% Information Security Continuous Monitoring – result 98% Trusted Internet Connections Consolidation – result 100% Trusted Internet Connections 2.0 Capabilities – result 94%	Hardware Asset Management – result 100% Software Asset Management – result 100% Vulnerability and Weakness Management – result 100% Unprivileged Network Users – result 86% Privileged Network Users – result 99% Anti-Phishing Defense – result 100% Malware Defense – result 100% Blended Defense – result 100%	Hardware Asset Management – result 100% Software Asset Management – result 100% Vulnerability and Weakness Management – result 100% Anti-Phishing Defense – result 100% Malware Defense – result 100% Blended Defense – result 100%	Achieved an average of 100% for the following Cybersecurity Cross-Agency Priority Goals: Anti-Phishing Defense; Malware Defense; Blended Defense (anti-phishing and malware defense measures); Hardware Asset Management; Software Asset Management; and Vulnerability and Weakness Management Achieved an overall score of Level 3 on the President's Management Council Cybersecurity Scorecard (exceed government-wide targets in all 5 areas of the National Institute of Standards and Technology Cybersecurity framework)	Continue to achieve an average of 100% for the following Cybersecurity Cross-Agency Priority Goals: Anti-Phishing Defense; Malware Defense; Blended Defense (anti-phishing and malware defense measures); Hardware Asset Management; Software Asset Management; and Vulnerability and Weakness Management Achieve an overall score of Level 3 on the President's Management Council Cybersecurity Scorecard (exceed government-wide targets in all 5 areas of the National Institute of Standards and Technology Cybersecurity framework)	Met

Analysis: Continuously strengthening our cybersecurity is critical to sustaining public trust in our services. We maintain a comprehensive, agency-wide information security program to protect our network, information, and communication assets. Since FY 2013, we have met the Department of Homeland Security cybersecurity standards and requirements.

Some of our ongoing efforts to maintain secure and reliable IT services include:

MODERNIZE THE DISABILITY CASE PROCESSING SYSTEM

In an ongoing effort to issue timely decisions, we are continuing work to modernize our disability processing system. When complete, we will replace 52 independently operated, aging systems. In FY 2017, we deployed our disability case processing system to nine DDS sites (Delaware, Maine, Ohio, Virginia, Iowa, Rhode Island, South Dakota, Washington, and Nebraska).

STRENGTHEN OUR INFORMATION SECURITY PROGRAM AND MODERNIZE OUR CYBERSECURITY INFRASTRUCTURE

We maintain a comprehensive, agency-wide information security program to protect our network, information, and communications assets. We review our policies and processes continually to ensure adequate safeguards are in place to prevent misuse and unauthorized access to our systems and data. We are strengthening the security of our systems by implementing consistent management controls at all of our data facilities.

As part of the *Cybersecurity Act of 2015*, Federal agencies must encrypt data that is stored or passing through the agency's information systems. In FY 2017, we began the Data at Rest Encryption initiative to protect data in our most sensitive IT environments and completed Data at Rest Encryption for mainframe.

LOOKING FORWARD – FACING OUR CHALLENGES

The Social Security Administration touches the lives of nearly every member of the public. For more than 80 years, we have delivered critical services at significant times like birth, marriage, retirement, disability, and death. The public expects and deserves well-managed programs that provide timely and accurate payments.

Our priorities and goals for the coming years will focus on delivering services effectively, improving the way we do business, and ensuring stewardship. We must be able to deliver our services effectively to the people who come to us for assistance regardless of whether it is in-person, on the telephone, or online. As we interact with the public every day, our employees experience firsthand the impact of our programs. We understand that doing our work well matters. We know that our programs are not stagnant and that advancements in technology provide opportunities to do business differently, and often more efficiently and conveniently.

We must continuously evaluate our policies and business processes using data and modern methods to ensure we meet service demands that reinforce efficient and effective service. Recognizing that our current technology infrastructure and existing business system would not allow us to serve the public the way we want or the way they expect us to, we developed a plan to modernize our IT systems. This modernization effort is foundational to our overall ability to improve service to the public.

We are committed to being good stewards of taxpayer dollars to ensure the public has confidence that we manage their tax dollars wisely. We take our stewardship of our programs seriously and we will continue to demonstrate a commitment to sound management practices. To ensure stewardship and efficient administration of our programs, we will focus our efforts in three major areas: improving program integrity, enhancing our fraud prevention and detection activities, and improving workforce performance and increasing accountability.

As we have done since 1935, we will continue to monitor risks to our progress, seize opportunities for improvement, and evolve to meet the public's changing needs.

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unmodified opinion on our financial statements from KPMG LLP. Our financial statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 41 through 96 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2015 through 2017 (excluding key amounts from our Statements of Social Insurance and Statements of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

Table of Key Financial Measures[1]
(Dollars in Billions)

Net Position (end of fiscal year)			
	2017	2016	2015
Total Assets	$2,934.8	$2,888.4	$2,856.7
Less Total Liabilities	$115.3	$113.7	$112.4
Net Position (assets net of liabilities)	$2,819.6	$2,774.6	$2,744.3
Change in Net Position (end of fiscal year)			
	2017	2016	2015
Net Costs	$999.1	$982.2	$945.0
Total Financing Sources[2]	$1,044.1	$1,012.5	$967.5
Change in Net Position	$45.0	$30.3	$22.5

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position displayed on page 44.

Balance Sheet: The Balance Sheet displayed on page 42 presents, as of a specific point in time, amounts of economic benefits we own or manage (assets), amounts we owe (liabilities), and residual amounts we retain, comprising the difference (net position).

Total assets for FY 2017 are $2,934.8 billion, a 1.6 percent increase over the previous year. Of the total assets, $2,917.7 billion relates to funds from dedicated collections for the OASI and DI programs. By statute, we invest those funds not needed to pay current benefits in interest-bearing Treasury securities. Investments, which account for approximately 98.5 percent of our assets, increased $47.3 billion over the previous year.

Liabilities grew in FY 2017 by $1.6 billion primarily because of the growth in benefits due and payable, which is attributable to an increase in the number of OASI beneficiaries. The majority of our liabilities (89.8 percent) consist of benefits that have accrued as of the end of the fiscal year, but have not been paid. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position grew $45.0 billion to $2,819.6 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 43 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of our administrative costs not related to the OASI, DI, and SSI programs and contains non-material activities.

Our net cost of operations includes the gross costs we incurred less any exchange revenue earned from activities. In FY 2017, our total net cost of operations increased $16.9 billion to $999.1 billion, primarily due to a 2.3 percent increase in the number of OASI beneficiaries. The OASI net cost increased by 3.6 percent, while the DI and SSI net cost decreased 2.1 percent and 12.5 percent respectively. Operating expenses decreased for the OASI, DI, and SSI programs by 2.3 percent, 9.1 percent, and 7.5 percent, respectively.

In FY 2017, our total benefit payment expenses increased by $17.7 billion, a 1.8 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2017 and FY 2016 for each of our three major programs.

Benefit Changes in Our Major Programs During Fiscal Years 2017 and 2016

	FY 2017	FY 2016	% Change
OASI			
Benefit Payment Expense	$793,155	$765,024	3.7%
Average Monthly Benefit Payment	$1,304.21	$1,283.82	1.6%
Number of Beneficiaries	51.19	50.02	2.3%
DI			
Benefit Payment Expense	$141,206	$144,018	(2.0)%
Average Monthly Benefit Payment	$1,037.89	$1,028.50	0.9%
Number of Beneficiaries	10.45	10.64	(1.8)%
SSI			
Benefit Payment Expense	$51,355	$58,976	(12.9)%
Average Monthly Benefit Payment	$540.72	$540.09	0.1%
Number of Beneficiaries	8.26	8.29	(0.4)%

Notes:

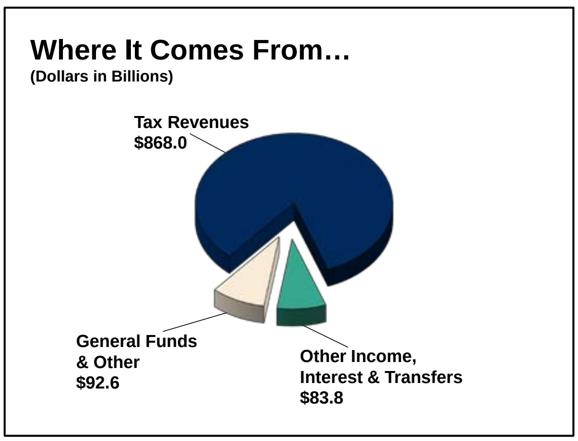
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs are presented in actual dollars.
3. The average monthly benefit payment for OASI and DI programs reflects the September average monthly benefit payment for FY 2017 and FY 2016.
4. The FY 2017 number of beneficiaries and average monthly benefit payment for the SSI program are presented for August 2017, since September figures are not yet available. The values presented for FY 2016 are from September 2016.

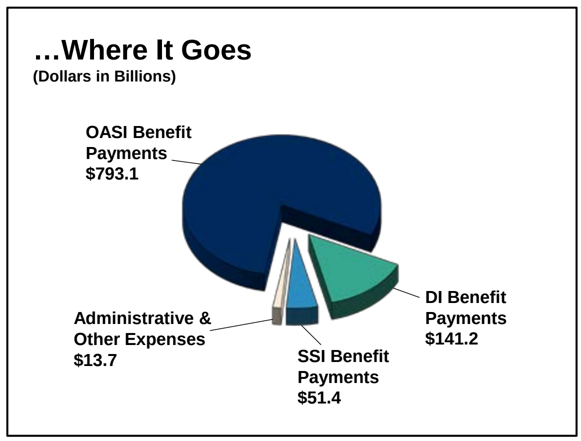
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 44 presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of $45.0 billion in the net position of our agency, which is attributable to financing sources in excess of our agency's net cost. At this time, the total of all tax revenues and interest earned continue to exceed benefit payments made to OASDI beneficiaries, keeping the agency's programs solvent. The passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, authorizes a temporary reallocation of the DI Trust Fund's portion of the *Federal Insurance Contributions Act* payroll tax by 0.57 percentage point. A total of 2.37 percentage points of the total combined 12.40 percent payroll tax was allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution. This reallocation of payroll taxes resulted in increased tax revenue for the DI Trust Fund, which resulted in DI's net position increasing $25.4 billion from $20.8 billion to $46.2 billion.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses are 1.4 percent.

In FY 2017, total financing sources, as shown in the Table of Key Financial Measures displayed on page 26, increased by $31.6 billion to $1,044.1 billion. The primary source for this increase is additional tax revenues received in FY 2017. The $1,044.1 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart "Where It Comes From…" as seen below. The activity reported in the chart includes $0.3 billion in exchange revenue. Our exchange revenues primarily include payments of fees we receive from States choosing to have us administer their State Supplementation of Federal SSI benefits. These amounts are reported on the Statement of Net Cost and are not classified as a financing source.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2017.



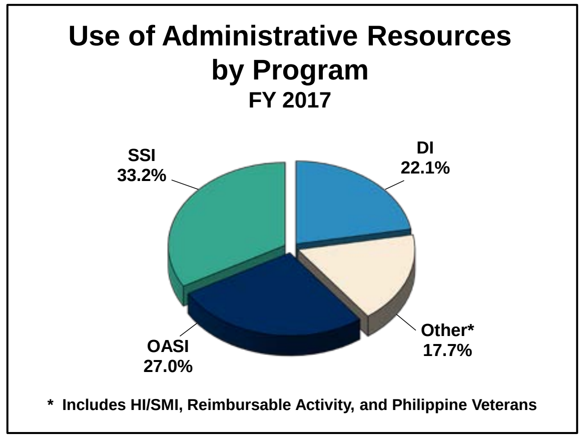


The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. While the activity is unfunded, we still record an expense, which creates the negative Cumulative Results of Operations since we do not record an associated financing source.

Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 45 provides information on the budgetary resources available to our agency for the year and shows the status of those resources at the end of FY 2017. The Statement shows that we had $1,064.6 billion in budgetary resources, of which $5.5 billion remained unobligated at year-end. We recorded total net outlays of $1,000.8 billion by the end of the year. Budgetary resources increased $25.8 billion, or 2.5 percent, from FY 2016, while net outlays increased $24.0 billion, or 2.5 percent. The increase in budgetary resources is primarily due to an increase in tax revenues. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries.

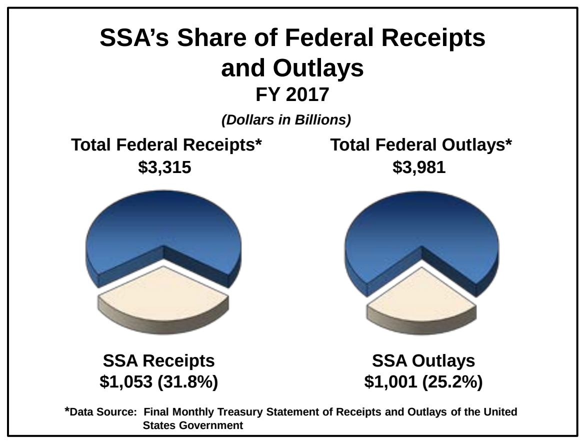
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2017 in terms of the programs we administer or support. Although the DI program comprises only 14.3 percent of the total benefit payments we make, it consumes 22.1 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.2 percent of the total benefit payments we make, it consumes 33.2 percent of annual administrative resources. State disability determination services decide whether the claimants for DI and SSI disability benefits are disabled. In addition, disability determination services perform continuing disability reviews of individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2016 use of administrative resources by program was 26.2 percent for the OASI program, 23.0 percent for the DI program, 33.9 percent for the SSI program, and 16.9 percent for Other.



SSA'S SHARE OF FEDERAL OPERATIONS

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government, as shown in the chart to the right. Receipts for our programs in FY 2017 represented 31.8 percent of the $3.3 trillion in total Federal receipts, an increase of 0.6 percent over last year. Outlays decreased by 0.2 percent to 25.2 percent of Federal outlays.



OVERVIEW OF SOCIAL INSURANCE DATA

Table of Key Social Insurance Measures[1]
(Dollars in Billions)

Statements of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2017	2016	2015
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	-$15,357	-$14,169	-$13,440
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	-$14,169	-$13,440	-$13,330
Change in present value	-$1,187	-$730	-$110

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Future net cash flows are estimated over the appropriate 75-year period.

Statements of Social Insurance: As displayed on page 46, the Statements of Social Insurance present the following estimates:

- The present value of estimated future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age (age 62 and over) and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age (ages 15–61) and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income less estimated future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of estimated noninterest income to be received from or on behalf of future participants (those under age 15, and to be born during the period) and the cost of providing scheduled benefits to those same individuals; and
- The present value of estimated future noninterest income less estimated future cost for the open group, which represents all current and future participants (including those to be born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The present value of estimated future net cash flows (estimated noninterest income less estimated cost for scheduled future benefits) for all current and future participants over the next 75 years (open group measure) decreased from -$14.2 trillion, as of January 1, 2016, to -$15.4 trillion, as of January 1, 2017. The deficit, therefore, increased in magnitude by about $1.2 trillion. Including the asset reserves in the combined OASI and DI Trust Fund increases this open group measure to -$12.5 trillion for the 75-year valuation period. Therefore, including the asset reserves decreases the open group measure, in magnitude, by about $2.8 trillion.

The present value of estimated future net cash flows for all current participants (who attain age 15 or older in the first year of the projection period) over the next 75 years, *plus* the asset reserves in the combined OASI and DI Trust Fund as of the beginning of the period, is -$30.3 trillion (closed group measure). Including future participants (those under age 15, and to be born during the projection period) over the next 75 years decreases the projected deficit by $17.8 trillion to the open group measure of -$12.5 trillion.

Statements of Changes in Social Insurance Amounts: The Statements of Changes in Social Insurance Amounts displayed on page 47 reconcile the change (between the current valuation period and the prior valuation period) in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

From January 1, 2016 to January 1, 2017: The present value as of January 1, 2017 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2091. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by less than $0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.6 trillion;
- Changes in programmatic data, assumptions, and methods decreased the present value of estimated future net cash flows by less than $0.1 trillion; and
- Changes in law or policy increased the present value of estimated future net cash flows by less than $0.1 trillion.

Significant changes made for this valuation included:

- Incorporating recent data led to higher death rates throughout the projection period and lower disabled worker incidence rates during the short-range period;
- Lower real-wage differential in the first 10 years of the projection period and lower near-term interest rates; and
- Reduction of the level of actual and potential gross domestic product by about 1 percent for all years after the short-range period.

From January 1, 2015 to January 1, 2016: The present value as of January 1, 2016 decreased (became more negative) by $0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2090. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cash flows by $0.6 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.9 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cash flows by less than $0.1 trillion; and
- Changes in law or policy increased the present value of estimated future net cash flows by $0.1 trillion.

Significant changes made for this valuation included:

- The ultimate rate of price inflation (CPI-W) was lowered by 0.1 percentage point, to 2.6 percent for the current valuation period, compared to 2.7 percent for the previous valuation period;

- The ultimate real-wage differential is assumed to be 1.20 percent in the current valuation period, compared to 1.17 percent in the previous valuation period;
- The ultimate real interest rate was lowered by 0.2 percentage point, to 2.7 percent for the current valuation period, compared to 2.9 percent in the previous valuation period; and
- The effects of the *Bipartisan Budget Act of 2015*.

OASI AND DI TRUST FUND SOLVENCY

PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed solvent as long as asset reserves are sufficient to finance program obligations in full and on a timely basis. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund asset reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund asset reserves have been growing.

The following table shows that OASI and DI Trust Fund asset reserves, expressed in terms of the number of months of program obligations that these asset reserves could finance, has been declining slowly, from 38.9 months at the end of FY 2013, to 37.6 months at the end of FY 2014, to 36.8 months at the end of FY 2015, and to estimated values of 36.1 and 34.9 months at the end of FY 2016 and FY 2017, respectively. The historical values shown in the table for the DI Trust Fund have declined in recent years because expenditures have increasingly exceeded income. This trend is projected to reverse in FY 2016 and FY 2017 due to the *Bipartisan Budget Act of 2015*, which reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund.

Number of Months of Expenditures
Fiscal-Year-End Asset Reserves Can Pay[1,2]

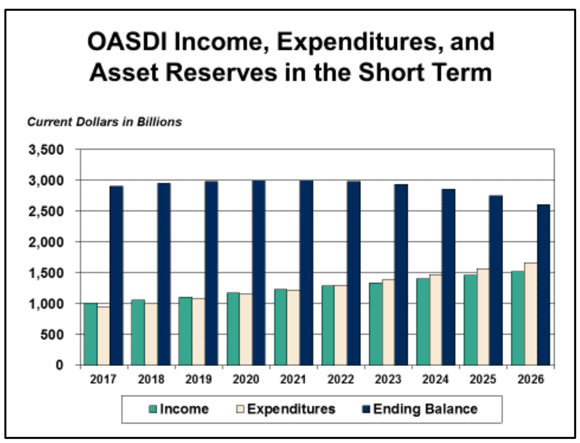
	2013	2014	2015	2016	2017
OASI	45.2	43.9	43.1	42.0	40.1
DI	8.3	5.7	3.4	3.7	5.5
Combined	38.9	37.6	36.8	36.1	34.9

Notes:

1. Computed as 12 times the ratio of end-of-year asset reserves to outgo in the following fiscal year.
2. Values for FY 2016 and FY 2017 are estimates based on the intermediate set of assumptions of the 2017 Trustees Report.

SHORT-TERM FINANCING

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its asset reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2017 Trustees Report indicate that, on a hypothetical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2017 Trustees Report, OASDI estimated cost of $1,665 billion and income of $1,521 billion for 2026 are 81 percent and 59 percent higher than the corresponding amounts in 2016 ($922 billion and $957 billion, respectively). From the end of 2016 to the end of 2026, asset reserves are projected to decrease by 8 percent, from $2.8 trillion to $2.6 trillion.



LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2034, the combined OASI and DI Trust Fund asset reserves will be depleted according to the projections by Social Security's Trustees. Tax revenues are projected to be sufficient to support expenditures at a level of 77 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 73 percent of scheduled benefits in 2091.

The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: birth rates dropping substantially after 1965, retirees living longer, and baby boomers approaching retirement. In present value terms, the 75-year shortfall is $12.5 trillion, which is 2.66 percent of taxable payroll and 0.9 percent of gross domestic product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

- Increasing payroll taxes;
- Slowing the growth in benefits;
- Finding other revenue sources (such as general revenues); or
- Increasing expected returns by investing the OASI and DI Trust Fund asset reserves, at least in part, in private securities.

Significant uncertainty surrounds the estimates for the Statements of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near-term and ultimate assumptions used in the projections. For more information, pages 85 through 96 contain the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 41 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

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

SYSTEMS AND CONTROLS

MANAGEMENT ASSURANCES

Federal Managers' Financial Integrity Act Assurance Statement
Fiscal Year 2017

SSA management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act*. We conducted our assessment of risk and internal control in accordance with the requirements of Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, that are effective for fiscal year 2017. Based on the results of the assessment, SSA can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2017.

The agency's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. Generally Accepted Accounting Principles. Management is also responsible for designing, implementing, and maintaining effective internal control over financial reporting. An entity's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

We performed an evaluation of the effectiveness of internal control over financial reporting, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. Based on that evaluation, we concluded that, as of September 30, 2017 SSA's internal control over financial reporting is effective.

Nancy A. Berryhill
Acting Commissioner
November 9, 2017

AGENCY FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established, agency-wide management control and financial management systems program as required by the *Federal Managers' Financial Integrity Act* (FMFIA). We accomplish the objectives of the program by:

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

- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until completion.

Our managers are responsible for ensuring effective internal control in their areas of responsibility. We require senior-level executives to submit an annual statement to the Acting Commissioner providing reasonable assurance that functions and processes under their areas of responsibility were functioning as intended and that there were no major weaknesses that would require reporting, or a statement indicating they could not provide such assurance. This executive accountability assurance provides an additional basis for the Acting Commissioner's annual assurance statement.

Our Executive Internal Control Committee, consisting of senior managers, ensures our compliance with FMFIA and other related legislative and regulatory requirements. If we identify a major control weakness, the Executive Internal Control Committee determines if the weakness is a material weakness that they would need to forward to our agency head for a final determination on whether to report a material weakness.

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

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

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

MANAGEMENT CONTROL REVIEW PROGRAM

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes, such as enumeration, earnings, claims and post-entitlement events, and debt management. We conduct these reviews at our field offices, processing centers, hearings offices, and at the State disability determination services (DDS). These reviews indicate our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

FINANCIAL MANAGEMENT SYSTEMS REVIEW PROGRAM

The agency maintains a financial management systems inventory and conducts reviews of the financial management systems to ensure they meet Federal requirements. In addition to our financial systems, we also include all major programmatic systems in this financial management systems inventory. On a five-year cycle, an independent contractor performs detailed reviews of our financial management systems. During fiscal year (FY) 2017, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

GOVERNMENT ACCOUNTABILITY OFFICE'S, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

In FY 2017, we engaged an independent accounting firm to assess the agency's compliance with the revised Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government*. The standards provide the internal control framework and criteria that Federal managers should use to design, implement, and operate an effective internal control system that will provide us with reasonable assurance that we will achieve our operations, reporting, and compliance objectives. Based on the procedures performed, the independent accounting firm concluded we have an adequately designed system of internal controls that meet the GAO's standards.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Acting Commissioner determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2017. In making this determination, she considered all the information available, including the auditors' opinion on our FY 2017 financial statements, the report on the effectiveness of internal control over financial reporting, and the report on compliance with laws and regulations. She also considered the results of our management control reviews and financial management systems reviews conducted by our independent contractor.

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

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General (OIG) contracted with KPMG LLP (KPMG) for the audit of our FY 2017 financial statements. KPMG found we present fairly the basic financial statements, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles for Federal entities.

KPMG also found that the sustainability financial statements, which comprise the Statement of Social Insurance as of January 1, 2017, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2016 to January 1, 2017, are presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.

KPMG found we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.

In this year's financial statement audit, KPMG continued to cite two significant deficiencies identified in prior years. One significant deficiency concerns certain financial information systems controls, and the other relates to our accounts receivable/overpayments. We are committed to resolving these deficiencies as quickly as possible through our risk-based corrective action plans, and to strengthening our control environment.

This year, KPMG also identified a new significant deficiency concerning controls over the reliability of information used in certain control activities. While we are confident in the controls over our information, we enhanced our processes to provide additional assurance and will continue to do so in the future, including for the process areas cited in the finding.

Please refer to the *Auditors' Report* section of this report for more information on the auditors' findings and our plans to correct the findings.

FEDERAL INFORMATION SECURITY MODERNIZATION ACT

The *Federal Information Security Management Act of 2002* (FISMA), as amended by the *Federal Information Security Modernization Act of 2014*, requires Federal agencies to ensure adequate security protections for Federal information systems and information. Under this act, Federal agencies must submit annual FISMA reports to OMB. We submitted this year's report timely. Our report summarizes the results of our security reviews of major information systems and programs, our progress on meeting the Administration's cybersecurity priorities, and the results of other work performed during the reporting period using government-wide cybersecurity performance measures.

During FY 2017, we continued to strengthen our information security program by implementing and improving our management controls to correct deficiencies cited by the auditors in our prior year financial statement audit. We made significant progress in improving our access management processes and developing our cybersecurity strategic and tactical plans to address risk. Additionally, we completed Authority to Operate documentation for nearly 800 non-centralized applications throughout our regions and DDS offices agency-wide. We also re-engineered and updated our Comprehensive Integrity Review Process to a modern predictive analytics platform within our Security Integrity Center to improve efficiency and accuracy of case investigations.

For the FY 2017 FISMA audit, KPMG assessed our overall maturity at Level 2 – Defined, and acknowledged that we had made some progress in improving our information security program and practices across the agency as required by FISMA, OMB policy and guidelines, and National Institute of Science and Technology standards and guidelines. The auditors cited weaknesses in some areas, including Risk Management, Configuration Management, Identity and Access Management, Security Training, Information Security Continuous Monitoring, Incident Response, and Contingency Planning.

As we do with all auditor findings, we will continue to aggressively pursue a risk-based corrective action plan to address the remaining findings and build on our progress to date.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

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

Annually, we review and update our financial management systems inventory to reflect the most recent status of our systems modernization projects. We categorize our inventory of nine financial management systems under the broad categories of Program Benefits, Debt Management, or Financial/Administrative and continue the long-term development of our financial management systems following a defined strategy. For example, in the Program Benefits category, we are streamlining systems and incorporating new legislative requirements.

For our Debt Management category, in FY 2016, we began planning and analysis for the Overpayment Redesign project. This initiative will address various overpayment systems limitations identified via audits and other sources. Our goal is to build one comprehensive overpayment system that will enable us to track, collect, monitor, and report our programmatic overpayment activity more efficiently. We currently plan to begin development and implementation starting in FY 2018 through FY 2023.

In December 2014, we completed the nationwide rollout of the Social Security Electronic Remittance System (SERS) to collect administrative fees in all field offices. SERS fits our agency's vision to upgrade our receipt processes to eliminate cash transactions, use card swipe and check scanner technology, and adopt processes that are compliant with Payment Card Industry security standards. In FY 2017, we continued to expand the functionality of SERS to include the collection of programmatic debt. We completed the development phase and piloted the system in 20 field offices. Full system rollout to all field offices will be completed in December 2017. We accept checks, money orders, and debit/credit cards for programmatic debt payments.

Beginning in FY 2017, we began planning and analysis on additional mechanisms for submitting programmatic debt payments electronically. This initiative is a multi-year, multi-phase project of which SERS is the first phase.

For the Financial/Administrative systems category, OMB Memorandum M-10-26, *Immediate Review of Financial Systems IT Projects*, provided guidance on dividing financial system implementation projects into smaller, simpler segments with clear deliverables, focusing on the most critical business needs first, and having ongoing, transparent project oversight. Since the inception of the Social Security Online Accounting and Reporting System (SSOARS) project, our approach to implementation, modernization, and maintenance has been, and will continue to be, consistent with these principles.

SSOARS is a federally certified accounting system based on Oracle Federal Financials and consists of core accounting, payables, purchasing, and receivables. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems. SSOARS was the first Federal agency accounting system to successfully achieve Federal Financials Release 12, and we have upgraded SSOARS to Release 12.1.3.

The agency implemented requirements for reporting under the *Digital Accountability and Transparency Act of 2014* (DATA Act). The agency submitted the required reports for the second and third quarters of this fiscal year. The DATA Act effort will enhance the agency's transparency through improved consistency. In addition, through our DATA Act efforts, we will provide more detailed data to the USA Spending public website and additional data to the Department of the Treasury.

NATIONAL ANTI-FRAUD COMMITTEE

For many years, our regional offices have successfully collaborated with regional OIG agents and local law enforcement on regional anti-fraud committees (RAFC). In FY 2014, we reinstated the National Anti-Fraud Committee (NAFC), co-chaired by the Inspector General and our Deputy Commissioner for Budget, Finance, and Management (formerly Budget, Finance, Quality, and Management). The NAFC leads and supports national and regional strategies to combat fraud, waste, and abuse. Support includes, but is not limited to, the following:

- Providing an open forum for agency senior executives to collaborate and develop agency-level strategies to address fraud challenges;
- Considering best practices, benchmarking, and new or evolving technology and analytical techniques to help prevent and detect fraud;
- Ensuring that the agency addresses the most critical vulnerabilities related to fraud;
- Serving as an advisory board for the Office of Anti-Fraud Programs (OAFP);
- Evaluating potential anti-fraud initiatives introduced by the RAFCs, workgroups, and employee suggestions; and
- Visibly demonstrating the agency's commitment to combatting fraud and fostering public confidence in the stewardship of our programs.

While the reinstitution of the NAFC provided strategic governance over our anti-fraud efforts, we also established OAFP to provide centralized oversight and accountability for our anti-fraud program. OAFP leads our anti-fraud activities and works across organizational lines to ensure that employees throughout the agency have the tools to combat fraud.

The NAFC co-chairs and OAFP meet periodically to ensure sustained attention on anti-fraud efforts. With the support of OAFP, the NAFC co-chairs convene regular meetings of the full NAFC membership. At any time, members may ask the co-chairs to call a meeting to discuss issues that require agency-level attention.
On September 25, 2017, OAFP and the NAFC co-chairs hosted a National Anti-Fraud Conference to share best practices and discuss FY 2018 priorities and initiatives.

Financial Section

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to report that for the 24th consecutive year, we received an unmodified audit opinion on our financial statements from our independent auditors, and I am honored to join Acting Commissioner Berryhill in issuing our fiscal year (FY) 2017 *Agency Financial Report*. This report highlights our accomplishments in delivering Social Security services to promote the economic security of the public, and demonstrates our responsible stewardship of taxpayer dollars.

Our unmodified audit opinion confirms that our statements present fairly the financial position of our agency and are free of material misstatement. Our independent auditors also issued an unmodified opinion on the effectiveness of our internal control over financial reporting. They determined that we had no material weaknesses, but continued to cite two significant deficiencies identified in prior years. The first significant deficiency concerns certain financial information systems controls, and the second relates to our accounts receivable/overpayments. We remain committed to strengthening our control environment by resolving these deficiencies as quickly as possible through our risk-based corrective action plans.

The auditors also identified a new significant deficiency concerning our controls over the reliability of information used in certain control activities. While we are confident in the controls over our information, we have enhanced our processes to provide additional assurance, and we will continue to do so in the future, including for the process areas cited in the finding. We provide additional information on the auditors' findings and our corrective actions in the *Systems and Controls* and *Auditors' Report* sections of this report.

In FY 2017, we successfully implemented the *Digital Accountability and Transparency Act of 2014* (DATA Act) and complied with its mandate to report our spending data in a standardized format by May 2017. Implementation of the DATA Act will further enhance our reporting, by increasing transparency and consistency in the data we provide.

We also expanded our Social Security Electronic Remittance System to collect programmatic debt in our field offices, in addition to payments for fees for services including wage reports and itemized earnings statements. This enhancement allows us to more efficiently collect and apply remittances for overpayments of our current and former beneficiaries.

Exemplifying our commitment to quality financial reporting, for the 19th consecutive year, the Association of Government Accountants awarded us the Certificate of Excellence in Accountability Reporting for our FY 2016 *Agency Financial Report*.

Our achievements over the last year are a direct result of our dedicated and hard-working employees. We look forward to building upon our sustained commitment to financial management excellence, while supporting the agency's mission and vision for the future.

Respectfully,

Michelle A. King

Michelle A. King

Baltimore, Maryland
November 9, 2017

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Our agency's financial statements and additional information for fiscal years (FY) 2017 and 2016 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2017 and 2016, amounts of economic benefits we owned or managed (assets), amounts we owed (liabilities), and residual amounts we retained, comprising the difference (net position). We provide a Balance Sheet by major program as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2017 and 2016. Our net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by our major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. We provide a Schedule of Net Cost to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2017 and 2016. Changes to the two components of net position, Cumulative Results of Operations and Unexpended Appropriations, affect its balance. The Statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. We provide a Schedule of Changes in Net Position to present the change in net position by major program as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to us, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2017 and 2016. We provide an additional Schedule of Budgetary Resources as Required Supplementary Information to present budgetary resources by major program.
- The **Statements of Social Insurance** present the present value for the 75-year projection period of the estimated Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest income and cost expected to arise from the formulas specified in current law for current and future program participants. We present the difference between these values on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund asset reserves at the beginning of the period. This information is presented for the current year and for each of the four preceding years.
- The **Statements of Changes in Social Insurance Amounts** reconcile the changes, from one 75-year valuation period to the next, in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure). The Statements show two reconciliations: (1) change from the period beginning on January 1, 2016 to the period beginning on January 1, 2017; and (2) change from the period beginning on January 1, 2015 to the period beginning on January 1, 2016. The Statements identify several changes that are significant and provide reasons for the changes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cash flow projections, the long-range projections of the ratio of contributors to beneficiaries, and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures include a narrative describing the program, including how the program is financed and how benefits are calculated, as well as an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2017 and 2016
(Dollars in Millions)

Assets	2017	2016
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 8,248**	$ 8,985
Investments (Note 5)	**2,889,869**	2,842,592
Interest Receivable (Note 5)	**20,852**	21,583
Accounts Receivable, Net (Note 6)	**22**	208
Other (Note 8)	**26**	23
Total Intragovernmental	**2,919,017**	2,873,391
Accounts Receivable, Net (Notes 3 and 6)	**12,442**	11,546
Property, Plant, and Equipment, Net (Note 7)	**3,371**	3,419
Other (Note 8)	**0**	2
Total Assets	**$ 2,934,830**	$ 2,888,358
Liabilities (Note 9)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 4,788**	$ 4,550
Accounts Payable	**5,352**	4,937
Other	**184**	167
Total Intragovernmental	**10,324**	9,654
Benefits Due and Payable	**103,506**	102,651
Accounts Payable	**437**	385
Federal Employee and Veteran Benefits	**319**	327
Other	**685**	716
Total Liabilities	**115,271**	113,733
Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - All Other Funds	**4,813**	6,006
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	**2,812,816**	2,767,204
Cumulative Results of Operations - All Other Funds	**1,930**	1,415
Total Net Position - Funds from Dedicated Collections (Note 10)	**2,812,816**	2,767,204
Total Net Position - All Other Funds	**6,743**	7,421
Total Net Position	**2,819,559**	2,774,625
Total Liabilities and Net Position	**$ 2,934,830**	$ 2,888,358

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2017 and 2016
(Dollars in Millions)

	2017	2016
OASI Program		
Benefit Payment Expense	**$ 793,155**	$ 765,024
Operating Expenses (Note 11)	**3,701**	3,790
Total Cost of OASI Program	**796,856**	768,814
Less: Exchange Revenues (Notes 12 and 13)	**(12)**	(13)
Net Cost of OASI Program	**796,844**	768,801
DI Program		
Benefit Payment Expense	**141,206**	144,018
Operating Expenses (Note 11)	**3,028**	3,330
Total Cost of DI Program	**144,234**	147,348
Less: Exchange Revenues (Notes 12 and 13)	**(32)**	(36)
Net Cost of DI Program	**144,202**	147,312
SSI Program		
Benefit Payment Expense	**51,355**	58,976
Operating Expenses (Note 11)	**4,542**	4,910
Total Cost of SSI Program	**55,897**	63,886
Less: Exchange Revenues (Notes 12 and 13)	**(236)**	(257)
Net Cost of SSI Program	**55,661**	63,629
Other		
Benefit Payment Expense	**2**	3
Operating Expenses (Note 11)	**2,424**	2,440
Total Cost of Other Program	**2,426**	2,443
Less: Exchange Revenues (Notes 12 and 13)	**(8)**	(8)
Net Cost of Other Program	**2,418**	2,435
Total Net Cost		
Benefit Payment Expense	**985,718**	968,021
Operating Expenses (Note 11)	**13,695**	14,470
Total Cost	**999,413**	982,491
Less: Exchange Revenues (Notes 12 and 13)	**(288)**	(314)
Total Net Cost	**$ 999,125**	$ 982,177

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2017 and 2016

(Dollars in Millions)

	2017			2016		
	Funds from Dedicated Collections	**All Other Funds**	**Total**	Funds from Dedicated Collections	All Other Funds	Total
Cumulative Results of Operations:						
Beginning Balances	**$ 2,767,204**	**$ 1,415**	**$ 2,768,619**	$ 2,738,390	$ 2,095	$ 2,740,485
Budgetary Financing Sources						
Appropriations Used	**37,367**	**59,363**	**96,730**	32,302	63,463	95,765
Tax Revenues (Note 14)	**868,034**	**0**	**868,034**	827,159	0	827,159
Interest Revenues	**85,781**	**0**	**85,781**	89,470	0	89,470
Transfers-In/Out - Without Reimbursement	**(5,886)**	**8,087**	**2,201**	(5,890)	8,006	2,116
Railroad Retirement Interchange	**(4,760)**	**0**	**(4,760)**	(4,730)	0	(4,730)
Other Budgetary Financing Sources	**54**	**0**	**54**	46	0	46
Other Financing Sources (Non-Exchange)						
Imputed Financing Sources (Note 15)	**0**	**447**	**447**	0	550	550
Other	**0**	**(3,235)**	**(3,235)**	0	(65)	(65)
Total Financing Sources	**980,590**	**64,662**	**1,045,252**	938,357	71,954	1,010,311
Net Cost of Operations	**934,978**	**64,147**	**999,125**	909,543	72,634	982,177
Net Change	**45,612**	**515**	**46,127**	28,814	(680)	28,134
Cumulative Results of Operations	**$ 2,812,816**	**$ 1,930**	**$ 2,814,746**	$ 2,767,204	$ 1,415	$ 2,768,619
Unexpended Appropriations:						
Beginning Balances	**$ 0**	**$ 6,006**	**$ 6,006**	$ 0	$ 3,779	$ 3,779
Budgetary Financing Sources						
Appropriations Received	**37,367**	**58,179**	**95,546**	32,302	65,703	98,005
Other Adjustments	**0**	**(9)**	**(9)**	0	(13)	(13)
Appropriations Used	**(37,367)**	**(59,363)**	**(96,730)**	(32,302)	(63,463)	(95,765)
Total Budgetary Financing Sources	**0**	**(1,193)**	**(1,193)**	0	2,227	2,227
Total Unexpended Appropriations	**0**	**4,813**	**4,813**	0	6,006	6,006
Net Position	**$ 2,812,816**	**$ 6,743**	**$ 2,819,559**	$ 2,767,204	$ 7,421	$ 2,774,625

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2017 and 2016

(Dollars in Millions)

		2017		2016
Budgetary Resources (Note 16)				
Unobligated Balance, Brought Forward, October 1	**$**	**6,278**	$	4,369
Recoveries of Prior Year Unpaid Obligations		**1,118**		920
Other Changes in Unobligated Balance		**93**		340
Unobligated Balance From Prior Year Budget Authority, Net		**7,489**		5,629
Appropriations (Discretionary and Mandatory)		**1,041,893**		1,018,283
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		**15,255**		14,911
Total Budgetary Resources	**$**	**1,064,637**	$	1,038,823
Status of Budgetary Resources				
New obligations and upward adjustments (Note 16)				
Direct	**$**	**1,056,437**	$	1,029,637
Reimbursable		**2,709**		2,908
New obligations and upward adjustments (total)		**1,059,146**		1,032,545
Unobligated Balance, End of Year				
Apportioned, unexpired accounts		**4,666**		5,462
Unapportioned, unexpired accounts		**595**		592
Unexpired unobligated balance, end of year		**5,261**		6,054
Expired unobligated balance, end of year		**230**		224
Unobligated balance, end of year (total)		**5,491**		6,278
Total Budgetary Resources	**$**	**1,064,637**	$	1,038,823
Change in Obligated Balance				
Unpaid obligations:				
Unpaid Obligations, Brought Forward, October 1	**$**	**109,384**	$	104,863
New obligations and upward adjustments		**1,059,146**		1,032,545
Outlays, Gross		**(1,056,090)**		(1,027,104)
Recoveries of Prior Year Unpaid Obligations		**(1,118)**		(920)
Unpaid Obligations, End of Year	**$**	**111,322**	$	109,384
Uncollected payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1	**$**	**(2,943)**	$	(2,905)
Change in Uncollected Payments, Federal Sources		**(410)**		(38)
Uncollected Payments Federal Sources, End of Year		**(3,353)**		(2,943)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	**$**	**106,441**	$	101,958
Obligated balance, End of Year	**$**	**107,969**	$	106,441
Budgetary Authority and Outlays, Net				
Budget Authority, Gross (Discretionary and Mandatory)	**$**	**1,057,148**	$	1,033,194
Actual Offsetting Collections (Discretionary and Mandatory)		**(14,887)**		(14,987)
Change in Uncollected Customer Payments From Federal Sources (Discretionary and Mandatory)		**(410)**		(38)
Recoveries of Prior Year Paid Obligations		**42**		114
Budget Authority, Net (Discretionary and Mandatory)		**1,041,893**		1,018,283
Outlays, Gross (Discretionary and Mandatory)		**1,056,090**		1,027,104
Actual Offsetting Collections (Discretionary and Mandatory)		**(14,887)**		(14,987)
Outlays, Net (Discretionary and Mandatory)		**1,041,203**		1,012,117
Distributed Offsetting Receipts		**(40,391)**		(35,331)
Agency Outlays, Net (Discretionary and Mandatory)	**$**	**1,000,812**	$	976,786

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

Statements of Social Insurance
Old-Age, Survivors, and Disability Insurance
as of January 1, 2017
(Dollars in Billions)

		Estimates Reported in Prior Years			
	2017	**2016**	**2015**	**2014**	**2013**
Present value for the 75-year projection period from or on behalf of: (Note 18)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	$ 1,374	$ 1,272	$ 1,166	$ 984	$ 908
Cost for scheduled future benefits	14,668	13,602	12,833	11,852	11,021
Future noninterest income less future cost	-13,294	-12,330	-11,667	-10,868	-10,112
Participants who have not yet attained retirement eligibility age (ages 15–61):					
Noninterest income	30,305	29,273	27,791	25,391	24,591
Cost for scheduled future benefits	50,181	48,412	45,276	42,419	40,591
Future noninterest income less future cost	-19,876	-19,138	-17,486	-17,028	-16,000
Present value of future noninterest income less future cost for current participants (closed group measure)	-33,170	-31,468	-29,152	-27,896	-26,113
Combined OASI and DI Trust Fund asset reserves at start of period	2,848	2,813	2,789	2,764	2,732
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	-$ 30,322	-$ 28,656	-$ 26,363	-$ 25,131	-$ 23,381
Present value for the 75-year projection period from or on behalf of: (Note 18)					
Future participants (those under age 15, and to be born during period):					
Noninterest income	30,452	29,687	26,580	24,594	23,419
Cost for scheduled future benefits	12,639	12,388	10,867	10,028	9,600
Future noninterest income less future cost	17,813	17,299	15,713	14,566	13,819
Present value of future noninterest income less future cost for current and future participants (open group measure)	-15,357	-14,169	-13,440	-13,330	-12,294
Combined OASI and DI Trust Fund asset reserves at start of period	2,848	2,813	2,789	2,764	2,732
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	-$ 12,509	-$ 11,357	-$ 10,650	-$ 10,565	-$ 9,562

Notes:

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

Future noninterest income and future cost are estimated over the appropriate 75-year period.

Statements of Changes in Social Insurance Amounts
Old-Age, Survivors, and Disability Insurance
For Change from the 75-Year Valuation Period

January 1, 2016 to January 1, 2017
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2016	-$ 14,169	$ 2,813	-$ 11,357
Reasons for changes between January 1, 2016 and January 1, 2017 (Note 18)			
Change in the valuation period	-562	16	-546
Changes in demographic data, assumptions, and methods	-87	0	-87
Changes in economic data, assumptions, and methods	-576	0	-576
Changes in programmatic data and methods	-5	19	15
Changes in law or policy	42	0	42
Net change between January 1, 2016 and January 1, 2017	-$ 1,187	$ 35	-$ 1,152
As of January 1, 2017	-$ 15,357	$ 2,848	-$ 12,509

January 1, 2015 to January 1, 2016
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2015	-$ 13,440	$ 2,789	-$ 10,650
Reasons for changes between January 1, 2015 and January 1, 2016 (Note 18)			
Change in the valuation period	-534	9	-525
Changes in demographic data, assumptions, and methods	565	0	565
Changes in economic data, assumptions, and methods	-911	0	-911
Changes in programmatic data and methods	12	14	26
Changes in law or policy	139	0	139
Net change between January 1, 2015 and January 1, 2016	-$ 730	$ 23	-$ 707
As of January 1, 2016	-$ 14,169	$ 2,813	-$ 11,357

Notes:

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

Future noninterest income and future cost are estimated over the appropriate 75-year period.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), four general fund appropriations, three receipt accounts, and one special fund.

LAE is a mechanism to allow SSA to fund our administrative operations and is considered a subset of the OASI and DI Trust Funds. The four general funds are the Payments to Social Security Trust Funds (PTF), SSI Program, Office of the Inspector General (OIG), and Special Veterans Benefits (Title VIII) Program. The three receipt accounts are SSI Overpayment Collections, the General Fund's portion of the SSI State Supplementation fees, and SSI Attorney fees. The one special fund is SSA's portion of the SSI State Supplementation fees. SSA's financial statements also include OASI and DI investment activities performed by the Department of the Treasury (Treasury) and activity related to the *American Recovery and Reinvestment Act of 2009* (ARRA). SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations and ARRA activity, but also contains SSI Overpayment Collections and other non-material activities.

FUND BALANCE WITH TREASURY

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and Note 4, Fund Balance with Treasury.

INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds that are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201 (d) of the *Social Security Act*. These investments consist of Treasury special-issue securities. Special-issue securities are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets. Refer to Note 5, Investments and Interest Receivable.

ACCOUNTS RECEIVABLE, NET

SSA accounts receivable represent unpaid amounts due to the agency. Intragovernmental Accounts Receivable, Net primarily represent amounts to be paid from the Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds to the LAE Appropriation. Accounts Receivable, Net consist mainly of monies due to SSA from OASI, DI, and SSI beneficiaries who received benefits in excess of their entitlement, as well as amounts due from the States to cover underpayments due to the SSI recipients.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to Statement of Federal Financial Accounting Standard (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectable receivable ratios, based on comparing collections to new debt while considering program turnover rates, against outstanding receivables, by group, to compute the amount of allowance for doubtful accounts.

PROPERTY, PLANT, AND EQUIPMENT

SSA records property, plant, and equipment (PP&E) in the LAE program, but the PP&E represent the capital assets purchased by the OASI, DI, HI, and SMI Trust Funds. SFFAS No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally developed, contractor-developed, and commercial off-the-shelf software. SSA classifies PP&E into several categories. The capitalization threshold for most PP&E categories is $100 thousand. Deferred Charges, which includes fixtures, the Telephone Services Replacement Project, and bulk computer purchases, are capitalized with no threshold, $100 thousand, and $10 million, respectively. Site preparation for Automated Data Processing (ADP) and Telecommunications, and Buildings and Other Structures, are capitalized with no threshold. Refer to Note 7, Property, Plant, and Equipment, Net.

BENEFITS DUE AND PAYABLE

SSA accrues liabilities for OASI and DI benefits due for the current month, which by statute, are not paid until the following month. In addition, SSA accrues liabilities on benefits for past periods that have not completed processing by the close of the period, such as adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 9, Liabilities.

BENEFIT PAYMENTS

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a federally recognized holiday, SSA is required to make the payment on the preceding business day. In these situations, the beneficiary or recipient is deemed entitled to receive the payment as of the payment date, as they have met all payment and eligibility requirements. October 1, 2016 fell on a Saturday; therefore, SSI benefits were entitled and paid on September 30, 2016, resulting in 13 payments recognized as benefit expense for FY 2016. October 1, 2017 falls on a Sunday; therefore, SSI benefits were entitled and paid on September 29, 2017, resulting in 12 payments recognized as benefit expense for FY 2017.

ADMINISTRATIVE EXPENSES AND OBLIGATIONS

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

SSA incurs obligations in the LAE accounts as activity is processed. SSA incurs obligations in each of the financing sources once we record LAE's authority. The Centers for Medicare and Medicaid Services (CMS) reports obligations that SSA incurred in the HI and SMI Trust Funds. Because SSA reports LAE with our financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources and this Statement does not allow eliminations, we record LAE's obligations twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

RECOGNITION OF FINANCING SOURCES

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

Appropriations Used includes payments and accruals for the activities that are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 14, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 12, Exchange Revenues. SSA may use exchange revenue financing sources to pay for current operating expenses as specified by law.

FUNDS FROM DEDICATED COLLECTIONS

SFFAS No. 43, *Funds from Dedicated Collections*, requires separate presentation and disclosure of funds from dedicated collections balances in the financial statements. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources, which remain available over time. Funds from dedicated collections must meet the following criteria:

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

SSA's funds from dedicated collections are the OASI and DI Trust Funds, funds collected through the taxation of Social Security benefits, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 10, Funds from Dedicated Collections, for additional information.

USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The Statements of Social Insurance and Statements of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each Statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 18, Social Insurance Disclosures.

2. CENTRALIZED FEDERAL FINANCING ACTIVITIES

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

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

SSA occupies buildings that have been leased by the General Services Administration (GSA) or have been constructed using Public Building Funds. These financial statements reflect SSA's payments to GSA for their lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the Office of Personnel Management (OPM) administered contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). SSA makes matching contributions to FERS. Pursuant to Public Law 99-335, *Federal Employees' Retirement System Act of 1986*, 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. Refer to Note 15, Imputed Financing, for additional information.

SSA contributions to CSRS were $32 and $38 million for the years ended September 30, 2017 and 2016. SSA contributions to the basic FERS plan were $593 and $584 million for the years ended September 30, 2017 and 2016. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute one percent of pay and match employee contributions up to an additional four percent of basic pay. SSA contributions to the FERS savings plan were $184 and $180 million for the years ended September 30, 2017 and 2016. All contributions include amounts paid and due and payable as of the end of the reporting period. These Statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by OPM.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA displays our Non-Entity Assets in Chart 3a. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable, Net; and (2) General Fund's portion of fees collected to administer Title VIII State Supplementation.

Chart 3a - Non-Entity Assets as of September 30:
(Dollars in Millions)

	2017			2016		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supp Fees	$ 2	$ 0	$ 2	$ 2	$ 0	$ 2
SSI Fed/State Accounts Receivable, Net	5,701	(545)	5,156	5,255	(493)	4,762
Total	$ 5,703	$ (545)	$ 5,158	$ 5,257	$ (493)	$ 4,764

SSA has reduced the SSI Accounts Receivable, Net, by intra-agency eliminations (see discussion in Note 6, Accounts Receivable, Net). SSI accounts receivable is recognized as a non-entity asset. Public Law 101-517, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1991*, requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund, and will not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. When a beneficiary does not receive their full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

Title VIII State Supplementation fee collections are classified as exchange revenue. These fees are included in the Fund Balance with Treasury as of September 30, 2017 and 2016.

Chart 3b provides a breakout between Non-Entity and Entity assets.

Chart 3b - Non-Entity/Entity Asset Breakdown as of September 30:
(Dollars in Millions)

	2017	2016
Non-Entity Assets	$ 5,158	$ 4,764
Entity Assets	2,929,672	2,883,594
Total Assets	$ 2,934,830	$ 2,888,358

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other primarily includes PTF, ARRA, and deposit funds. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and do not directly correspond with the budgetary lines shown in the chart. Therefore, amounts in Chart 4b will not match corresponding activity on the Combined Statements of Budgetary Resources.

Chart 4a - Fund Balances as of September 30:
(Dollars in Millions)

	2017	2016
Trust Funds*		
OASI	$ (99)	$ (92)
DI	(225)	(140)
LAE	(65)	(23)
General Funds		
SSI	8,499	9,091
Other	116	123
Other Funds		
SSI	18	23
Other	4	3
Total	$ 8,248	$ 8,985

Note:

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

Chart 4b - Status of Fund Balances as of September 30:
(Dollars in Millions)

	2017	2016
Unobligated Balance		
Available	$ 4,054	$ 5,255
Unavailable	635	626
Obligated Balance Not Yet Disbursed	3,926	3,333
OASI, DI, and LAE	(389)	(255)
Non-Budgetary Fund Balance with Treasury	22	26
Total	$ 8,248	$ 8,985

The negative fund balances reported for the OASI, DI, and LAE Trust Funds as of September 30, 2017 and 2016 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, SSA does not reclassify the negative balances as liabilities on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

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

SSA displays investments in Special-Issue U.S. Treasury Securities, as reported on the Consolidated Balance Sheets, in Chart 5a.

Chart 5a - Investments as of September 30:
(Dollars in Millions)

	2017	2016
OASI	$ 2,820,200	$ 2,796,712
DI	69,669	45,880
Total	$ 2,889,869	$ 2,842,592

The interest rates on these investments range from 1.375 to 5.125 percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the year 2018 to the year 2032. Accrued interest receivable on the OASI and DI Trust Fund investments with the Treasury is an Intragovernmental Interest Receivable, reported on the Consolidated Balance Sheets. Interest Receivable, as reported on the Consolidated Balance Sheets is shown by program in Chart 5b.

Chart 5b - Interest Receivable as of September 30:
(Dollars in Millions)

	2017	2016
OASI	$ 20,388	$ 21,236
DI	464	347
Total	$ 20,852	$ 21,583

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

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

6. ACCOUNTS RECEIVABLE, NET

INTRAGOVERNMENTAL

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $22 and $208 million as of September 30, 2017 and 2016 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $3,342 and $2,747 million as of September 30, 2017 and 2016 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

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

WITH THE PUBLIC

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

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30:
(Dollars in Millions)

	2017			2016		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,943	$ (406)	$ 2,537	$ 2,785	$ (341)	$ 2,444
DI	7,482	(2,732)	4,750	7,050	(2,710)	4,340
SSI*	12,217	(6,516)	5,701	11,177	(5,922)	5,255
LAE	2	0	2	2	0	2
Subtotal	22,644	(9,654)	12,990	21,014	(8,973)	12,041
Less: Eliminations**	(548)	0	(548)	(495)	0	(495)
Total	$ 22,096	$ (9,654)	$ 12,442	$ 20,519	$ (8,973)	$ 11,546

Notes:

*See discussion in Note 3, Non-Entity Assets

**Intra-Agency Eliminations

Chart 6 shows that in FY 2017 and FY 2016, SSA reduced gross accounts receivable by $548 and $495 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Windfall Offset is the amount of SSI that would not have been paid if retroactive OASI and DI benefits had been paid timely to eligible beneficiaries. The KZ Diary process identifies SSI recipients eligible for prior entitlement of OASI and DI benefits, and determines SSA's liability for retroactive benefits owed to beneficiaries. For each activity, SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs.

SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectable receivable ratios, based on comparing collections to new debt while considering program turnover rates, against outstanding receivables, by group, to compute the amount of allowance for doubtful accounts.

7. PROPERTY, PLANT, AND EQUIPMENT, NET

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

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

	2017			2016		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings and Other Structures	$ 59	$ (23)	$ 36	$ 59	$ (21)	$ 38
Equipment (incl. ADP Hardware)	727	(486)	241	722	(423)	299
Internal Use Software	7,065	(4,635)	2,430	6,798	(4,262)	2,536
Leasehold Improvements	987	(513)	474	855	(458)	397
Deferred Charges*	1,134	(944)	190	945	(796)	149
Total	$ 9,972	$ (6,601)	$ 3,371	$ 9,379	$ (5,960)	$ 3,419

Major Classes:	Estimated Useful Life	Method of Depreciation	Capitalization Threshold
Buildings and Other Structures	50 years	Straight Line	$0
Equipment (incl. ADP Hardware)	5 years	Straight Line	$100 thousand
Internal Use Software	5-10 years	Straight Line	$100 thousand
Leasehold Improvements	6-33 years	Straight Line	$100 thousand
Deferred Charges*	3-12 years	Straight Line	$0-10 million

Note:

*Deferred Charges include fixtures (no threshold), the Telephone Services Replacement Project ($100 thousand), and bulk computer purchases ($10 million).

8. OTHER ASSETS

INTRAGOVERNMENTAL OTHER ASSETS

Intragovernmental Other Assets amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Other Assets are $26 and $23 million as of September 30, 2017 and 2016.

OTHER ASSETS

Other Assets is comprised of advances provided to agency employees for travel and payroll, as well as advances provided to grantee organizations performing work on behalf of the agency. Other Assets are $0 and $2 million as of September 30, 2017 and 2016.

9. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when incurred. Chart 9a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources. Liabilities Covered by budgetary resources use available budget authority when SSA incurs the liabilities. Liabilities Not Covered by budgetary resources do not use available budget authority in the current period. For SSA, these liabilities represent two main activities: (1) liabilities that will be funded in future periods;

and (2) liabilities representing cash or SSA receivables due to the General Fund and States, which do not require budgetary authority.

Chart 9a - Liabilities as of September 30:
(Dollars in Millions)

	2017			2016		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI*	$ 4,788	$ 0	$ 4,788	$ 4,550	$ 0	$ 4,550
Accounts Payable	3	5,349	5,352	15	4,922	4,937
Other	127	57	184	107	60	167
Total Intragovernmental	4,918	5,406	10,324	4,672	4,982	9,654
Benefits Due and Payable	99,976	3,530	103,506	98,905	3,746	102,651
Accounts Payable	85	352	437	52	333	385
Federal Employee and Veteran Benefits	0	319	319	0	327	327
Other	341	344	685	363	353	716
Total	$ 105,320	$ 9,951	$ 115,271	$ 103,992	$ 9,741	$ 113,733

Note:
*Railroad Retirement Interchange

INTRAGOVERNMENTAL ACCRUED RAILROAD RETIREMENT INTERCHANGE

The Intragovernmental Accrued Railroad Retirement Interchange represents an accrued liability due to the Railroad Retirement Board for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if SSA had covered railroad employment. The *Railroad Retirement Act of 1974* requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

INTRAGOVERNMENTAL ACCOUNTS PAYABLE

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to Treasury's General Fund. SSA records a payable equal to the SSI Federal benefit overpayments receivable when the agency identifies overpayments. Refer to Note 3, Non-Entity Assets, for additional information on the SSI receivables established for the repayment of SSI benefit overpayments.

INTRAGOVERNMENTAL OTHER LIABILITIES

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. Intragovernmental Other Liabilities Covered, shown in Chart 9a, are current liabilities. Intragovernmental Other Liabilities also includes amounts Not Covered by budgetary resources for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to the Department of Labor's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portions of FECA liability is $54 and $57 million as of September 30, 2017 and 2016. The remaining balance of Not Covered Intragovernmental Other Liabilities in Chart 9a consist of non-current unapplied deposit account balances of $3 million as of September 30, 2017 and 2016.

BENEFITS DUE AND PAYABLE

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 9b shows the amounts for SSA's major programs as of September 30, 2017 and 2016. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, budgetary resources cover the unadjudicated cases.

Chart 9b - Benefits Due and Payable as of September 30:
(Dollars in Millions)

	2017	2016
OASI	$ 71,386	$ 69,230
DI	27,330	28,520
SSI	5,338	5,396
Subtotal	104,054	103,146
Less: Intra-agency eliminations	(548)	(495)
Total	$ 103,506	$ 102,651

Chart 9b also shows that as of FY 2017 and FY 2016, SSA reduced gross Benefits Due and Payable by $548 and $495 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Refer to Note 6, Accounts Receivable, Net.

ACCOUNTS PAYABLE

Accounts Payable Not Covered by budgetary resources consists of SSI State Supplemental overpayments due to States. States are entitled to any overpayment that SSA expects to collect because the States fund the actual payments made to the beneficiaries. SSI State Supplemental underpayments due to the SSI recipients are also included. These amounts are set up as an accounts payable until payment is made.

FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $319 and $327 million as of September 30, 2017 and 2016 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs.

OTHER LIABILITIES

SSA has Covered and Not Covered Other Liabilities. Other Liabilities Covered by budgetary resources is primarily comprised of accrued payroll and SSI State Supplemental amounts collected in advance. Other Liabilities Not Covered by budgetary resources primarily consists of leave earned but not taken and unapplied deposit funds. Other Liabilities are current in nature with the exception of $18 million of Not Covered unapplied deposit funds as of September 30, 2017 and 2016.

LEASES

SSA has Occupancy Agreements (OA) with GSA for each space that we occupy. The OA is a complete, concise statement of the business terms governing the tenancy relationship between SSA and GSA. The OA is not a lease, but rather a formal agreement between the signing parties. For accounting purposes, these OAs are treated as lease activity. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of the OAs vary according to whether the Federal Government directly owns the underlying assets or if GSA rents the underlying asset from third party commercial property owners, though each OA may have slightly different terms. SSA executes cancellable and non-cancellable OAs with GSA. Periods of occupancy on OAs vary, and can generally be cancelled with four months' notice following the first year of occupancy. OAs must be coterminous with the underlying lease term. For non-cancellable OAs, SSA is financially responsible for rental payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or the occupancy by a replacement tenant covers the total rent obligation. OAs do not include renewal options that may be in the lease, as GSA makes a determination as to whether such options are fair and reasonable relative to the market when the option matures. Chart 9c shows the future estimated rental payments required under OAs that have initial or remaining non-cancellable terms in excess of one year. SSA does not include the amounts reported in our financial statements. SSA expenses OAs as incurred, and does not record liabilities for future years' costs.

Chart 9c - Future Operating Lease/Occupancy Agreement Commitments as of September 30:
(Dollars in Millions)

Fiscal Year	GSA OAs
2018	$ 103
2019	99
2020	90
2021	87
2022	81
2023 and Thereafter (In total)*	491
Total Future Lease Payments	$ 951

Note:

*OAs go through the year 2034.

CONTINGENT LIABILITIES

The agency has certain litigation pending against it. In the opinion of management and legal counsel, the ultimate resolution of the claims and lawsuits will not materially affect the agency's financial position.

10. FUNDS FROM DEDICATED COLLECTIONS

The OASI and DI Trust Funds, Taxation on Social Security benefits, and SSI State Administrative Fees are classified as funds from dedicated collections. These funds obtain revenues primarily through non-Federal receipts, such as Social Security payroll taxes and, to a lesser extent, offsetting collections.

OASI AND DI TRUST FUNDS

The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families, and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

Payroll and self-employment taxes primarily fund the OASI and DI Trust Funds. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide additional income to the OASI and DI Trust Funds. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 14, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds, and Note 5, Investments and Interest Receivable, for a discussion on interest.

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

TAXATION ON SOCIAL SECURITY BENEFITS

Taxation on Social Security Benefits is also classified as funds from dedicated collections. The *Social Security Amendments of 1983* (Public Law 98-21) provides that the OASI and DI Trust Funds receive income related to Federal income taxation of benefits. The taxes are collected as Federal income taxes, and a subsequent payment is then made to the OASI and DI Trust Funds from the General Fund of the Treasury. These collections are warranted from the General Fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, Taxation on Social Security Benefits is considered dedicated collections.

SSI STATE ADMINISTRATIVE FEES

Administrative Fees collected from States are also classified as funds from dedicated collections. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each State an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the State for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 12, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 10 for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2017 and 2016. The Other Dedicated Funds column in Chart 10 consists of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule
(Dollars in Millions)

	2017				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (99)	$ (225)	$ 0	$ 0	$ (324)
Investments	2,820,200	69,669	0	0	2,889,869
Interest Receivable	20,388	464	0	0	20,852
Accounts Receivables - Federal	1	0	0	0	1
Accounts Receivables - Non-Federal	2,537	4,750	0	(3)	7,284
Total Assets	$ 2,843,027	$ 74,658	$ 0	$ (3)	$ 2,917,682
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 4,618	$ 170	$ 0	$ 0	$ 4,788
Accounts Payable, Federal	455	903	0	0	1,358
Benefits Due and Payable	71,386	27,330	0	(3)	98,713
Accounts Payable, Non-Federal	1	6	0	0	7
Total Liabilities	76,460	28,409	0	(3)	104,866
Cumulative Results of Operations	2,766,567	46,249	0	0	2,812,816
Total Liabilities and Net Position	$ 2,843,027	$ 74,658	$ 0	$ (3)	$ 2,917,682
Statement of Net Cost					
Program Costs	$ 793,155	$ 141,206	$ 0	$ 0	$ 934,361
Operating Expenses	520	242	0	0	762
Less Earned Revenue	(1)	(22)	(122)	0	(145)
Net Cost of Operations	$ 793,674	$ 141,426	$ (122)	$ 0	$ 934,978
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,746,389	$ 20,815	$ 0	$ 0	$ 2,767,204
Tax Revenue	702,132	165,902	0	0	868,034
Interest Revenue	84,040	1,741	0	0	85,781
Net Transfers In/Out	27,667	(824)	(37,489)	0	(10,646)
Other	13	41	37,367	0	37,421
Total Financing Sources	813,852	166,860	(122)	0	980,590
Net Cost of Operations	793,674	141,426	(122)	0	934,978
Net Change	20,178	25,434	0	0	45,612
Net Position End of Period	$ 2,766,567	$ 46,249	$ 0	$ 0	$ 2,812,816

The above Chart 10 for FY 2017 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $1,900 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2017 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule

(Dollars in Millions)

	2016				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (92)	$ (140)	$ 0	$ 0	$ (232)
Investments	2,796,712	45,880	0	0	2,842,592
Interest Receivable	21,236	347	0	0	21,583
Accounts Receivables - Non-Federal	2,444	4,340	0	(2)	6,782
Total Assets	$ 2,820,300	$ 50,427	$ 0	$ (2)	$ 2,870,725
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 4,307	$ 243	$ 0	$ 0	$ 4,550
Accounts Payable, Federal	374	837	0	0	1,211
Benefits Due and Payable	69,230	28,520	0	(2)	97,748
Accounts Payable, Non-Federal	0	12	0	0	12
Total Liabilities	73,911	29,612	0	(2)	103,521
Cumulative Results of Operations	2,746,389	20,815	0	0	2,767,204
Total Liabilities and Net Position	$ 2,820,300	$ 50,427	$ 0	$ (2)	$ 2,870,725
Statement of Net Cost					
Program Costs	$ 765,024	$ 144,018	$ 0	$ 0	$ 909,042
Operating Expenses	405	254	0	0	659
Less Earned Revenue	(1)	(25)	(132)	0	(158)
Net Cost of Operations	$ 765,428	$ 144,247	$ (132)	$ 0	$ 909,543
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,720,423	$ 17,964	$ 3	$ 0	$ 2,738,390
Tax Revenue	679,580	147,579	0	0	827,159
Interest Revenue	88,061	1,409	0	0	89,470
Net Transfers In/Out	23,748	(1,931)	(32,437)	0	(10,620)
Other	5	41	32,302	0	32,348
Total Financing Sources	791,394	147,098	(135)	0	938,357
Net Cost of Operations	765,428	144,247	(132)	0	909,543
Net Change	25,966	2,851	(3)	0	28,814
Net Position End of Period	$ 2,746,389	$ 20,815	$ 0	$ 0	$ 2,767,204

Chart 10 for FY 2016 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $1,691 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2016 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

11. OPERATING EXPENSES

CLASSIFICATION OF OPERATING EXPENSES BY MAJOR PROGRAM

Chart 11a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other primarily represent the HI/SMI Trust Funds' shares of SSA's operating expenses, including the Medicare Prescription Drug Program. LAE ARRA operating expenses recorded in the Other program primarily represent expenses associated with the National Support Center. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of OASI, DI, and SSI beneficiaries.

Chart 11a - SSA's Operating Expenses by Major Program as of September 30: (Dollars in Millions)

	2017					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,142	$ 39	$ 0	$ 514	$ 6	$ 3,701
DI	2,751	35	0	98	144	3,028
SSI	4,367	0	0	0	175	4,542
Other	2,369	29	26	0	0	2,424
	$ 12,629	$ 103	$ 26	$ 612	$ 325	$ 13,695

Chart 11a - SSA's Operating Expenses by Major Program as of September 30: (Dollars in Millions)

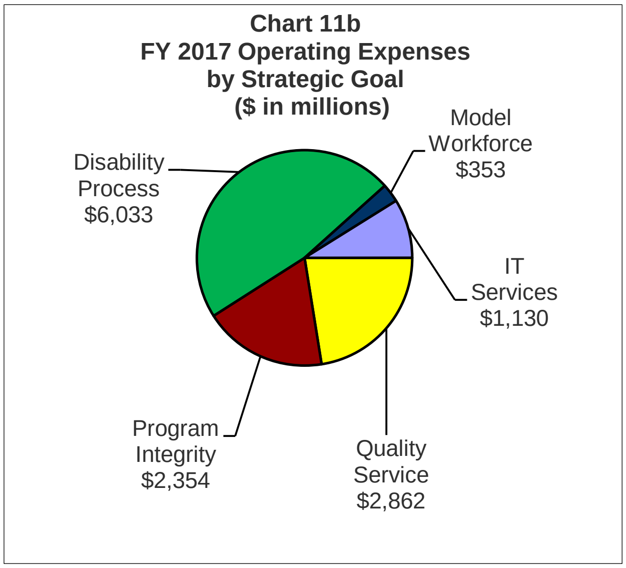
	2016					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,345	$ 40	$ 0	$ 400	$ 5	$ 3,790
DI	3,040	36	0	83	171	3,330
SSI	4,716	0	0	0	194	4,910
Other	2,372	29	39	0	0	2,440
	$ 13,473	$ 105	$ 39	$ 483	$ 370	$ 14,470

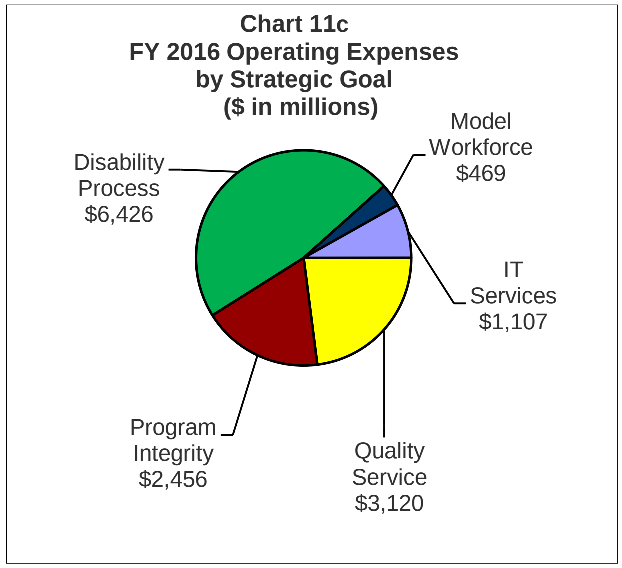
CLASSIFICATION OF OPERATING EXPENSES BY STRATEGIC GOAL

SSA's *Annual Performance Plan* (APP) sets forth expected levels of performance the agency is committed to achieving, and includes proposed levels of performance for future fiscal years. Our APP is characterized by broad-based Strategic Goals that the entire agency supports. The five goals are:

- Deliver Innovative, Quality Services (Quality Service);
- Strengthen the Integrity of Our Programs (Program Integrity);
- Serve the Public Through a Stronger, More Responsive Disability Program (Disability Process);
- Build a Model Workforce to Deliver Quality Service (Model Workforce); and
- Ensure Reliable, Secure, and Efficient Information Technology Services (IT Services).

Charts 11b and 11c exhibit the distribution of FY 2017 and FY 2016 SSA and OIG LAE operating expenses to the five APP Strategic Goals, which agree to the agency's LAE budget appropriation.





For Charts 11b and 11c, we subtracted LAE ARRA expenses from total SSA LAE operating expenses before distributing the operating expenses to the agency's APP Strategic Goals. SSA does not include OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 11a) in LAE by Strategic Goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.

12. EXCHANGE REVENUES

SSA recognizes revenue from exchange transactions when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenue is $288 and $314 million for the years ended September 30, 2017 and 2016. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the States are $11.68 and $11.56, per payment, for the years ended September 30, 2017 and 2016. SSA has agreements with 20 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional fees are collected for handling OASI and DI Trust Fund and SSI attorney fees. Other exchange revenue consists of reimbursement for performing non-mission work for Federal and non-Federal entities. Chart 12 discloses SSA's exchange revenue by activity.

Chart 12 - Exchange Revenue as of September 30:
(Dollars in Millions)

	2017	2016
SSI State Supplementation Fees	$ 213	$ 232
SSI Attorney Fees	8	8
DI Attorney Fees	22	25
OASI Attorney Fees	1	1
Other Exchange Revenue	44	48
Total	$ 288	$ 314

SSI administrative fees are split between fees that SSA can use and fees that are entitled to Treasury's General Fund. The General Fund's portion of these administrative fees are $99 and $108 million for the years ended September 30, 2017 and 2016. Of these amounts, $91 and $100 million were collected to administer SSI State Supplementation for the years ended September 30, 2017 and 2016. The remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amounts of $122 and $132 million for the years ended September 30, 2017 and 2016, are maintained by SSA to defray expenses in carrying out the SSI program.

13. COSTS AND EXCHANGE REVENUE CLASSIFICATIONS

Chart 13 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks; employee benefits; and imputed financing costs. Refer to Note 15, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments; SSI payments; payroll; and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided, which includes reimbursements from the Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided, which includes fees for administering the States' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering: (1) a portion of the Medicare program; and (2) ARRA activities.

Chart 13 - Costs and Exchange Revenue Classifications as of September 30:
(Dollars in Millions)

	2017			2016		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,394	$ (8)	$ 1,386	$ 1,282	$ (9)	$ 1,273
Public	795,462	(4)	795,458	767,532	(4)	767,528
OASI Subtotal	796,856	(12)	796,844	768,814	(13)	768,801
DI Program						
Intragovernmental	869	(7)	862	884	(8)	876
Public	143,365	(25)	143,340	146,464	(28)	146,436
DI Subtotal	144,234	(32)	144,202	147,348	(36)	147,312
SSI Program						
Intragovernmental	1,264	(11)	1,253	1,277	(12)	1,265
Public	54,633	(225)	54,408	62,609	(245)	62,364
SSI Subtotal	55,897	(236)	55,661	63,886	(257)	63,629
Other Program						
Intragovernmental	664	(6)	658	625	(6)	619
Public	1,762	(2)	1,760	1,818	(2)	1,816
Other Subtotal	2,426	(8)	2,418	2,443	(8)	2,435
Total	$ 999,413	$ (288)	$ 999,125	$ 982,491	$ (314)	$ 982,177

14. TAX REVENUES

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

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes.

Chart 14 displays SSA’s Tax Revenue, as reported on the Consolidated Statements of Changes in Net Position, by major program.

Chart 14 - Tax Revenue as of September 30:
(Dollars in Millions)

	2017	2016
OASI	$ 702,132	$ 679,580
DI	165,902	147,579
Total	$ 868,034	$ 827,159

The passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, increased the DI Trust Fund’s portion of the FICA payroll tax by 0.57 percentage points. A total of 2.37 percentage points of the total combined 12.40 percent payroll tax was allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution.

15. IMPUTED FINANCING

SSA is required to incorporate the full cost of goods and services that we receive from other entities on our Consolidated Statements of Net Cost. In some instances, goods or services provided by one Federal entity to another may not be fully reimbursed by the receiving entity. The unreimbursed portion of these costs is considered an imputed cost, and must be recognized on the receiving entity’s Statement of Net Cost. The funding for these imputed costs is recognized as an imputed financing source on the receiving entity’s Statement of Changes in Net Position. SSA has activities with OPM, Treasury, and the Department of Homeland Security (DHS) that require imputed costs and financing sources to be recognized. While the imputed financing sources are shown on the face of the Consolidated Statements of Changes in Net Position, the imputed costs are included in the operating expense amounts reported on the Consolidated Statements of Net Cost.

OPM administers three earned benefit programs for civilian Federal employees: (1) the Retirement Program, comprised of the CSRS and the FERS; (2) the Federal Employees Health Benefits Program (FEHBP); and (3) the Federal Employee Group Life Insurance Program (FEGLI). The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,050 and $1,152 million for the years ended September 30, 2017 and 2016, as a portion of operating expenses. The expense represents the current and estimated future outlays for SSA employee pensions, life, and health insurance. SSA is responsible for a portion of the costs of each benefit program during the fiscal year, while the remaining costs are covered by OPM. SSA recognizes these costs on our financial statements as an imputed cost, with a corresponding imputed financing source.

Treasury, on SSA’s behalf, processes the payments for SSI benefits. While the majority of the administrative costs associated with processing these payments are recorded as imputed costs with an associated imputed financing source, SSA is responsible for the costs related to postage. In addition, when funds are not legally available to pay monetary awards from SSA's own appropriations, Treasury issues payments from the Judgment Fund on behalf of SSA for court judgments and Department of Justice compromise settlements of actual or imminent lawsuits against SSA. These costs are also recorded as imputed costs with a corresponding imputed financing source.

DHS provides SSA with capabilities and tools that identify cybersecurity risks as part of their Continuous Diagnostics and Mitigation (CDM) program. Specifically, DHS has provided SSA with hardware and internal use software associated with this program.

Chart 15 discloses SSA's imputed financing sources by activity.

Chart 15 - Imputed Financing Sources as of September 30:
(Dollars in Millions)

	2017	2016
Employee Benefits (OPM)		
CSRS*	$ 84	$ 107
FERS	0	14
FEHBP	340	408
FEGLI	1	1
Total Employee Benefits	425	530
SSI Benefit Payments (Treasury)	16	17
Judgment Fund (Treasury)	1	1
CDM Program (DHS)	5	2
Total	$ 447	$ 550

Note:

*The FY 2017 CSRS amounts are offset by $3 million of excess FY 2017 FERS employer contributions over program service cost.

16. BUDGETARY RESOURCES

APPROPRIATIONS RECEIVED

The Combined Statements of Budgetary Resources discloses Appropriations Received of $1,041,893 and $1,018,283 million for the years ended September 30, 2017 and 2016. Appropriations Received on the Consolidated Statements of Changes in Net Position are $95,546 and $98,005 million for the same periods. The differences of $946,347 and $920,278 million primarily represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the General Fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Fiscal Service where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Because OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required SF-133. These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Agency accounts or funds can receive budgetary resources from OMB through an apportionment or they can receive funds based on statutes, laws, legislation, etc. Apportionments issued for specific activities, projects, objects, or a combination of these categories are classified as Category B. If an account or fund receives its budgetary resources based on law or statute and does not receive an apportionment from OMB, it is classified as Exempt from

Apportionment. Chart 16a reflects the amounts of direct and reimbursable new obligations and upward adjustments against Category B Apportionment and Exempt from Apportionment accounts.

Chart 16a - Apportionment Categories of Obligations Incurred as of September 30:
(Dollars in Millions)

	2017			2016		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 72,537	$ 2,708	$ 75,245	$ 76,661	$ 2,907	$ 79,568
Exempt	983,900	1	983,901	952,976	1	952,977
Total	$ 1,056,437	$ 2,709	$ 1,059,146	$ 1,029,637	$ 2,908	$ 1,032,545

PERMANENT INDEFINITE APPROPRIATION

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death. The authority remains available as long as there are qualified beneficiaries.

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

LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

During the year, the OASI and DI Trust Funds collect receipts and incur obligations. The receipts are primarily made up of tax and interest revenues. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated against the OASI and DI Trust Funds. During a given year, when receipts collected exceed the amount needed to pay benefits and other valid obligations, the excess authority becomes precluded by law from being available for obligations, as of September 30. While this amount is precluded from obligation at the end of one fiscal year, the excess receipts remain assets of the OASI and DI Trust Funds and can become available in future periods as needed.

Chart 16b provides an overview of fiscal year budgetary receipt and obligation information for the OASI and DI Trust Funds. SSA compares the current year receipts to the current year obligations incurred to determine the excess or shortfall for a fiscal year.

Chart 16b - OASI and DI Trust Fund Activities as of September 30:
(Dollars in Millions)

	2017			2016		
	OASI	DI	Total	OASI	DI	Total
Receipts	$ 822,530	$ 169,559	$ 992,089	$ 799,905	$ 150,362	$ 950,267
Less: Obligations	801,604	144,974	946,578	773,309	147,517	920,556
Excess of Receipts Over Obligations	$ 20,926	$ 24,585	$ 45,511	$ 26,866	$ 2,845	$ 29,711

The passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, increased the DI Trust Fund's portion of the FICA payroll tax by 0.57 percentage points. A total of 2.37 percentage points of the total combined 12.40 percent payroll tax was allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution. The overall Net Position of the OASI and DI Trust Funds, on the Consolidated Statements of Changes in Net Position, are $2,766,567 and $46,249 million for the year ended September 30, 2017, compared to $2,746,389 and $20,815 million for the year ended September 30, 2016.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that SSA has not actually or constructively received. SSA's total undelivered orders are $2,150 and $2,182 million for the years ended September 30, 2017 and 2016. The total undelivered orders contain unpaid undelivered orders and advances, with unpaid orders making up the majority of the total. SSA's total unpaid undelivered orders are $2,125 and $2,156 million for the years ended September 30, 2017 and 2016.

EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

SSA conducted a reconciliation of budgetary resources, obligations incurred, distributed offsetting receipts, and net outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2016. All differences shown in the chart below are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government, and distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 16c presents a reconciliation of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2016.

Chart 16c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the U.S. Government for FY 2016:
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 1,038,823	$ 1,032,545	$ 35,331	$ 976,786
Expired activity not in President's Budget	(366)	(143)	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	35,331
Other	1	1	2	1
Budget of the U.S. Government	$ 1,038,458	$ 1,032,403	$ 35,333	$ 1,012,118

A reconciliation has not been conducted for the year ended September 30, 2017 since the actual budget data for FY 2017 will not be available until the President's Budget is published. Once available, the actual budget data will be located on OMB's Appendix website (www.whitehouse.gov/omb/budget/Appendix).

17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Chart 17 - Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2017 and 2016
(Dollars in Millions)

	2017	2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 1,059,146**	$ 1,032,545
Offsetting Collections and Recoveries	**(16,414)**	(15,947)
Obligations Net of Offsetting Collections and Recoveries	**1,042,732**	1,016,598
Offsetting Receipts	**(40,391)**	(35,331)
Net Obligations	**1,002,341**	981,267
Other Resources		
Imputed Financing	**447**	550
Other	**(221)**	(240)
Net Other Resources Used to Finance Activities	**226**	310
Total Resources Used to Finance Activities	**1,002,567**	981,577
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**35**	(273)
Resources that Fund Expenses Recognized in Prior Periods	**(228)**	(90)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**40,287**	35,343
Change in Resources that Finance Assets	**(690)**	1,328
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(42,653)**	(37,633)
Total Resources Not Part of the Net Cost of Operations	**(3,249)**	(1,325)
Total Resources Used to Finance the Net Cost of Operations	**999,318**	980,252
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	**0**	9
Components Not Requiring or Generating Resources		
Change in Depreciation and Amortization	**667**	(602)
Revaluation of Assets and Liabilities	**70**	0
Other	**(930)**	2,518
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**(193)**	1,916
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**(193)**	1,925
Net Cost of Operations	**$ 999,125**	$ 982,177

Chart 17 presents a reconciliation between SSA’s budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one Statement, but not the other.

18. SOCIAL INSURANCE DISCLOSURES

STATEMENTS OF SOCIAL INSURANCE

The Statements of Social Insurance present the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI social insurance program. The closed group of participants includes only current participants (i.e., those who attain age 15 or older in the first year of the projection period). The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in *The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (the Trustees Report) for the 75-year projection period beginning January 1, 2017. These assumptions represent the Trustees' reasonable estimate of likely future economic and demographic conditions. Similar present values are shown in the Statements of Social Insurance based on the prior four Trustees Reports reflecting present values at January 1 of the applicable year.

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

The present value of the estimated future excess of noninterest income over cost is shown in the Statements of Social Insurance, not only for the open group of participants, but also for the "closed group" of participants. The closed group of participants consists of those who, in the starting year of the projection period, have attained age 15 or older. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. The Statements of Social Insurance also present the present value of estimated future noninterest income less estimated future cost *plus* the combined OASI and DI Trust Fund asset reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund asset reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund asset reserves, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund asset reserves as of January 1, 2017 totaled $2,848 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

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

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

ASSUMPTIONS USED FOR THE STATEMENTS OF SOCIAL INSURANCE

The present values used in this presentation for the current year (2017) are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund asset reserves are depleted. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2017

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2017	1.90	772.1	77.0	81.6	1,559,000	1.84	4.00	2.17	1.1	2.9	2.7%
2020	1.98	750.2	77.4	81.9	1,512,000	1.87	4.47	2.60	1.0	2.9	4.6%
2030	2.00	686.1	78.6	82.9	1,332,000	1.29	3.89	2.60	0.5	2.1	5.3%
2040	2.00	630.8	79.7	83.8	1,282,000	1.21	3.81	2.60	0.6	2.2	5.3%
2050	2.00	582.3	80.7	84.6	1,257,000	1.24	3.84	2.60	0.5	2.2	5.3%
2060	2.00	539.7	81.7	85.4	1,243,000	1.21	3.81	2.60	0.4	2.1	5.3%
2070	2.00	502.0	82.5	86.1	1,234,000	1.15	3.75	2.60	0.5	2.1	5.3%
2080	2.00	468.6	83.4	86.8	1,229,000	1.13	3.73	2.60	0.5	2.1	5.3%
2090*	2.00	438.7	84.1	87.4	1,227,000	1.15	3.75	2.60	0.4	2.0	5.3%

* The valuation period used for the 2017 Statement of Social Insurance extends to 2091.

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of April 1, 2010, 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 at a given age for a given year is the average remaining number of years expected prior to death for a person at that exact age, born on January 1, using the mortality rates for that year over the course of his or her remaining life. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Values are rounded after all computations.
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is CPI-W.
8. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real GDP is the value of the total output of goods and services in 2009 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which compound semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

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

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

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex-Adjusted Death Rates[2]	Average Annual Net Immigration (persons per year)[3]	Average Annual Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2017	2.0	0.77	1,286,000	1.20	3.80	2.60	0.5	2.7
FY 2016	2.0	0.78	1,291,000	1.20	3.80	2.60	0.5	2.7
FY 2015	2.0	0.78	1,155,000	1.17	3.87	2.70	0.5	2.9
FY 2014	2.0	0.79	1,125,000	1.13	3.83	2.70	0.5	2.9
FY 2013	2.0	0.80	1,095,000	1.12	3.92	2.80	0.6	2.9

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. For the 2017 Statement, the ultimate total fertility rate is assumed to be reached in the 11th year of the projection period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of a standard date if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. For the FY 2014–2017 Statements, the standard date was April 1, 2010. For the 2013 Statement, the standard date was April 1, 2000. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2017 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value shown is the average net immigration level projected for the 75-year projection period. For the 2017 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the CPI-W. The value presented is the average of annual real-wage differentials for the last 65 years of the 75-year projection period. For the 2017 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2017 Statement, the average annual percentage change is consistent with the annual percentages shown in Table 1.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period. For the 2017 Statement, the average annual rate of CPI is consistent with the annual differentials shown in Table 1.
7. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2017 Statement, the average annual rate of change is consistent with the annual percentages shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is reached within the first 10 years of the projection period. For the 2017 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2013–2017 Trustees Reports. Estimates made prior to this year differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

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

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS

The Statements of Changes in Social Insurance Amounts reconcile changes, from the beginning of one 75-year valuation period to the next, in the: (1) present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years; (2) starting asset reserves of the combined OASI and DI Trust Funds; and (3) present value of estimated future noninterest income less estimated future cost for current and future participants over the next 75 years plus the asset reserves of the combined OASI and DI Trust Funds. These values are included in the Statements of Social Insurance. The Statements of Changes in Social Insurance Amounts show two reconciliations: (1) change from the period beginning on January 1, 2016 to the period beginning on January 1, 2017; and (2) change from the period beginning on January 1, 2015 to the period beginning on January 1, 2016. The reconciliation identifies several changes that are significant and provides reasons for the changes.

The five changes considered in the Statements of Changes in Social Insurance Amounts are, in order:

- change in the valuation period;
- changes in demographic data, assumptions, and methods;
- changes in economic data, assumptions, and methods;
- changes in programmatic data and methods; and
- changes in law or policy.

All estimates in the Statements of Changes in Social Insurance Amounts represent values that are incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods represent the additional effect of these new data, assumptions, and methods after considering the effects from demography and the change in the valuation period. In general, an increase in the present value of net cash flows represents a positive change (improving financing), while a decrease in the present value of net cash flows represents a negative change (worsening financing).

CHANGE IN THE VALUATION PERIOD

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2016–2090) to the current valuation period (2017–2091) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cash flow for 2016, replaces it with a much larger negative net cash flow for 2091, and measures the present values as of January 1, 2017, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2016–2090 to 2017–2091. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2016 are realized. The change in valuation period increased the starting level of asset reserves in the combined OASI and DI Trust Funds.

From the period beginning on January 1, 2015 to the period beginning on January 1, 2016

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2015–2089) to the current valuation period (2016–2090) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cash flow for 2015, replaces it with a much larger negative net cash flow for 2090, and measures the present values as of January 1, 2016, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2015–2089 to 2016–2090. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2015 are realized. The change in valuation period increased the starting level of asset reserves in the combined OASI and DI Trust Funds.

CHANGES IN DEMOGRAPHIC DATA, ASSUMPTIONS, AND METHODS

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2017) are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2015 indicated slightly lower birth rates than were assumed in the prior valuation.
- Incorporating 2014 mortality data obtained from the National Center for Health Statistics at ages under 65 and preliminary 2014 mortality data from Medicare experience at ages 65 and older resulted in higher death rates for all future years than were projected in the prior valuation.
- More recent legal and other-than-legal immigration data and historical population data were included.

Inclusion of the recent birth rate data and immigration data decreased the present value of estimated future net cash flows, while the inclusion of the recent mortality data increased the present value of estimated future net cash flows.

There were no notable changes in demographic methodology.

From the period beginning on January 1, 2015 to the period beginning on January 1, 2016

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2016), with the exception of a small change in marriage rates, are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2013 and 2014 indicated lower birth rates than were expected in the prior valuation. The data also show an increase in birth rates starting in 2014, one year later than assumed in the prior valuation.
- Incorporating mortality data obtained from the National Center for Health Statistics at ages under 65 for 2012 and 2013 and from Medicare experience at ages 65 and older for 2013 resulted in slightly higher death rates than were projected in the prior valuation.
- Assumed ultimate marriage rates were decreased somewhat to reflect a continuation of recent trends.
- More recent legal and other-than-legal immigration data and historical population data were included.

Inclusion of the new birth rate data and immigration data decreased the present value of estimated future net cash flows, while the inclusion of the mortality data and the marriage rate changes increased the present value of estimated future net cash flows.

There were two changes in demographic methodology:

- The transition from recent mortality rates to the ultimate rates starts sooner, immediately after the year of final data. The approach used for the prior valuation extended the trend of the last 10 years through the valuation year for the report and only thereafter started the transition to assumed ultimate rates of decline.
- Historical non-immigrant population counts were revised to match recent totals provided by the DHS. In addition, emigration rates for the never-authorized and visa-overstayer populations were recalibrated to reflect a longer historical period and to be less influenced by the high emigration rates experienced during the recent recession. Finally, the method for projecting emigration of the never-authorized population was altered to reflect lower rates of emigration for those who have resided here longer.

These methodological improvements increased the present value of estimated future net cash flows.

CHANGES IN ECONOMIC DATA, ASSUMPTIONS, AND METHODS

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

For the current valuation (beginning on January 1, 2017), there was one change to the ultimate economic assumptions.

- The ultimate average real-wage differential is assumed to be 1.20 percent in the current valuation, which is close to a 0.01 percent decrease relative to the previous valuation (even though both ultimate average real-wage differentials are 1.20 when rounded to two decimal places).

In addition to this change in ultimate assumption, the assumed path of the real-wage differential in the first 10 years of the projection period was also lower than in the previous valuation. This led to 0.05 percent lower annual growth in the average annual wage in covered employment in the first 10 years. The lower long-term and near-term real-wage differential assumptions are based on new projections by the CMS of faster growth in employer sponsored group health insurance premiums. Because these premiums are not subject to the payroll tax, faster growth in these premiums means that a smaller share of employee compensation will be in the form of wages that are subject to the payroll tax. The lower real-wage differential decreased the present value of estimated future net cash flows.

Otherwise, the ultimate economic assumptions for the current valuation are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most notable change was updating the near-term interest rates. Also notable was an assumed weaker recovery from the recent recession than previously expected, which led to a reduction in the ultimate level of actual and potential GDP of about 1.0 percent for all years after the short-range period. The changes in near-term interest rates and GDP decreased the present value of estimated future net cash flows. Other, smaller changes in starting values and near-term growth assumptions combined to decrease the present value of estimated future net cash flows.

From the period beginning on January 1, 2015 to the period beginning on January 1, 2016

For the current valuation (beginning on January 1, 2016), there were three changes to the ultimate economic assumptions.

- The ultimate rate of price inflation (CPI-W) was lowered by 0.1 percentage point, to 2.6 percent from 2.7 percent for the previous valuation.
- The ultimate average real-wage differential is assumed to be 1.20 percent in the current valuation, compared to 1.17 percent in the previous valuation.
- The ultimate real interest rate was lowered by 0.2 percentage point, to 2.7 percent from 2.9 percent for the previous valuation.

While very low inflation in recent years is reflective of U.S. and international supply and demand factors that have been affected by the global recession, the average rate of change in the CPI-W over the last two complete business cycles (from 1989 to 2007) is 2.63 percent. The lower ultimate CPI decreases the present value of estimated future net cash flows.

The higher real-wage differential assumption is based on new projections by the CMS of slower growth in employer sponsored group health insurance premiums. Because these premiums are not subject to the payroll tax, slower growth in these premiums means that a greater share of employee compensation will be in the form of wages that are subject to the payroll tax. The higher real-wage differential increased the present value of estimated future net cash flows.

Real interest rates have been low since 2000, and particularly low since the start of the recent recession. An ongoing and much-debated question among experts is how much of this change is cyclic or a temporary response to extraordinary events, versus a fundamental permanent change. The Trustees believe that lowering the long-term ultimate real interest rate somewhat is appropriate at this time. The lower real interest rate decreased the present value of estimated future net cash flows.

Otherwise, the ultimate economic assumptions for the current valuation are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed.

- A reduction in the ultimate level of actual and potential GDP of about 1.0 percent is assumed. Thus, by the end of the short-range period (2025) and for all years thereafter, projected GDP in 2009 dollars is about 1.8 percent below the level in last year's report.

The change to GDP decreased the present value of estimated future net cash flows. Other, smaller changes in starting values and near-term growth assumptions combined to increase the present value of estimated future net cash flows.

CHANGES IN PROGRAMMATIC DATA AND METHODS

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2017). The most significant are identified below.

- Although ultimate disability assumptions for the current valuation (beginning on January 1, 2017) are the same as those for the prior valuation, recent data have shown significantly lower levels of disability applications and awards than expected in the prior valuation. Based on this experience, estimated disabled worker incidence rates are reduced in the current valuation over the short-range period.
- In the prior valuation, the method used for calculating the probability that aged spouses, widows, and widowers are or are not insured used the "total fully insured rate"—that is, the portion of the entire married, divorced, widow, and widower population that is fully insured—as one of the factors used to determine the fully insured status. The current valuation instead uses the "legal fully insured rate," thus eliminating the effects of shifts in the uninsured population due to changes in the other-than-legal population.
- The prior valuation captured the known shift in retirement to older ages as life expectancy and the normal retirement age increase by "shuttling" from their actual age in the 10 percent sample of all newly entitled retired-worker beneficiaries in 2013 to an older age. The prior valuation did not, however, account for the possibility of additional earnings in the year or years between the actual age and the shuttled age. The current valuation moved the shuttling procedure to an earlier stage of the model so that these additional earnings could be incorporated, improving consistency with revenue projections.
- The prior valuation projected both the number of dually entitled widows and widowers and their average excess benefit amounts using one regression for the entire group. The current valuation uses regressions for three age groups. Splitting the regressions allows for different independent and dependent variable relationships for age groups 62 to 74, 75 to 84, and 85 and older.

Inclusions of new disability data and the insured status methodological improvement increased the present value of estimated future net cash flows, while the "shuttling" change and the expanded regression for dually entitled categories decreased the present value of estimated cash flows.

From the period beginning on January 1, 2015 to the period beginning on January 1, 2016

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2016). The most significant are identified below.

- The sample used in the prior valuation for projecting average benefit levels of retired worker and disabled-worker beneficiaries newly entitled for benefits was for worker beneficiaries newly entitled in 2008. The current valuation uses the results from worker beneficiaries newly entitled in 2013. In addition, the method used to determine initial entitlements was improved, primarily to take into account the recent increase of "file and suspend" cases, which were not fully included under the previous methodology.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicated higher levels of revenue from taxation of OASDI benefits than projected in the prior valuation.

Both of these methodological improvements increased the present value of estimated future net cash flows.

CHANGES IN LAW OR POLICY

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

Between the prior valuation (the period beginning on January 1, 2016) and the current valuation (the period beginning on January 1, 2017), no laws were enacted that are expected to have significant effects on the long-range cost of the OASDI program. However, estimates in the current valuation, unlike in the prior valuation, reflect the assumption that parts of President Obama's 2014 executive actions on immigration will not be implemented. Specifically, the estimates now assume that the following two provisions will not be implemented: (1) granting legal work and residence status to an expanded group of individuals who entered the country as children (Deferred Action for Childhood Arrivals, or DACA) and (2) granting similar status to certain parents of children born in the United States or otherwise living in the country legally (Deferred Action for Parents of Americans). The prior valuation assumed that these two actions would become effective late in 2016, with individuals gaining authorization starting around the beginning of 2017.

The assumed non-implementation of these executive actions increased the present value of estimated future net cash flows.

From the period beginning on January 1, 2015 to the period beginning on January 1, 2016

Between the prior valuation (the period beginning on January 1, 2015) and the current valuation (the period beginning on January 1, 2016), one law was enacted that is expected to have a significant effect on the long-range cost of the OASDI program. On November 2, 2015, the President signed into law Public Law 114-74, *Bipartisan Budget Act of 2015*. Several sections of the law had significant effects on long-range actuarial status, including:

- Section 831. Closure of unintended loopholes. This provision eliminates: (1) the ability to receive only a retired-worker benefit or an aged-spouse benefit when eligible for both, for those attaining age 62 in 2016 and later; and (2) the ability of a family member other than a divorced spouse to receive a benefit based on the earnings of a worker with a voluntarily suspended benefit, for voluntary suspensions requested after April 29, 2016.
- Section 832. Requirement for medical review. This section requires that the medical portion of the case review and any applicable residual functional capacity assessment for an initial disability determination be completed by an appropriate physician, psychiatrist, or psychologist.
- Section 833. Reallocation of payroll tax rates. For earnings in calendar years 2016 through 2018, this section temporarily reallocates from 1.80 percent to 2.37 percent the portion of the total 12.40 percent

OASDI payroll tax that is directed to the DI Trust Fund. This reallocation of the payroll tax rates had no cost effect on the combined OASDI program.

Inclusion of this law increased the present value of estimated future net cash flows.

ASSUMPTIONS USED FOR THE STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS

The present values included in the Statements of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Table 1 summarizes these assumptions for the current year. Our *Agency Financial Report* website (www.socialsecurity.gov/finance) provides tabulated assumptions for the prior year in a similar manner.

PERIOD BEGINNING ON JANUARY 1, 2016 AND ENDING JANUARY 1, 2017

Present values as of January 1, 2016 are calculated using interest rates from the intermediate assumptions of the 2016 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2017. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2016 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2017 Trustees Report.

PERIOD BEGINNING ON JANUARY 1, 2015 AND ENDING JANUARY 1, 2016

Present values as of January 1, 2015 are calculated using interest rates from the intermediate assumptions of the 2015 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2016. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2015 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2016 Trustees Report.

POTENTIAL IMPACT ON THE SOCIAL INSURANCE STATEMENTS OF THE SEPTEMBER 5, 2017 RESCISSION OF THE 2012 DACA POLICY DIRECTIVE

The DACA policy directive was implemented on June 15, 2012. On September 5, 2017, DHS rescinded the 2012 DACA policy directive and scheduled an orderly phase out of the DACA program. The SSA Office of the Chief Actuary has concluded that the phase out of the DACA program has an effect on the actuarial methods and assumptions used in developing the estimates presented in the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts. We expect that the phase out of the DACA program will change the present value of future noninterest income less future cost for current and future participants (open group measure) presented in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts by less than $20 billion. We do not consider these effects to be material.

Other Information: Balance Sheet by Major Program as of September 30, 2017
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (99)	$ (225)	$ 8,517	$ 120	$ (65)	$ 0	$ 8,248
Investments	2,820,200	69,669	0	0	0	0	2,889,869
Interest Receivable	20,388	464	0	0	0	0	20,852
Accounts Receivable, Net	1	0	0	0	3,363	(3,342)	22
Other	0	0	2	0	24	0	26
Total Intragovernmental	2,840,490	69,908	8,519	120	3,322	(3,342)	2,919,017
Accounts Receivable, Net	2,537	4,750	5,701	0	2	(548)	12,442
Property, Plant, and Equipment, Net	0	0	0	0	3,371	0	3,371
Total Assets	$ 2,843,027	$ 74,658	$ 14,220	$ 120	$ 6,695	$ (3,890)	$ 2,934,830
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 4,618	$ 170	$ 0	$ 0	$ 0	$ 0	$ 4,788
Accounts Payable	455	903	7,308	30	(2)	(3,342)	5,352
Other	0	0	1	3	180	0	184
Total Intragovernmental	5,073	1,073	7,309	33	178	(3,342)	10,324
Benefits Due and Payable	71,386	27,330	5,338	0	0	(548)	103,506
Accounts Payable	1	6	355	0	75	0	437
Federal Employee and Veteran Benefits	0	0	0	0	319	0	319
Other	0	0	23	1	661	0	685
Total Liabilities	76,460	28,409	13,025	34	1,233	(3,890)	115,271
Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - All Other Funds	0	0	4,725	86	2	0	4,813
Cumulative Results of Operations - Funds from Dedicated Collections	2,766,567	46,249	0	0	0	0	2,812,816
Cumulative Results of Operations - All Other Funds	0	0	(3,530)	0	5,460	0	1,930
Total Net Position - Funds from Dedicated Collections	2,766,567	46,249	0	0	0	0	2,812,816
Total Net Position - All Other Funds	0	0	1,195	86	5,462	0	6,743
Total Net Position	2,766,567	46,249	1,195	86	5,462	0	2,819,559
Total Liabilities and Net Position	$ 2,843,027	$ 74,658	$ 14,220	$ 120	$ 6,695	$ (3,890)	$ 2,934,830

Other Information: Schedule of Net Cost for the Year Ended September 30, 2017
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 793,155	$ 0	$ 793,155
Operating Expenses	520	3,181	3,701
Total Cost of OASI Program	793,675	3,181	796,856
Less: Exchange Revenues	(1)	(11)	(12)
Net Cost of OASI Program	793,674	3,170	796,844
DI Program			
Benefit Payment Expense	141,206	0	141,206
Operating Expenses	242	2,786	3,028
Total Cost of DI Program	141,448	2,786	144,234
Less: Exchange Revenues	(22)	(10)	(32)
Net Cost of DI Program	141,426	2,776	144,202
SSI Program			
Benefit Payment Expense	51,355	0	51,355
Operating Expenses	175	4,367	4,542
Total Cost of SSI Program	51,530	4,367	55,897
Less: Exchange Revenues	(221)	(15)	(236)
Net Cost of SSI Program	51,309	4,352	55,661
Other			
Benefit Payment Expense	2	0	2
Operating Expenses	0	2,424	2,424
Total Cost of Other	2	2,424	2,426
Less: Exchange Revenues	0	(8)	(8)
Net Cost of Other Program	2	2,416	2,418
Total Net Cost			
Benefit Payment Expense	985,718	0	985,718
Operating Expenses	937	12,758	13,695
Total Cost	986,655	12,758	999,413
Less: Exchange Revenues	(244)	(44)	(288)
Total Net Cost	$ 986,411	$ 12,714	$ 999,125

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2017
(Dollars in Millions)

	OASI	DI	SSI		Other	
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	All Other Funds	Funds from Dedicated Collections	All Other Funds
Cumulative Results of Operations:						
Beginning Balances	$ 2,746,389	$ 20,815	$ 0	$ (3,746)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	59,311	37,367	22
Tax Revenues	702,132	165,902	0	0	0	0
Interest Revenues	84,040	1,741	0	0	0	0
Transfers In/Out - Without Reimbursement	32,293	(690)	(122)	(4,445)	(37,367)	(20)
Railroad Retirement Interchange	(4,626)	(134)	0	0	0	0
Other Budgetary Financing Sources	13	41	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out - Without Reimbursement	0	0	0	(2,710)	0	2,710
Imputed Financing Sources	0	0	0	16	0	0
Other	0	0	0	(525)	0	(2,710)
Total Financing Sources	813,852	166,860	(122)	51,647	0	2
Net Cost of Operations	793,674	141,426	(122)	51,431	0	2
Net Change	20,178	25,434	0	216	0	0
Cumulative Results of Operations	$ 2,766,567	$ 46,249	$ 0	$ (3,530)	$ 0	$ 0
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 5,918	$ 0	$ 86
Budgetary Financing Sources						
Appropriations Received	0	0	0	58,118	37,367	31
Other Adjustments	0	0	0	0	0	(9)
Appropriations Used	0	0	0	(59,311)	(37,367)	(22)
Total Budgetary Financing Sources	0	0	0	(1,193)	0	0
Total Unexpended Appropriations	0	0	0	4,725	0	86
Net Position	$ 2,766,567	$ 46,249	$ 0	$ 1,195	$ 0	$ 86

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2017 (Continued)
(Dollars in Millions)

	LAE	CONSOLIDATED		CONSOLIDATED
	All Other Funds	Funds from Dedicated Collections	All Other Funds	TOTAL
Cumulative Results of Operations:				
Beginning Balances	$ 5,161	$ 2,767,204	$ 1,415	$ 2,768,619
Budgetary Financing Sources				
Appropriations Used	30	37,367	59,363	96,730
Tax Revenues	0	868,034	0	868,034
Interest Revenues	0	85,781	0	85,781
Transfers In/Out Without Reimbursement	12,552	(5,886)	8,087	2,201
Railroad Retirement Interchange	0	(4,760)	0	(4,760)
Other Budgetary Financing Sources	0	54	0	54
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	431	0	447	447
Other	0	0	(3,235)	(3,235)
Total Financing Sources	13,013	980,590	64,662	1,045,252
Net Cost of Operations	12,714	934,978	64,147	999,125
Net Change	299	45,612	515	46,127
Cumulative Results of Operations	$ 5,460	$ 2,812,816	$ 1,930	$ 2,814,746
Unexpended Appropriations:				
Beginning Balances	$ 2	$ 0	$ 6,006	$ 6,006
Budgetary Financing Sources				
Appropriations Received	30	37,367	58,179	95,546
Other Adjustments	0	0	(9)	(9)
Appropriations Used	(30)	(37,367)	(59,363)	(96,730)
Total Budgetary Financing Sources	0	0	(1,193)	(1,193)
Total Unexpended Appropriations	2	0	4,813	4,813
Net Position	$ 5,462	$ 2,812,816	$ 6,743	$ 2,819,559

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2017
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 5,794	$ 87	$ 397	$ 6,278
Recoveries of Prior Year Unpaid Obligations	6	285	585	0	242	1,118
Other Changes in Unobligated Balance	347	(285)	1	(10)	40	93
Unobligated Balance From Prior Year Budget Authority, Net	353	0	6,380	77	679	7,489
Appropriations (Discretionary and Mandatory)	801,251	144,974	58,240	37,398	30	1,041,893
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	0	0	2,649	1	12,605	15,255
Total Budgetary Resources	$ 801,604	$ 144,974	$ 67,269	$ 37,476	$ 13,314	$ 1,064,637
Status of Budgetary Resources						
New obligations and upward adjustments (Note 16)						
Direct	$ 801,604	$ 144,974	$ 60,022	$ 37,389	$ 12,448	$ 1,056,437
Reimbursable	0	0	2,644	1	64	2,709
New obligations and upward adjustments (total)	801,604	144,974	62,666	37,390	12,512	1,059,146
Unobligated Balance , End of Year						
Apportioned, unexpired accounts	0	0	4,016	38	612	4,666
Unapportioned, unexpired accounts	0	0	585	0	10	595
Unexpired unobligated balance, end of year	0	0	4,601	38	622	5,261
Expired unobligated balance, end of year	0	0	2	48	180	230
Unobligated balance, end of year (total)	0	0	4,603	86	802	5,491
Total Budgetary Resources	$ 801,604	$ 144,974	$ 67,269	$ 37,476	$ 13,314	$ 1,064,637
Change in Obligated Balance						
Unpaid obligations:						
Unpaid Obligations, Brought Forward, October 1	$ 73,910	$ 29,622	$ 3,297	$ 36	$ 2,519	$ 109,384
New obligations and upward adjustments	801,604	144,974	62,666	37,390	12,512	1,059,146
Outlays, Gross	(799,049)	(145,855)	(61,482)	(37,396)	(12,308)	(1,056,090)
Recoveries of Prior Year Unpaid Obligations	(6)	(285)	(585)	0	(242)	(1,118)
Unpaid Obligations, End of Year	76,459	28,456	3,896	30	2,481	111,322
Uncollected payments:						
Uncollected Payments, Federal Sources, Brought Forward, October 1	0	0	0	0	(2,943)	(2,943)
Change in Uncollected Payments, Federal Sources	0	0	0	0	(410)	(410)
Uncollected Payments Federal Sources, End of Year	0	0	0	0	(3,353)	(3,353)
Memorandum (non-add) Entries:						
Obligated balance, Start of Year	$ 73,910	$ 29,622	$ 3,297	$ 36	$ (424)	$ 106,441
Obligated balance, End of Year	$ 76,459	$ 28,456	$ 3,896	$ 30	$ (872)	$ 107,969
Budget Authority and Outlays, Net						
Budget Authority, Gross (Discretionary and Mandatory)	$ 801,251	$ 144,974	$ 60,889	$ 37,399	$ 12,635	$ 1,057,148
Actual Offsetting Collections (Discretionary and Mandatory)	0	0	(2,650)	(1)	(12,236)	(14,887)
Change in Uncollected Customer Payments From Federal Sources (Discretionary and Mandatory)	0	0	0	0	(410)	(410)
Recoveries of Prior Year Paid Obligations	0	0	1	0	41	42
Budget Authority, Net (Discretionary and Mandatory)	$ 801,251	$ 144,974	$ 58,240	$ 37,398	$ 30	$ 1,041,893
Outlays, Gross (Discretionary and Mandatory)	799,049	145,855	61,482	37,396	12,308	1,056,090
Actual Offsetting Collections (Discretionary and Mandatory)	0	0	(2,650)	(1)	(12,236)	(14,887)
Outlays, Net (Discretionary and Mandatory)	799,049	145,855	58,832	37,395	72	1,041,203
Distributed Offsetting Receipts	(35,441)	(2,020)	(221)	(2,709)	0	(40,391)
Agency Outlays, Net (Discretionary and Mandatory)	$ 763,608	$ 143,835	$ 58,611	$ 34,686	$ 72	$ 1,000,812

REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

PROGRAM DESCRIPTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as "Social Security," provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2016, SSA paid OASDI benefits to about 61 million beneficiaries. The laws applicable for the period determine eligibility and benefit amounts. Current law provides that the amount of the monthly benefit payments for workers and their eligible dependents or survivors is based on the workers' lifetime earnings histories.

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

PROGRAM FINANCES AND SUSTAINABILITY

As discussed in Note 9 to the Consolidated Financial Statements, a liability of $98 billion as of September 30, 2017 ($97 billion as of September 30, 2016) is included in "Benefits Due and Payable" on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date. Virtually all of this amount was paid in October 2017. Also, an asset of $2,890 billion as of September 30, 2017 ($2,843 billion as of September 30, 2016) is recognized for the "investments in Treasury securities." These investments are referred to as the combined OASI and DI Trust Fund asset reserves throughout the remainder of this required supplementary information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investments and Interest Receivable, Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2017 because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid or are due to be paid because benefit payments are nonexchange transactions and are not considered deferred compensation as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker's expected retirement benefits has been recognized by the time the worker retires.

Required Supplementary Information - While no liability has been recognized on the balance sheet for future obligations beyond those due at the reporting date, actuarial estimates are made of the long-range financial status 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 tax on scheduled OASDI benefits; interest income from Treasury securities held as asset reserves of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **Income excluding interest (Noninterest Income)**: income, as defined above, excluding the interest income from Treasury securities held as asset reserves of the OASI and DI Trust Funds;

- **Cost**: scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **Cash flow**: depending on the context, either income, noninterest income, or cost;
- **Net cash flow**: either income less cost or noninterest income less cost; however, net cash flow in this section refers to noninterest income less cost; and
- **Present value**: the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in *The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2017 Trustees Report) (see Note 18 to the Statements of Social Insurance). The Statements of Social Insurance, the Statements of Changes in Social Insurance Amounts, and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

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

(2) estimated annual income, income (excluding interest), and cost as percentages of taxable payroll and gross domestic product (GDP);

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

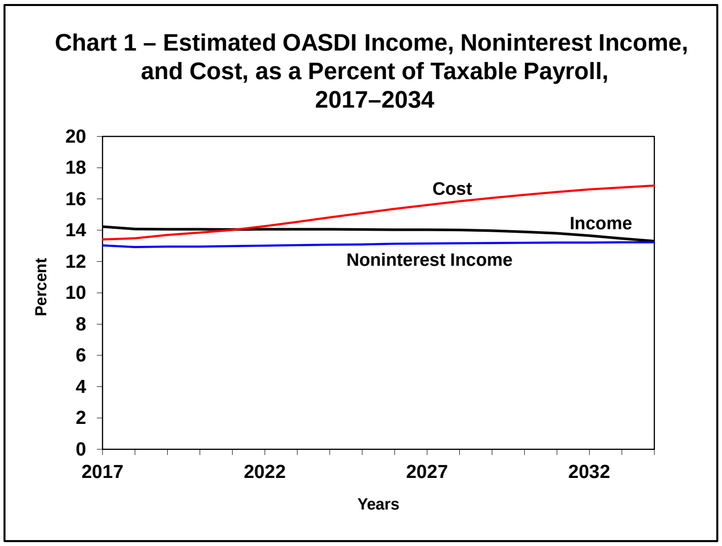
(4) an analysis of the sensitivity of the projections to changes in selected assumptions.

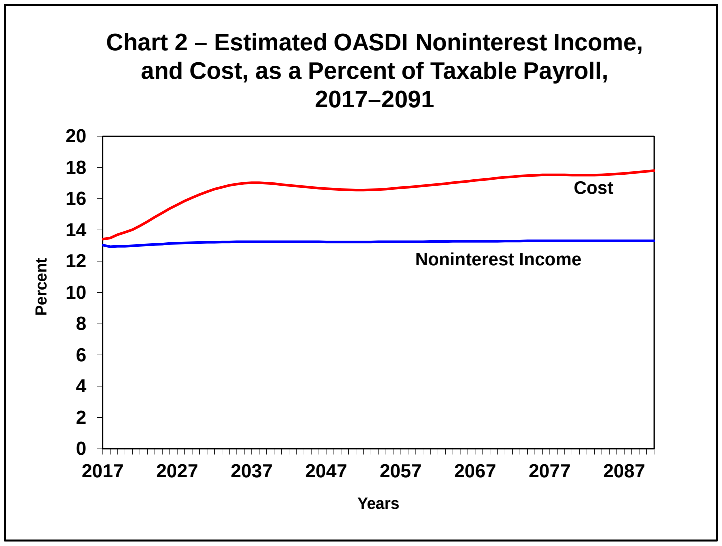
Sustainable Solvency - Based on the estimates of income and cost presented in the Statements of Social Insurance, the OASDI program does not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to be able to pay all scheduled benefits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

Cash Flow Projections - Charts 1 through 4 show annual cash flow projections for the OASDI program. OASDI noninterest income and cost are estimated for each year from 2017 through 2091. However, income including interest is only estimated through 2034, the year that the asset reserves in the combined OASI and DI Trust Funds are projected to deplete. After the point of such depletion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income (noninterest income). Therefore, displaying annual income levels beyond the point of combined OASI and DI Trust Fund depletion would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

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

Amounts as a Percentage of Taxable Payroll - Chart 1 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of taxable payroll. Chart 2 is an extension of Chart 1, showing estimated annual noninterest income and cost through 2091 expressed as percentages of taxable payroll.





As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent) and the 12.4 percent that is paid on taxable self-employment income. In all years of the projection period, estimated annual cost is more than estimated annual income excluding interest. After 2017, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2035 and is rising at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 73 percent of the estimated cost.

As Chart 1 shows, estimated cost starts to exceed income including interest in 2022. This occurs because of a variety of factors including the retirement of the baby boom generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated annual cost is projected to exceed noninterest income in all years of the projection period. In any year, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption differs from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. The Government could finance this redemption by increasing its borrowing from the public, raising taxes (other than OASDI payroll taxes), and/or reducing expenditures (other than OASDI cost). Alternatively, the Government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.

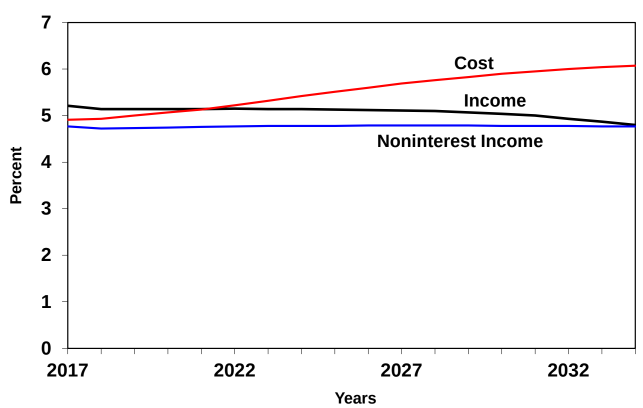
Actuarial Balance - The Statements of Social Insurance show that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$15,357 billion. If augmented by the combined OASI and DI Trust Fund asset reserves at the start of the period (January 1, 2017), it is -$12,509 billion. This excess does not equate to the actuarial balance in the Trustees Report of -2.83 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

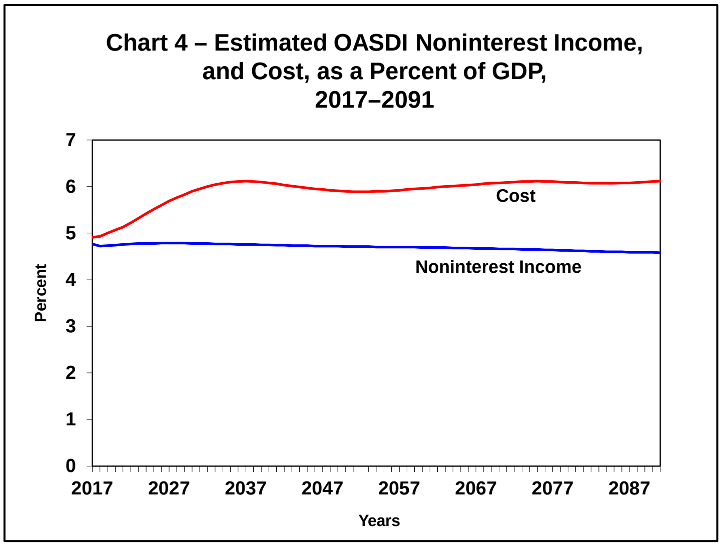
For the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period, revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax increase of 2.76 percentage points (from its current level of 12.40 percent to 15.16 percent). One interpretation of the actuarial balance is that its magnitude, 2.83 percent, should equal the necessary increase. However, the increase is different for two reasons. First, the necessary tax rate is the rate required to maintain solvency throughout the period that results in no asset reserves in the OASI and DI Trust Funds at the end of the period, whereas the actuarial balance incorporates an ending asset reserve in the OASI and DI Trust Funds equal to one year's cost. Second, the necessary tax rate reflects a behavioral response to tax rate changes, whereas the actuarial balance does not. In particular, the calculation of the necessary tax rate assumes that an increase in payroll taxes results in a small shift of wages and salaries to forms of employee compensation that are not subject to the payroll tax.

Alternatively, solvency could be achieved by reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of about 17 percent applied to all current and future beneficiaries, or about 20 percent if the reductions were applied only to newly entitled beneficiaries. Finally, some combination of both tax increases and benefit reductions could be adopted.

Amounts as a Percentage of Gross Domestic Product - Chart 3 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of GDP. Chart 4 is an extension of Chart 3, showing estimated annual noninterest income and cost through 2091 expressed as percentages of GDP. Analyzing these cash flows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

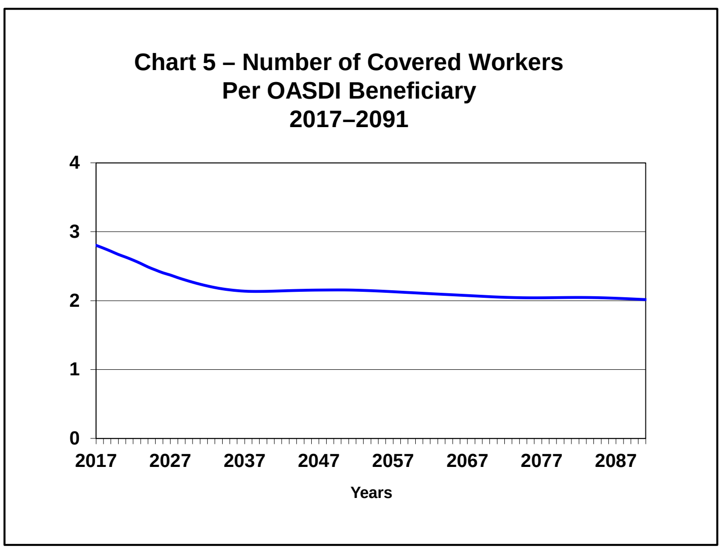
Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2017–2034





In calendar year 2016, OASDI cost was about $922 billion, which was about 5.0 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.1 percent by 2037, then declines to 5.9 percent by 2050, and gradually increases to 6.1 percent by 2091. The rapid increase from 2017 to 2035 is projected to occur as baby boomers become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer.

Ratio of Workers to Beneficiaries - Chart 5 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 based on services for wages in covered employment and/or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.8 in 2016 to 2.0 in 2091.



SENSITIVITY ANALYSIS

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

For this analysis, the intermediate assumptions in the 2017 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2017 and are based on estimates of income and cost during the 75-year projection period 2017–2091. In this section, for brevity, “income” means “noninterest income.”

For each assumption analyzed, one table and one chart are presented. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. The chart shows the present value of each annual net cash flow.

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

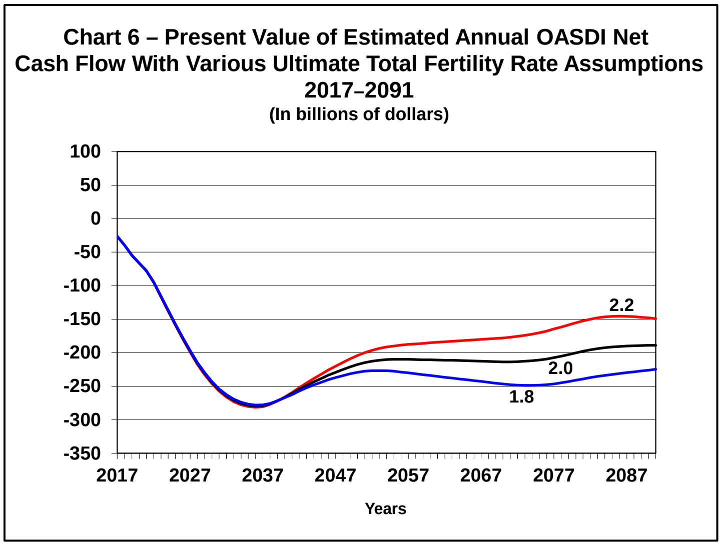
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the assumptions about the ultimate total fertility rate. These assumptions are 1.8, 2.0, and 2.2 children per woman, where 2.0 is the intermediate assumption in the 2017 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2032, 2027, and 2024 under the total fertility rate assumptions of 1.8, 2.0, and 2.2, respectively.

Table 1 demonstrates that if the ultimate total fertility rate were changed from 2.0 children per woman, the Trustees' intermediate assumption, to 1.8, the shortfall for the period of estimated OASDI income relative to cost would increase to $16,683 billion from $15,357 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to $13,899 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2017–2091

Ultimate Total Fertility Rate	1.8	2.0	2.2
Present Value of Estimated Excess (In billions)	-$16,683	-$15,357	-$13,899

Using the same total fertility rates used for the estimates in Table 1, Chart 6 shows the present value of the estimated annual OASDI net cash flow.



The three patterns of the present values shown in Chart 6 are similar. The present values based on all three ultimate total fertility rates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three ultimate fertility rates decrease through 2036, and mostly increase thereafter. Net cash flow estimates corresponding to a 1.8 and a 2.0 total fertility rate have one more period of decreasing present values in years 2054–2074 and 2057–2071, respectively. Net cash flow estimates corresponding to a 2.2 total fertility rate have a final period of decreasing present values beginning in 2087. Based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2091 than it would to cover the annual deficit in 2035.

Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2016–2091 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 0.42, 0.77, and 1.16 percent per year, where 0.77 percent is the intermediate assumption in the 2017 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 27, 44, and 58 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 79.1 in 2016 to 82.7, 85.8, and 88.8 in 2091 for average annual reductions in the age-sex-adjusted death rate of 0.42, 0.77, and 1.16 percent, respectively.

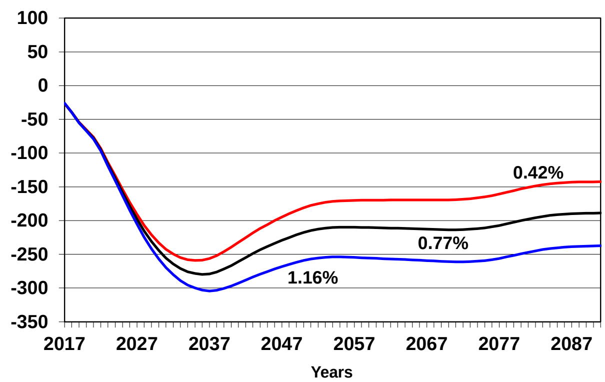
Table 2 demonstrates that if the annual reduction in death rates were changed from 0.77 percent, the Trustees' intermediate assumption, to 0.42 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $12,976 billion from $15,357 billion; if the annual reduction were changed to 1.16 percent, meaning that people live longer, the shortfall would increase to $17,942 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2017–2091

Average Annual Reduction in Death Rates (from 2016 to 2091)	0.42 Percent	0.77 Percent	1.16 Percent
Present Value of Estimated Excess (In billions)	-$12,976	-$15,357	-$17,942

Using the same assumptions about future reductions in death rates used for the estimates in Table 2, Chart 7 shows the present value of the estimated annual OASDI net cash flow.

Chart 7 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Death Rate Assumptions 2017–2091
(In billions of dollars)



The three patterns of the present values shown in Chart 7 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The present values are expected to decrease rapidly into the 2030s. Present values based on all three sets of assumptions begin to increase (become less negative) by 2038. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase (become less negative) at that time, and generally continues to increase through 2091. Under all three sets of assumptions net cash flows have one more period of gradual decreasing present values around years 2055–2070.

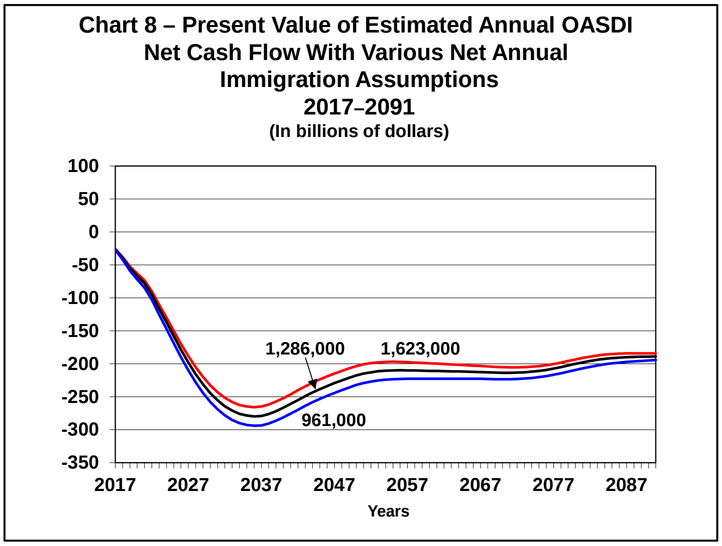
Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. Assumptions are made about the levels of legal immigration, legal emigration, other immigration, and other emigration. Based on these levels, it is projected that net annual immigration (legal and other) will average 961,000 persons, 1,286,000 persons, and 1,623,000 persons over the 75-year valuation period, where 1,286,000 persons is the average value based on the intermediate assumptions in the 2017 Trustees Report.

Table 3 demonstrates that if the Trustees' intermediate immigration assumptions were changed so that the average level for the 75-year period decreased from 1,286,000 persons to 961,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $16,181 billion from $15,357 billion. If, instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,623,000 persons, the present value of the shortfall would decrease to $14,620 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2017–2091

75-Year Average Net Annual Immigration	961,000 Persons	1,286,000 Persons	1,623,000 Persons
Present Value of Estimated Excess (In billions)	-$16,181	-$15,357	-$14,620

Using the same assumptions about net annual immigration used for the estimates in Table 3, Chart 8 shows the present value of the estimated annual OASDI net cash flow.



The three patterns of the present values shown in Chart 8 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three net annual immigration assumptions decrease through 2036, and mostly increase (become less negative) thereafter. Under all three sets of assumptions net cash flows have another period of gradually decreasing present values from around 2055–2070. Net cash flow estimates corresponding to a net average annual immigration of 1,623,000 persons begin decreasing again in 2090.

Immigration generally occurs at relatively young adult ages, so there is no significant effect on beneficiaries (and, therefore, on benefits) in the early years of the projection period, but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Therefore, even in the early years, the present values, year by year, are generally higher (less negative in later years) for higher net annual immigration. However, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Therefore, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

Real-Wage Differential - The annual real-wage differential is the difference between the percentage increases in: (1) the average annual wage in OASDI covered employment; and (2) the average annual CPI. The ultimate real-wage differential is the average of the annual real-wage differential for the last 65 years of the 75-year projection period. Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.58, 1.20, and 1.82 percentage points, where 1.20 percentage points is the intermediate assumption in the 2017 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.60 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.18, 3.80, and 4.42 percent, respectively.

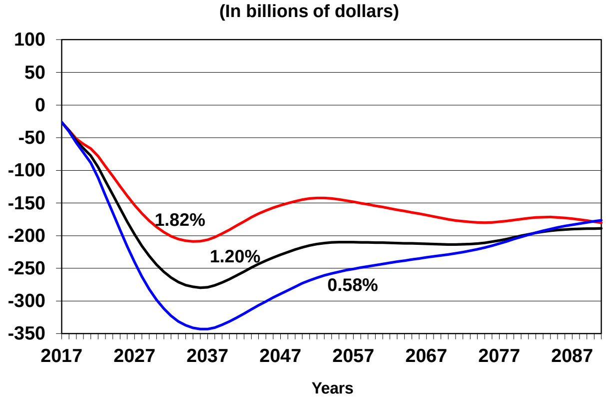
Table 4 demonstrates that if the ultimate real-wage differential were changed from 1.20 percentage point, the Trustees' intermediate assumption, to 0.58 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $17,629 billion from $15,357 billion; if the ultimate real-wage differential were changed from 1.20 to 1.82 percentage points, the shortfall would decrease to $11,928 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2017–2091

Ultimate Annual Increase in Wages, CPI; **Real-Wage Differential**	3.18%, 2.60%; **0.58%**	3.80%, 2.60%; **1.20%**	4.42%, 2.60%; **1.82%**
Present Value of Estimated Excess (In billions)	-$17,629	-$15,357	-$11,928

Using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4, Chart 9 shows the present value of the estimated annual OASDI net cash flow.

Chart 9 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Ultimate Real-Wage Assumptions 2017–2091
(In billions of dollars)



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The present values based on all three sets of assumptions are expected to decrease into the 2030s before increasing (becoming less negative) by 2037. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.82 percentage points, the present values continue to increase until 2053 when decreases begin again and generally continue throughout the remainder of the projection period. The present values for the other two assumptions generally continue increasing throughout the remaining projection period. Under the assumed real-wage differential of 1.20 percentage points, net cash flows have one more period of decreasing present values from 2057–2071.

Differences among the estimates of annual net cash flow 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 cash flow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cash flow based on the three assumptions diverge fairly rapidly. However, toward the end of the projection period, annual net cash flow becomes more similar for all assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds noninterest income. These effects are depicted by the patterns in Chart 9 coming together at the end of the projection period.

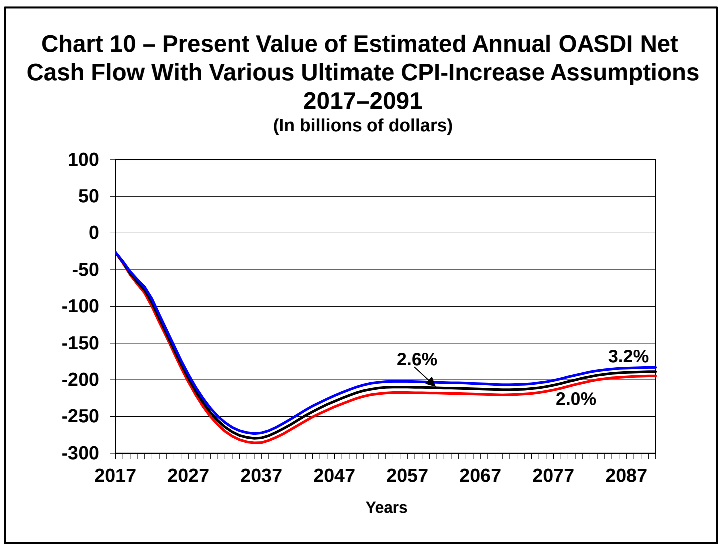
Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.00, 2.60, and 3.20 percent, where 2.60 percent is the intermediate assumption in the 2017 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.20 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.20, 3.80, and 4.40 percent, respectively.

Table 5 demonstrates that if the ultimate annual increase in the CPI were changed from 2.60 percent, the Trustees' intermediate assumption, to 2.00 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $15,827 billion from $15,357 billion; if the ultimate annual increase in the CPI were changed to 3.20 percent, the shortfall would decrease to $14,876 billion. The seemingly counter-intuitive result that higher CPI increases result in decreased shortfalls (and vice versa) is explained by the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. The effect on taxable payroll due to a greater increase in average wages is experienced immediately, while the effect on benefits is experienced with a lag of about one year. For this reason, larger increases in the CPI cause earnings and income to increase sooner and, therefore, by more each year, than benefits and cost.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate CPI-Increase Assumptions Valuation Period: 2017–2091

Ultimate Annual Increase in Wages, **CPI**; Real-Wage Differential	3.20%, **2.00%**; 1.20%	3.80%, **2.60%**; 1.20%	4.40%, **3.20%**; 1.20%
Present Value of Estimated Excess (In billions)	-$15,827	-$15,357	-$14,876

Using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5, Chart 10 shows the present value of the estimated annual OASDI net cash flow.



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three ultimate CPI-increase assumptions decrease through 2036 and mostly increase (become less negative) thereafter. Under all three sets of assumptions net cash flows have one more period of gradual decreasing present values each from around 2055–2070.

Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.2, 2.7, and 3.2 percent, where 2.7 percent is the intermediate assumption in the 2017 Trustees Report. Changes in real interest rates change the present value of cash flow, even though the cash flow itself does not change.

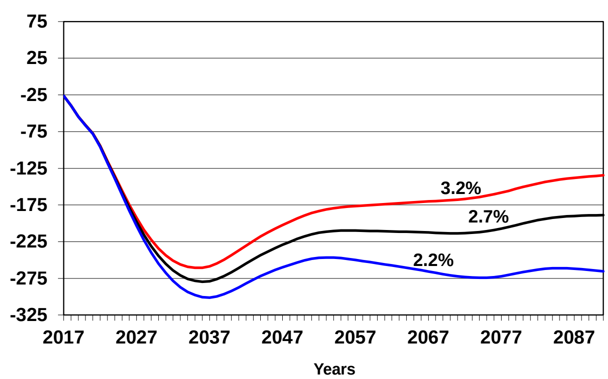
Table 6 demonstrates that if the ultimate real interest rate were changed from 2.7 percent, the Trustees' intermediate assumption, to 2.2 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms would increase to $18,200 billion from $15,357 billion; if the ultimate annual real interest rate were changed to 3.2 percent, the present-value shortfall would decrease to $13,089 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real Interest Assumptions Valuation Period: 2017–2091

Ultimate Annual Real Interest Rate	2.2 Percent	2.7 Percent	3.2 Percent
Present Value of Estimated Excess (In billions)	-$18,200	-$15,357	-$13,089

Using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6, Chart 11 shows the present value of the estimated annual OASDI net cash flow.

Chart 11 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Ultimate Real Interest Rate Assumptions 2017–2091
(In billions of dollars)



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The three patterns of the present values shown in Chart 11 are similar. The present values are expected to decrease rapidly into the 2030s. Present values based on all three sets of assumptions begin to increase (become less negative) by 2038. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase (become less negative) at that time. For ultimate real interest rates of 2.7 percent and 3.2 percent the increasing present values mostly continue through 2091, with one more period of decreasing present values for net cash flow estimates corresponding to an ultimate real interest rate of 2.7 percent from 2057–2071. For an ultimate real interest rate of 2.2 percent, the present values increase in years 2038–2053, decrease in years 2054–2074, and mostly increase thereafter.

AUDITORS' REPORT

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2017

Nancy A. Berryhill
Acting Commissioner

The *Chief Financial Officers Act of 1990* (Pub. L. No. 101-576), as amended, requires that the Social Security Administration's (SSA) Inspector General or an independent external auditor, as determined by the Inspector General, audit SSA's consolidated financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), KPMG LLP (KPMG), an independent certified public accounting firm, audited SSA's Fiscal Year (FY) 2017 consolidated financial statements. This letter transmits the KPMG *Independent Auditors' Report* on the audit of SSA's FY 2017 consolidated financial statements. KPMG's report includes the following:

- Opinions on the Financial Statements, including the Opinions on the Consolidated Financial Statements and Sustainability Financial Statements, and an opinion on the Effectiveness of SSA's Internal Controls over Financial Reporting; and
- Other Reporting Requirements Required by *Government Auditing Standards*.

OBJECTIVES OF A FINANCIAL STATEMENT AND EFFECTIVENESS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING AUDITS

KPMG conducted its audit of the consolidated financial statements and sustainability financial statements, and SSA's internal control over financial reporting in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that KPMG plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

The sustainability financial statements are based on management's assumptions and are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The sustainability financial statements are not forecasts or prediction, and are not intended to imply that current policy or law is sustainable. Given the number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, the estimates in the sustainability financial statements and the actual results will differ.

In addition, KPMG audited SSA's internal control over financial reporting as of September 30, 2017 based on criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States. An audit of internal controls over financial reporting included performing procedures to obtain audit evidence about whether a material weakness exists, obtaining an understanding of internal control over financial reporting, and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements.

AUDIT OF FINANCIAL STATEMENTS, EFFECTIVENESS OF INTERNAL CONTROL, AND COMPLIANCE WITH LAWS AND REGULATIONS

KPMG issued unmodified opinions on SSA's FY 2017 and 2016 consolidated financial statements, the sustainability financial statements as of January 1, 2017 and January 1, 2016, and the changes in its social insurance amounts for the periods January 1, 2016 to January 1, 2017 and January 1, 2015 to January 1, 2016. In addition, KPMG issued an unmodified opinion that SSA maintained effective internal control over financial reporting as of September 30, 2017 based on criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller of the United States. However, KPMG did identify three significant deficiencies in internal controls as of September 30, 2017: (1) Certain Financial Information System Controls, (2) Controls over the Reliability of Information Used in Certain Control Activities, and (3) Accounts Receivable/Overpayments.

SIGNIFICANT DEFICIENCY – CERTAIN FINANCIAL INFORMATION SYSTEM CONTROLS

KPMG identified four systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of Information Technology (IT) Systems Controls. This significant deficiency is a repeat from the prior year. Specifically, KPMG's testing disclosed the following deficiencies.

1. **IT Oversight and Governance:** SSA's organizational information security risk assessment and strategy did not fully consider risk framing, assumptions, tolerance, and constraints as well as Agency priorities and tradeoffs. In addition, SSA's Program Operations Manual System (POMS) lacked certain control requirements and guidance over access controls and segregation of duties leading to instances of inconsistent implementation and noncompliance with SSA policy. Personnel at disability determination services (DDS) and program service centers (PSC) were not always aware of control requirements.

2. **Access Controls:** Instances where documentation supporting the operation of controls related to the completion, review, and recertification of logical access authorization forms was not always available and instances where users had inappropriate logical access to both the development and production change management environments for financially relevant applications, a production application dataset, and an application transaction. In addition, KPMG identified deficiencies related to physical access to certain computer rooms that housed the DDS and PSC servers and hardware. Finally, SSA had not always implemented optimal security settings in its production operating systems and databases supporting financially relevant applications to conform to industry and National Institute of Standards and Technology (NIST) guidance and SSA's defined risk profiles.

3. **<u>Network Security Controls:</u>** KPMG identified configuration, patch management, and access control deficiencies with network security controls, many of which continued to exist from the prior year's audit.

4. **<u>Change and Configuration Management:</u>** KPMG identified instances where management did not fully comply with certain change management directives, policies, and procedures for the financially relevant system management by SSA Headquarters. In addition, KPMG identified instances where security settings in financially relevant application platforms and DDS case processing system platforms did not always comply with SSA's risk models and security policies.

SIGNIFICANT DEFICIENCY – CONTROLS OVER THE RELIABILITY OF INFORMATION USED IN CERTAIN CONTROL ACTIVITIES

KPMG found that management did not design and implement effective controls to ensure certain information produced by the entity (IPE), used in performing manual process-level controls in benefits due and payable as well as accounts receivable, was complete and accurate. SSA's risk assessment process did not identify completeness and accuracy of IPE resulting from the IT controls deficiencies, identified above, as a risk that required additional compensating controls.

SIGNIFICANT DEFICIENCY – ACCOUNTS RECEIVABLE/OVERPAYMENTS

KPMG identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls over accounts receivable/overpayments. This significant deficiency is a repeat from the prior year. Specifically, KPMG's testing disclosed the following deficiencies.

1. **<u>Financial Accounting Process Related to Overpayments:</u>** Subsidiary ledgers used to account for Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income overpayments did not agree with the general ledger, and SSA lacked an internal control requiring routine reconciliation of subsidiary ledgers to the general ledger.

2. **<u>Documentation Supporting Accounts Receivable/Overpayment Claims and Calculations:</u>** In approximately 48 percent of samples tested, KPMG identified errors that affected the accuracy of the overpayment. In addition, in approximately 22 percent of samples tested, SSA could not locate some or all of the documentation to support the existence of a claim.

3. **<u>Compliance with SSA Policies and Procedures Impacting Effectiveness of Internal Controls:</u>** KPMG identified instances where SSA and DDS employees did not fully comply with SSA policies, including retaining sufficient evidence to support a claim for overpayment or approval of waived overpayments.

4. **<u>IT System Limitations Affecting Accuracy and Presentation of OASDI Accounts Receivable:</u>** SSA identified an IT system limitation where OASDI receivable installment payments extending past the year 2049 were not tracked.

KPMG identified no reportable instances of non-compliance with the laws, regulations, contracts, grant agreements, or other matters tested.

OIG EVALUATION OF KPMG AUDIT PERFORMANCE

To fulfill our responsibilities under the *Chief Financial Officers Act of 1990* and related legislation for ensuring the quality of the audit work performed, we monitored KPMG's audit of SSA's FY 2017 consolidated financial statements by

- reviewing KPMG's audit approach and planning;
- evaluating its auditors' qualifications and independence;

- monitoring the audit's progress at key points;
- examining KPMG's documentation related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing KPMG's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 17-03;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report, dated November 9, 2017, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding KPMG's performance under the contract terms. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and, accordingly, we do not express, an opinion on SSA's consolidated financial statements, sustainability financial statements, effectiveness of its internal control over financial reporting or SSA's compliance with certain laws, regulations, contracts and grant agreements. However, our monitoring review, as qualified above, disclosed no instances where KPMG did not comply with applicable auditing and attestation standards.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of this report to congressional committees with oversight and appropriation responsibilities over SSA. In addition, we will post a copy of the report on our public Website.

Gale Stallworth Stone

Gale Stallworth Stone
Acting Inspector General

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

INDEPENDENT AUDITORS' REPORT

Nancy A. Berryhill
Acting Commissioner
Social Security Administration:

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

- The consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. generally accepted accounting principles);
- The sustainability financial statements which comprise the statements of social insurance as of January 1, 2017 and 2016, and the statements of changes in social insurance amounts for the periods January 1, 2016 to January 1, 2017 and January 1, 2015 to January 1, 2016, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- SSA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States;
- No instances of substantial noncompliance with the requirements of Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA); and
- No instances of noncompliance with certain provisions of laws, regulations, contracts, grant agreements, or other matters identified in our testing that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States or Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

The following sections discuss these conclusions in more detail.

REPORT ON THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

We have audited the accompanying financial statements of the SSA, which comprise the consolidated financial statements and the sustainability financial statements (herein referred to as financial statements). The consolidated financial statements comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements. The sustainability financial statements comprise the statements of social insurance as of January 1, 2017 and 2016, and the statements of changes in social insurance amounts for the periods January 1, 2016 to January 1, 2017 and January 1, 2015 to January 1, 2016, and the related notes to the sustainability financial statements.

We also have audited SSA's internal control over financial reporting as of September 30, 2017, based on the criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

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Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the Management Assurances Statements on page 34 of the Agency Financial Report (AFR).

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risks that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Social Security Administration as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Also, in our opinion, the sustainability financial statements referred to above present fairly, in all material respects, the Social Security Administration's social insurance information as of January 1, 2017 and 2016, and the changes in its social insurance amounts for the periods January 1, 2016 to January 1, 2017 and January 1, 2015 to January 1, 2016, in accordance with U.S. generally accepted accounting principles.

Also, in our opinion, the Social Security Administration maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of SSA's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinion is not modified with respect to this matter.

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Other Matters

Accompanying Prior Period Financial Statements

The accompanying statements of social insurance as of January 1, 2015, January 1, 2014, and January 1, 2013, and the related notes to the financial statements, were audited by other auditors whose report, dated November 9, 2015, on those financial statements was unmodified and included an emphasis of matter paragraph that described that because of the large number of factors that affect the statement of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statement of social insurance and the actual results, and those differences may be material, as discussed in Note 18 to the 2015 financial statements.

Management Assurance Statements

We do not express an opinion or any form of assurance on management's statement referring to compliance with laws and regulations in the Management Assurances Statement on page 34 of the AFR.

Internal Control Over Financial Reporting

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in SSA's internal control described in the accompanying Exhibit I, Findings A – Certain Financial Information System Controls, B – Controls over the Reliability of Information Used in Certain Control Activities, and C – Accounts Receivable / Overpayments to be significant deficiencies.

SSA's response to the findings identified in our audit is presented on page 113 of the AFR. SSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the AFR to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 5 through 38 of the AFR, and Required Supplementary Information on pages 84 through 96 of the AFR be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because

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the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits of the financial statements were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Acting Commissioner's Message on page 1 and the other information included on pages 2 through 4, 39-41, 80-83, and 115 through the end of the AFR is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SSA financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which SSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 9, 2017

Independent Auditors' Report
Exhibit I – Significant Deficiencies

A. Certain Financial Information System Controls

Background

Social Security Administration (SSA) management relies on an automated information technology (IT) systems environment for administering and processing the Old-Age and Survivors Insurance (OASI), and Disability Insurance (DI) (collectively known as OASDI) programs, as well as the Supplemental Security Income (SSI) program and for financial statement reporting. Our internal control testing covered the General Information Technology Controls (GITC) of SSA's financially relevant applications and associated operating systems, databases, and infrastructure. GITCs provide the foundation for the integrity of systems including applications and the system software that comprise the general support systems for the major applications. GITCs, combined with IT application-level and manual controls, are critical to ensure accurate and complete processing of transactions and integrity of stored data. We also performed application control testing on IT systems and processes that were significant to the financial statements. Application controls include controls over data input, processing of data, and output of data, as well as interface, master file, and other user controls. These controls provide assurance over the data completeness, accuracy, and validity. The Government Accountability Office's *Federal Information System Controls Audit Manual* defines the objectives used to evaluate GITCs in five key control areas: the security management program, physical and logical access controls, configuration and change management, segregation of duties, and service continuity/contingency planning.

Criteria

Federal Information Processing Standards 200, *Minimum Security Requirements for Federal Information and Information Systems*, and National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, in combination, provide a framework for Federal agencies to apply to help ensure appropriate security requirements and controls to relevant IT systems. This framework includes agencies' organizational assessment of risk that validates the initial security control selection and determines whether additional controls are needed to protect organizational operations. The resulting set of security controls establishes a level of security due diligence for the organization.

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 7, *Identify, Analyze, and Respond to Risk*s, provides requirements for the risk assessment process. Principle No. 7 states, in part, that management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 11, *Design Activities for the Information System*, provides internal control requirements for IT systems the Government uses. Principle No. 11 states, in part, that management designs control activities over the IT infrastructure to support the completeness, accuracy, and validity of information processing by information technology. Management designs control activities for security management of the entity's information system for appropriate access by internal and external sources to protect the entity's information system. Security management includes access rights across various levels of data, operating system (system software), network, application, and physical layers. Management also designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system.

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 13, *Use Quality Information*, states, in part, that management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Management processes relevant data from reliable sources into quality information within the entity's information system.

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 17, *Evaluate Issues and Remediate Deficiencies*, states, in part, that management should remediate identified internal control deficiencies on a timely basis.

Conditions

We noted certain control deficiencies in the areas of IT oversight and governance, access controls, network security controls, and change and configuration management controls that, in aggregate, contribute to a repeat significant deficiency. The existence of these IT control deficiencies require SSA to place added dependency on manual controls to mitigate the risks of material misstatements to the financial statements. As SSA continues to automate processes to improve customer service and support its mission, their ability to continue to fully compensate for IT control deficiencies with manual controls, will become less feasible, and over time, may impact the reliability of financial and operational reports used by management.

IT Oversight and Governance:

Appropriate IT governance and oversight ensures risks are identified and assessed and controls are appropriately designed, implemented, and are operating effectively across the SSA's information systems and locations. Through the SSA's security management program, SSA's risk management framework should include continuous risk assessments, developing and implementing effective security procedures, and monitoring the effectiveness of those procedures. We noted as part of our field testing that control deficiencies identified in prior audits continued to exist due to limited current fiscal year resources assigned to remediation efforts. SSA's organizational information security risk assessment and strategy did not fully consider risk framing, assumptions, tolerance, and constraints as well as Agency priorities and tradeoffs. We also noted that SSA's Program Operations Manual System (POMS) lacked certain control requirements and guidance over access controls and segregation of duties, and, therefore, we identified instances of inconsistent implementation and noncompliance with SSA policy. Therefore, personnel at the disability determination services (DDS) locations and the program service center (PSC) tested this year were not always aware of these control requirements.

Access Controls:

Access controls provide assurance that critical IT systems are physically safeguarded and logical access to sensitive applications, system utilities, and data is provided only when authorized. Weaknesses in such controls can compromise the integrity of data and increase the risk that data may be inappropriately accessed, or modified by unauthorized persons, affecting the accuracy of the financial statements. Our testing identified certain instances where documentation supporting the operation of controls related to the completion, review, and recertification of logical access authorization forms was not always available and certain other instances where users had inappropriate logical access to both the development and production change management environments for financially relevant applications, a production application dataset, and an application transaction. We also noted deficiencies related to physical access to certain computer rooms that housed the PSC and DDS servers and hardware. SSA had not always implemented optimal security settings in its production operating systems and databases supporting financial relevant applications to conform to industry and NIST guidance and SSA's defined risk profiles.

Network Security Controls:

Configuration and patch management processes are examples of critical components of an effective network security system because they prevent or detect weaknesses, such as misconfigurations, weak credentials, and unauthorized access. We identified certain configuration, patch management, and access control deficiencies with network security controls, many of which continued to exist from the prior year's audit. Information about these deficiencies are presented in a separate, limited-distribution management letter.

Change and Configuration Management:

Change management processes provide assurance that software, data, and other changes associated with information systems are approved and tested to prevent the introduction of functional or security risks. Configuration management involves the identification and management of security features for all hardware, software, and firmware components of an information system at a given point and systematically controls changes to that configuration during the system's life cycle. A disciplined process for testing, approving, and migrating changes between environments, including into production, is essential to ensure systems operate as intended and there are no unauthorized changes to source code, data, and configuration settings. We noted instances where management did not fully comply with certain SSA's change management directives, policies, and procedures for the financial relevant systems managed by SSA Headquarters. In addition, we identified instances where security settings in financially relevant application platforms and DDS case processing system platforms did not always comply with SSA's risk models and security policies.

Cause

Although SSA remediated some prior-year findings and continued to develop corrective actions to remediate IT findings, our FY 2017 testing identified similar IT control deficiencies, mainly related to the lack of controls that would enforce compliance with existing directives, policies, and procedures. Many of the deficiencies continued to exist because management had not placed strategic emphasis on (1) identifying the root causes of the repeat IT control deficiencies, setting attainable milestones for corrective actions, and implementing controls that strengthen its existing internal control system to effectively identify, document, and link IT and business process controls to support financial reporting; (2) adequately assessing the design and operating effectiveness of essential IT controls; and (3) remediating IT control deficiencies, including those deficiencies related to lack of documentation, in a timely manner.

Effect

In addition to the effects summarized above within each sub-section, the aforementioned control deficiencies increase the risk to the completeness, accuracy, and integrity of certain SSA system-generated reports and may also affect the reliability of key application controls.

Recommendations

We recommend that SSA management:

1. Place strategic emphasis on identifying the root causes of the repeat access control, IT governance, and change and configuration management deficiencies; set attainable milestones for corrective actions; and remediate these deficiencies timely.
2. Design and implement controls to ensure SSA's employees comply with existing directives, policies, and procedures pertaining to access controls, IT governance, and change and configuration management.
3. Strengthen SSA's internal control system over access controls, IT governance, and change and configuration management to improve its effectiveness in identifying, documenting, and linking these controls to business processing controls that support financial reporting; assessing the design and effectiveness of these IT controls; and remediating any identified IT control gaps.

B. Controls over the Reliability of Information Used in Certain Control Activities

Background

The IT control deficiencies discussed above elevate the risk that data produced by the SSA IT systems, also known as information produced by the entity (IPE), may not be complete or accurate. When management uses IPE in the performance of its manual process level controls, they must have reasonable confidence that the IPE is reliable for its intended purpose, and if necessary, add controls that compensate for information systems control deficiencies.

Criteria

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 7, *Identify, Analyze, and Respond to Risk*s, provides requirements for the risk assessment process. Principle No. 7 states, in part, that management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No. 13, *Use Quality Information*, states, in part, that management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Management processes relevant data from reliable sources into quality information within the entity's information system.

Condition

We found that management did not design and implement effective controls to ensure that certain IPE used in the performance of manual process level controls in the areas of benefits due and payable and accounts receivable was complete and accurate. For example, SSA relies on IT system programs to produce the summary level information for accounts receivable where program parameters are not periodically tested to ensure resulting reports are accurate and complete for their intended purpose of supporting the quarterly accounts receivable and allowance for doubtful accounts receivable adjustments made to the financial statements.

Cause

SSA's risk assessment process did not identify completeness and accuracy of IPE resulting from the IT control deficiencies, identified above, as a risk that required additional compensating controls.

Effect

This condition could diminish the effectiveness of controls that are dependent on information produced by certain SSA IT systems and therefore, could lead to misstatements in benefits due and payable and accounts receivable financial statement amounts.

Recommendation

We recommend that SSA management strengthen SSA's risk assessment process by considering IT control deficiencies identified in prior years' self-assessment and audits to determine the sufficiency of internal controls over the completeness and accuracy of information in SSA's system generated reports. Such considerations should be documented. In addition, design and implement additional controls over the completeness and accuracy of information in SSA's system generated reports used in the performance of other controls, based on the results of SSA's risk assessment process.

C. Accounts Receivable / Overpayments

Background

Accounts receivable with the public consists primarily of overpayments made to beneficiaries beyond their entitled benefit. Public law and SSA policies require that beneficiaries notify SSA when there is a change in status that may affect their entitlement. However, proper, lawful, and timely notification to SSA does not always occur, resulting in the majority of overpayments. SSA depends on its processes and controls to detect overpayments, and calculate, record, and monitor the overpayments as an account receivable, and to facilitate timely collection. Beneficiaries who are found to be without fault in causing the overpayment, and are unable to repay the debt may be granted a waiver, permanently removing the debt from the accounts receivable balance. This process can be complex for some overpayments and waivers, and relies heavily on manual input and follow-up as well as adherence to SSA policies and procedures by a large number of people in SSA field offices and processing centers.

Criteria

The *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, Principle No.10, *Design Control Activities*, provides the requirements for the design of internal controls over transactions and balances. Principle No. 10 states, in part, that management should document internal control, all transactions, and other significant events, in a manner that allows the documentation to be readily available for examination. Further, Principle No. 13, *Use Quality Information,* states management should use quality information to achieve the entity's objectives. Quality information is defined as being appropriate, current, complete, accurate, accessible, and timely.

Office of Management and Budget (OMB) Circular A-123, *Managements Responsibility for Enterprise Risk Management and Internal Control*, Appendix D, which incorporates by reference Circular A-127, *Financial Management Systems*, as revised, states that, financial events shall be recorded applying the requirements of the *U.S. Government Standard General Ledger* (USSGL). Application of the USSGL at the transaction level requires that approved transactions be recorded using appropriate general ledger accounts as defined in the USSGL guidance. Circular A-123, Appendix D also states that the agency financial management system shall be able to provide financial information in a timely and useful fashion to allow compliance with Federal accounting standards, and support fiscal management of program delivery and program decision making, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB.

Statement of Federal Financial Accounting Standard No 7, *Accounting for Revenue and Other Financing Sources*, as revised, states that nonexchange revenues should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount can be reasonably estimated.

Conditions

We noted certain control deficiencies in the area of accounts receivable/ overpayments that, in aggregate, contribute to a repeat significant deficiency.

Financial Accounting Process Related to Overpayments:

We noted that the subsidiary ledgers used to account for OASDI and SSI overpayments did not agree with the general ledger, and SSA lacked an internal control requiring routine reconciliation of subsidiary ledgers to the general ledger. In some cases, the data in multiple systems used to maintain information on overpayments did not agree and could not be reconciled. For example, the quarterly financial statement adjustments to account for overpayments are based on summary-level information that did not reconcile to the detailed list of individual debtor receivables at the transaction level.

Documentation Supporting Accounts Receivable / Overpayment Claims and Calculations:

We noted the following control deficiencies related to the maintenance of documentation to support overpayments, affecting the accuracy of accounts receivable reported in the financial statements:

- In approximately 48 percent of samples tested, we identified errors that affected the accuracy of the overpayment, including instances where we were unable to recalculate the overpayment based on the documentation maintained. A statistical projection of actual errors to the entire population of overpayment receivables was not material to the financial statements.
- In approximately 22 percent of samples tested, some or all of the documentation to support the existence of a claim could not be located. In a subset of exceptions identified, SSA agreed that the overpayment was uncollectible and should not have been reported as a receivable in the financial statements. We were unable to determine whether the uncollectible balances were included in SSA's allowance for doubtful accounts receivable, because SSA's method for assessing collectability is based on program receivables as a whole, and not at the individual account level. A statistical projection of actual errors to the entire population of overpayment receivables was not material to the financial statements.

Compliance with SSA Policies and Procedures Impacting Effectiveness of Internal Controls:

SSA has extensive policies and procedures as documented in the POMS, designed and implemented to account for overpayments, including the timely detection, pursuit, collection and waiver of overpayments. POMS provide effective guidance for use throughout SSA, including field offices, PSCs, DDSs, and elsewhere in SSA where accounting, quality review, and monitoring of overpayments is performed. We noted several instances where SSA and DDS employees did not fully comply with the POMS, including maintaining sufficient evidence to support a claim for overpayment or approval of waived overpayments. Collectively, these instances of non-compliance with SSA policies limit the effectiveness of internal controls over accounts receivable with the public, and SSA's ability to collect outstanding debts.

IT System Limitations Affecting Accuracy and Presentation of OASDI Accounts Receivable:

Overpayment balances due from beneficiaries are often repaid to SSA in monthly installments as deductions from monthly benefits. Payments of these installments can go beyond the year 2049. SSA has identified a Title II IT system limitation where receivable installment payments extending past December 31, 2049 are not tracked or reported, resulting in a potential understatement of accounts receivable, net of allowance for doubtful accounts receivable, in the financial statements for all receivables extending beyond 2049. SSA management has determined that the Title II systems limitation, and resulting understatement of accounts receivable are not material to the financial statements or accounts receivable. However, the Title II systems limitation does affect SSA's ability to accurately account for long-term accounts receivable and develop a true aging of amounts due for use in its allowance for doubtful accounts analysis.

Cause

SSA has experienced a steady growth in accounts receivable, in part due to a policy to maintain a record of overpayments for long periods. SSA intends to pursue collection of overpayments years or even decades later when beneficiaries apply for OASDI or additional SSI payments. The accounts receivable subsidiary ledger databases were designed to support operations and the management of the OASDI and SSI programs, but not necessarily for financial reporting. In addition, the IT systems used to track overpayment activity, such as new debt and collections, do not support full compliance with USSGL at the transaction level. Because of the IT systems limitations, and the structure of the databases, financial management has not been able to implement certain controls over accounts receivable.

Effect

Although the potential impact of these deficiencies, including the lack of supporting documentation, are not considered significant to the internal control system by management, these deficiencies could lead to misstatements in the financial statements, and affect management's ability to properly record, track, and collect outstanding overpayments.

Recommendations

We recommend that SSA perform the following to address the control deficiencies described above:

1. Implement a periodic control to reconcile the accounts receivable subsidiary ledgers to the general ledger, and ensure the financial statement balances are supported by a detailed listing of accounts receivable. Establish procedures to ensure the summary level information used to record accounts receivable is reconciled to a detailed list of individual debtor receivables at the transaction level. Investigate and resolve differences between the subsidiary ledgers, the summary level information and the general ledger timely.
2. Consider developing updated training for field and regional office personnel, related to obtaining and maintaining documentation necessary to support claims for overpayment and approval of waived overpayments, to improve compliance with existing policies and procedures.
3. Continue efforts to address the IT system limitations and improve functionality so that overpayment receivables, including those extending beyond year 2049, are accounted for and accurately presented in the financial statements, and better information related to overpayments is available for financial analysis.

4. Consider including a review of the overpayment process, IT systems used, and further evaluation of design and effectiveness of controls (addressing the deficiencies cited above), in the OMB Circular A-123 assessment plan for FY 2018.

SOCIAL SECURITY
The Commissioner

November 9, 2017

KPMG, LLP
1801 K Street, NW
Washington, DC 20006

Ladies and Gentlemen:

We have reviewed the Independent Auditors' Report concerning your audit of our fiscal year (FY) 2017 financial statements. We are extremely pleased that we received our 24th consecutive unmodified opinion on our financial statements, an unqualified opinion that our internal control over financial reporting was operating effectively, and we had no reportable instances of noncompliance with laws, regulations, or other matters tested.

In this year's financial statement audit, you continued to cite two significant deficiencies identified in prior years. One significant deficiency concerns certain financial information systems controls, and the other relates to our accounts receivable/overpayments. We are committed to strengthening our control environment by resolving these deficiencies as quickly as possible through our risk-based corrective action plans.

This year, you also identified a new significant deficiency concerning controls over the reliability of information used in certain control activities. While we are confident in the controls over our information, we enhanced our processes to provide additional assurance and will continue to do so in the future, including for the process areas cited in the finding.

If members of your staff have any questions, they may contact Carla Krabbe at (410) 965-0759.

Sincerely,

Nancy A. Berryhill
Acting Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

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Other Information

The *Other Information* section provides information to satisfy additional statutory and Office of Management and Budget reporting requirements.

In accordance with the *Reports Consolidation Act of 2000*, the *IG Statement on SSA's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). OIG also describes the steps we have taken to address each of the challenges.

Next, in *Other Reporting Requirements*, we provide a summary of our financial statement audit and management assurances. We also provide information on our entitlement reviews and OIG anti-fraud activities, agency fraud reduction efforts, civil monetary penalties, biennial review of user fee charges, actions to comply with the Reduce the Footprint initiative, grants oversight, and debt collection and management activities.

Finally, the *Other Information* section concludes with the *Payment Integrity* report, where we provide general information demonstrating our commitment to reducing improper payments. We also describe our efforts in reducing improper payments for our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income benefit programs and administrative payments.

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2017

Nancy A. Berryhill
Acting Commissioner

Dear Ms. Berryhill:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

MANAGEMENT AND PERFORMANCE CHALLENGES

As we planned our audit work for Fiscal Year (FY) 2017, we identified the following seven management and performance challenges.

- Reduce Disability Backlogs and Improve Decisional Quality
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Modernize Information Technology Infrastructure
- Secure Information Systems and Protect Sensitive Data
- Strengthen the Integrity and Protection of the Social Security Number
- Strengthen Planning, Transparency, and Accountability

As we reviewed SSA's disability programs this year, we determined our concerns would be better defined by a renamed challenge. Accordingly, we renamed the *Reduce Disability Backlogs and Improve Decisional Quality* challenge to *Improve Administration of the Disability Programs*.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics SSA reported and Office of the Inspector General audits of SSA's operations. We also used the FY 2017 independent auditors' report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

The Office of Audit will continue focusing on these issues in FY 2018 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gale Stallworth Stone

Gale Stallworth Stone
Acting Inspector General

Enclosure

Fiscal Year 2017 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

November 2017

IMPROVE ADMINISTRATION OF THE DISABILITY PROGRAMS

CHALLENGE

While the number of pending initial disability claims has decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.

The Social Security Administration's (SSA) Fiscal Year (FY) 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions while leveraging technology to improve the disability process. SSA's field offices, regional operations, hearing offices, and Appeals Council as well as State disability determination services (DDS) process these disability workloads.

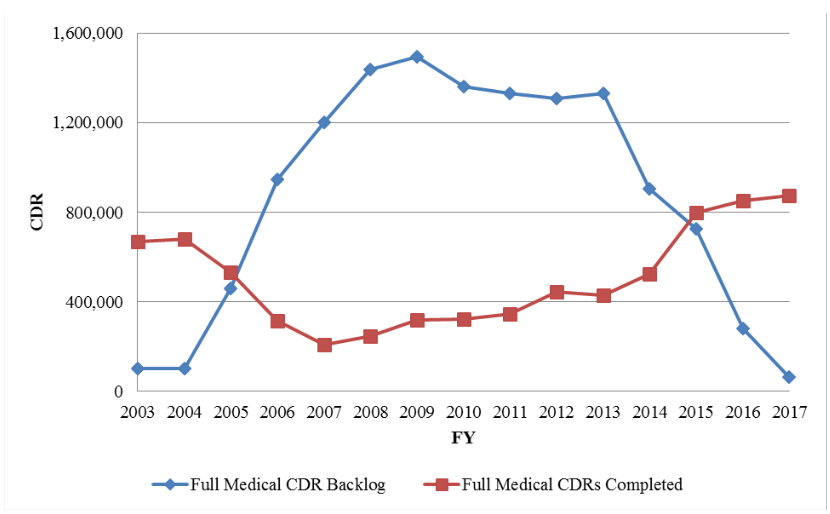
PENDING DISABILITY CLAIMS

While the number of pending claims has declined in recent years, SSA had approximately 523,000 initial disability claims pending at the end of FY 2017. At the end of FY 2016, there had been almost 568,000 initial disability claims pending. In FY 2017, SSA received over 2.4 million initial and 583,000 reconsideration claims and completed almost 2.5 million initial and 596,000 reconsideration claims.

CONTINUING DISABILITY REVIEW BACKLOG

The high number of initial disability applications in previous years forced the dedication of DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). As a result, SSA has had a backlog of full medical CDRs since FY 2002. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings. With increased program integrity funding in recent years, SSA has increased the number of full medical CDRs completed and the backlog was down to about 64,000 cases at the end of FY 2017. SSA expects to eliminate the backlog by the end of FY 2018.

Figure 1: Full Medical CDR Backlog and Completions, FYs 2003 Through 2017



RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* (Pub. L. No. 106-170) established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to assist disabled beneficiaries in returning to work. Under the Ticket Program, SSA provides disabled beneficiaries a Ticket they can present to qualified organizations to obtain vocational rehabilitation or employment services.

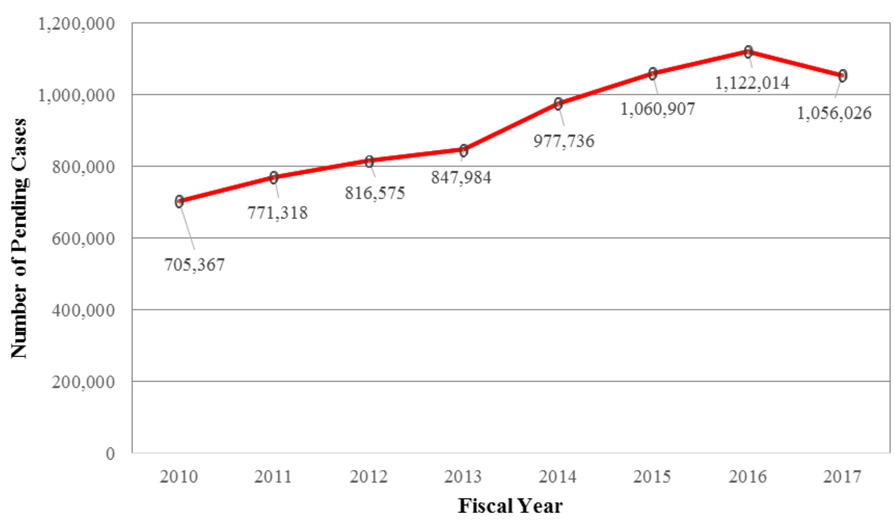
Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, as of August 2017, which is the latest available data, about 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use. Most of the individuals who used their Tickets placed them in-use with a State vocational rehabilitation agency under the cost-reimbursement option, the type of service that was in place before the Ticket Program was implemented. While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA has paid contractors over $234 million to help manage the Ticket Program since its inception. SSA will incur similar costs to help manage the Ticket Program in the future.

While SSA reported significant savings attributed to the suspension or termination of benefits for beneficiaries who assigned or placed their Tickets in-use, most of the savings were attributed to beneficiaries who placed their Tickets in-use with a State vocational rehabilitation agency, the type of service available before the Ticket Program was implemented. Also, an independent evaluation failed to provide strong evidence of the Ticket Program's impact on employment and concluded that many successful Ticket Program participants might have been equally successful without SSA-financed services or with services provided by State vocational rehabilitation agencies under the payment system that predated the Ticket Program.

PENDING HEARINGS AND APPEALS

The hearings and appeals process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 42 percent from 426 days in FY 2010 to 605 days in FY 2017. Moreover, during the same period, the pending hearings backlog increased 50 percent, from 705,367 cases at the end of FY 2010 to 1.06 million cases at the end of FY 2017. In addition, the Appeals Council's pending workload had increased 19 percent, from 106,664 cases in FY 2010 to 127,134 cases in FY 2016, though it had decreased to 94,471 by end of FY 2017. In addition, average processing time was 388 days in FY 2016—up from 345 days in FY 2010. However, average processing time declined to 342 days in FY 2017.

Figure 2: Pending Hearings, FYs 2010 Through 2017



In January 2016, the Office of Disability Adjudication and Review, which formally became the Office of Hearings Operations on October 2, 2017, issued the *Compassionate and REsponsive Service* (CARES) plan. The CARES plan provides a framework of drivers and initiatives designed to address the growing number of pending hearings and increasing wait times. According to the CARES plan, SSA planned to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also included a goal to process requests for Appeals Council review in an average of 180 days.

In September 2017, the Office of Hearings Operations released the 2017 updated CARES and Anomaly Plan, which builds on the tactical initiatives laid out in the 2016 Plan, incorporates lessons learned, and introduces new initiatives. The 2017 CARES plan incorporates $90 million in dedicated 2-year funding that was provided in SSA's 2017 appropriation to address the disability hearings backlog. Further, the Office of Hearings Operations reported that it updated projections to reflect actual enacted budgets and now expects to eliminate the hearings backlog by the end of FY 2022.

AGENCY ACTIONS

COOPERATIVE DISABILITY INVESTIGATIONS

The Cooperative Disability Investigations program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2017, the Cooperative Disability Investigations program had 40 units covering 34 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through FY 2017, Cooperative Disability Investigations program efforts nationwide have resulted in $3.7 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.7 billion to non-SSA programs. In FY 2017, Cooperative Disability Investigations program efforts nationwide resulted in $229 million in projected savings to SSA's OASDI and SSI disability programs and $269 million to non-SSA programs. In addition, in FY 2017, Cooperative Disability Investigations' efforts led to 90 judicial actions, which include criminal convictions, pre-trial diversions, civil settlements, and civil monetary penalties.

RETURN TO WORK

SSA reported it informs beneficiaries about its work incentive programs by mailing them paper tickets and eligibility notices and brochures when they begin receiving benefits. It mails notices to approximately 35,000 new beneficiaries each month. SSA expects these mailings to increase awareness of the program and increase participation in FYs through 2019.

HEARINGS AND APPEALS

As part of its CARES plan, SSA hired 264 administrative law judges (ALJ) in FY 2016 and 133 ALJs in FY 2017 to increase the Agency's adjudicatory capacity. In addition, the Office of Hearings Operations continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures, such as the agreement rate associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

Continue its focus on reducing and eliminating the initial disability claims and CDR backlogs. While the Agency made progress in reducing the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Implement and monitor the CARES initiatives designed to improve timeliness and reduce the hearings backlog.

Focus resources on capacity issues to better balance processing times and workloads in hearing offices.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service by reducing the wait time for a hearing decision.
- Complete the budgeted number of initial disability claims.
- Complete the budgeted number of hearing requests.
- Average processing time for initial disability claims.
- Average processing time for reconsiderations.
- Average processing time for hearing decisions.
- Ensure the quality of decisions by achieving the DDS decisional accuracy rate for initial disability decisions.
- Increase the ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days old or older.
- Increase the number of beneficiaries returning to work by achieving the number of Disability Insurance and SSI disability beneficiaries with Tickets assigned and in use who work above a trial work level.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of disability reconsideration claims.

KEY RELATED LINKS

Mathematica Report – *Executive Summary of the Seventh Ticket to Work Evaluation Report*, July 2013

OIG Report – *The Social Security Administration's Completion of Program Integrity Workloads* (A-07-14-24071), August 2014

OIG Report – *The Social Security Administration's Efforts to Eliminate the Hearings Backlog* (A-12-15-15005), September 2015

OIG Report – *Hearing Office Average Processing Times* (A-05-15-50083), September 2015

OIG Report – *Characteristics of Claimants in the Social Security Administration's Pending Hearings Backlog* (A-05-16-50207), September 2016

OIG Report – *Compassionate and Responsive Service Plan to Reduce Pending Hearings* (A-05-16-50167), September 2016

OIG Report – *The Ticket to Work Program* (A-02-17-50203), September 2016

OIG Report – *Pre-effectuation Reviews of Favorable Hearing Decisions* (A-12-15-50015), February 2017

OIG Report – *Oversight of Administrative Law Judge Decisional Quality* (A-12-16-50106), March 2017

OIG Report – *Reasons for Hearing-related Delays* (A-05-17-50268), June 2017

OIG Report – *Administrative Law Judges from Our February 2012 Report Who Had the Highest and Lowest Allowance Rates* (A-12-17-50220), June 2017

OIG Report – *Factors Related to Decreased Administrative Law Judge Productivity* (A-12-18-50289), September 2017

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

SSA is responsible for issuing about $986 billion in benefit payments, annually, to about 69 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

SSA is one of several Federal agencies that have a high amount of improper payments. In its FY 2017 *Agency Financial Report*, SSA estimated it would make about $7.8 billion in improper payments in FY 2017 and it incurred an administrative cost of $0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements in Executive Order 13520, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (Pub. L. No. 112-248).

IMPROPER PAYMENT RATES

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

According to SSA, in FY 2016 (the most recent year for which data is available),

- the OASDI overpayment error was $1.9 billion, 0.21 percent of program outlays, and the underpayment error was $670 million, 0.07 percent of program outlays; and
- the SSI overpayment error was $4.3 billion, 7.62 percent of program outlays, and the underpayment error was $696 million, 1.23 percent of program outlays.

For FYs 2016 through 2018, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments. In these same years, the Agency's goal was to achieve an SSI underpayment accuracy rate of 98.8 percent. As of FY 2017, SSA had revised the SSI overpayment accuracy goal from 95 percent to 94 percent.

SSA has not met its overpayment accuracy goals—as shown in Table 1. For example in FYs 2012 through 2016, the Agency's goal was 95-percent payment accuracy for SSI, but SSA fell short of this goal in each of these years. Similarly, SSA has not met its OASDI targets for payments without overpayments, but has come close to doing so in multiple years.

Table 1: Rates and Targets for Payments Without Overpayments FYs 2012 to 2016

FY	2012		2013		2014		2015		2016	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	93.66	99.78	92.43	99.78	93.05	99.47	93.94	99.64	92.38	99.79
Target	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	No	No	No	No	No	No	No	No	No	No

COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

In November 2009, the President signed Executive Order 13520 on reducing improper payments. Later, the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* were enacted in July 2010 and January 2013, respectively, to refine steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. The Office of Management and Budget designated SSA's programs as high-risk.

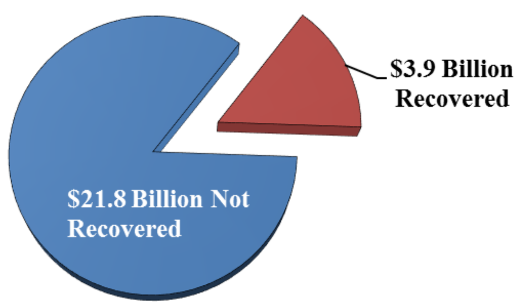
We noted in our May 2017 report, *SSA's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the FY 2016 Agency Financial Report*, that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (which are shown in Table 1). We also noted that

> . . . for financial accounts and wage reporting, actual SSI deficiency dollars increased despite the implementation of Access to Financial Institutions and Supplemental Security Income Telephone Wage Reporting/Supplemental Security Income Mobile Wage Reporting, respectively. The Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and developing others. SSA needs to develop analytical measurements to ensure a positive return on existing corrective action investments and further identify initiatives to reduce and recapture improper payments.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2017, it recovered $3.9 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with a $21.8 billion uncollected overpayment balance (see Figure 3).

Figure 3: Overpayments Recovered - FY 2017

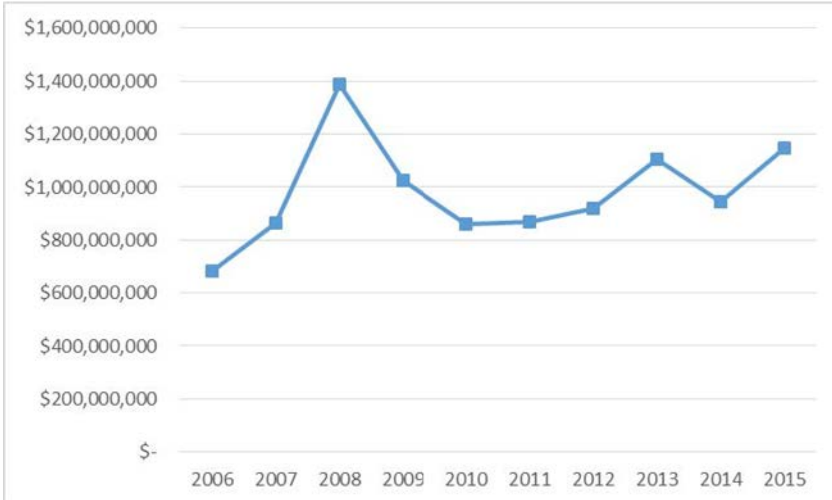


AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report financial accounts or wages. As we noted in a May 2017 report, SSA's overpayment deficiency dollars related to financial accounts decreased from nearly $1.4 billion in FY 2008; however, from 2014 to 2015, the dollar amount rose from $946.2 million to $1.1 billion (see Figure 4).

Figure 4: Financial Account Overpayment Deficiency Dollars (FYs 2006 Through 2015)



With the enactment of the *Bipartisan Budget Act of 2015* (Pub. L. No. 114-74), SSA was given a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA continues taking steps to implement the legislation.

DEBT COLLECTION TOOLS

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal salary offset. According to SSA, in the future, it will ". . . implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value."

CDRS AND REDETERMINATIONS

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. SSA estimates that it saves about $10 for every $1 budgeted for CDRs, including Medicare and Medicaid program effects.

According to SSA, another important program integrity tool is SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources. SSA estimated that non-medical redeterminations yield a return on investment of about $3 on average over 10 years per $1 budgeted for this workload. However, budgetary constraints determine the number of redeterminations that SSA conducts each year.

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries' and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report information.

KEY RELATED PERFORMANCE MEASURES

The key improper payment related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.
- Improve the integrity of the SSI program by ensuring that 94 percent of SSI payments are free of overpayment.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of SSI non-medical redeterminations.

KEY RELATED LINKS

Federal Payment Accuracy Website

Office of Management and Budget Memorandum Circular No. A-123, Memorandum M-15-02, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014

OIG Report – Controls over Death Underpayments Paid to Non-beneficiaries (A-09-16-50114), June 2017

OIG Report – Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values (A-02-16-21186), June 2017

OIG Report – Recovering Supplemental Security Income Overpayments from Jointly Liable Recipients (A-07-17-50201), May 2017

OIG Report - The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report (A-15-17-50255), May 2017

IMPROVE CUSTOMER SERVICE

CHALLENGE

SSA faces challenges as it pursues its mission to deliver quality services to the American public, including an increase in workloads as experienced employees are expected to retire.

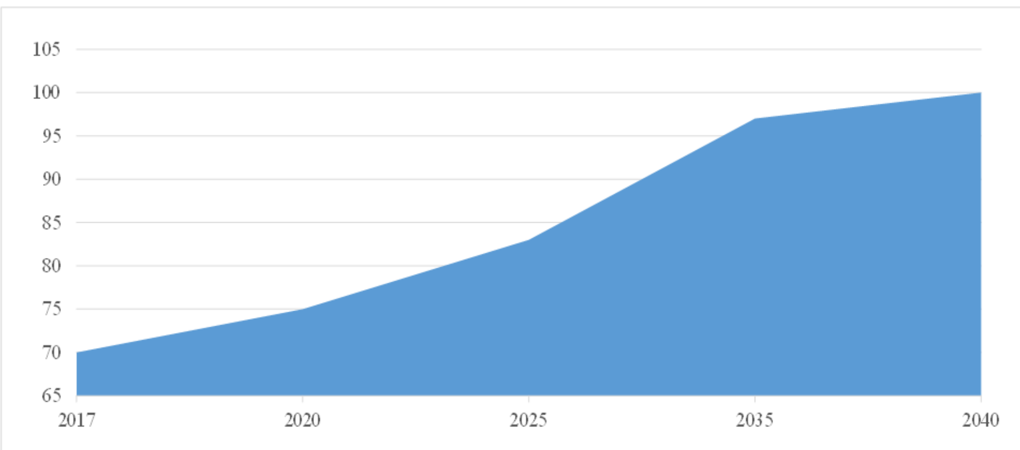
INCREASE IN SSA WORKLOADS

SSA's workloads have grown with the aging of the baby boomer population. In FY 2017, the Agency served over 42 million visitors in over 1,200 field offices nationwide, a 5-percent increase from over 40 million visitors in FY 2015. Its major field office workloads include

- processing original or replacement Social Security number (SSN) card applications;
- taking applications and determining non-medical eligibility for OASDI and SSI benefits;
- conducting non-medical eligibility reviews to ensure payment accuracy; and
- performing other functions, such as updating beneficiary records and answering telephone calls.

In 2017, SSA estimated the retirement of the baby boom generation would increase the number of beneficiaries through 2037, thereby increasing the Agency's workload. Based on the estimates, SSA expected the number of beneficiaries to increase by 43 percent over the next 20 years. See Figure 5 for the estimated increase of beneficiaries from 2017 to 2040.

Figure 5: Number of Social Security Beneficiaries (in Millions) - Next 20 Years

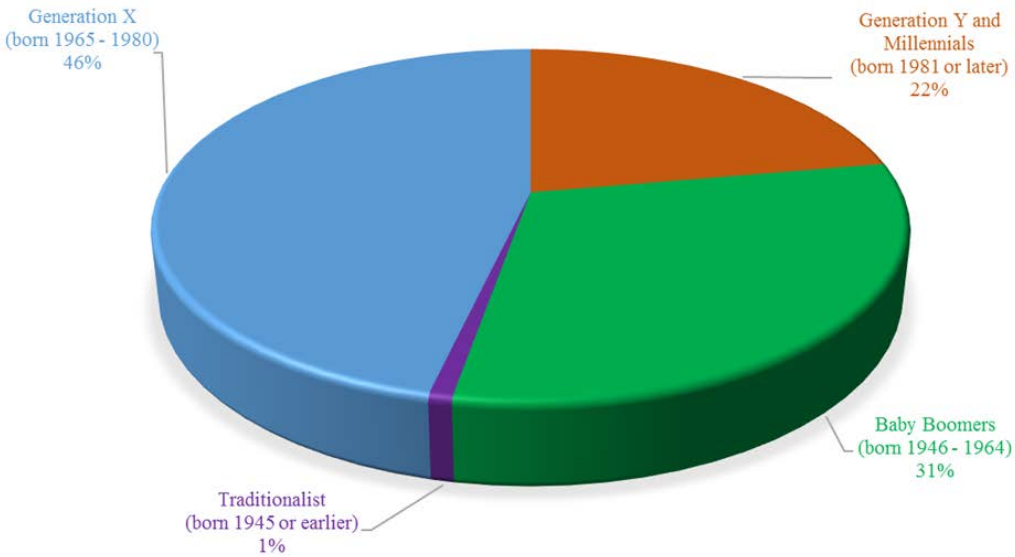


The Agency acknowledges it must have the resources to process initial claims applications for benefits and maintain its ongoing workloads after individuals become entitled to benefits.

LOSS OF EXPERIENCED EMPLOYEES AND INSTITUTIONAL KNOWLEDGE

SSA stated that one of its greatest challenges is replacing the loss of its most experienced employees, especially in the Agency's current leadership ranks. In its October 2017 issue of *Workforce at a Glance*, SSA reported about 31 percent of its employees were baby boomers or older, and about 15 percent of its employees were eligible for retirement. See Figure 6 for the age of SSA's workforce.

Figure 6: Age of SSA's Workforce by Generation as of the end of FY 2017



SSA also reported that more than 50 percent of its senior executives and 30 percent of its frontline supervisors were eligible to retire. At the end of FY 2017, SSA expected about 1,952 of its 6,504 supervisors would be eligible for retirement in the next 5 years. Without leadership development and succession planning, the loss of supervisors because of retirement will result in a lack of both experience and institutional knowledge.

ONLINE SERVICE DELIVERY OPTIONS

The demand for online services is expected to increase as the baby boom generation ages. SSA completed over 155 million transactions via SSA's online services in FY 2017, a 29-percent increase from FY 2016 and a 78-percent increase from FY 2015.

According to the Pew Research Center, about 90 percent of American adults use the Internet, and 77 percent own smartphones that permit them to connect "on the go." As Americans embrace mobile technology, SSA should continue enhancing its online services to increase use and reduce unnecessary field office visits. With increased use of online services, SSA can introduce new opportunities to service its customers and have more time for customers who need or prefer to complete business face to face.

OVERSIGHT OF THE REPRESENTATIVE PAYMENT PROGRAM

Some of the Agency's most vulnerable beneficiaries—including the young, aged, and disabled—depend on representative payees to receive and manage their Social Security benefits. In its 2016 *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews*, the latest such report available, SSA reported there were about 6 million representative payees managing $70 billion in annual benefits.

SSA faces dramatic increases in the need for representative payees as the population ages and a greater number of beneficiaries will require assistance managing their benefits. The Agency estimates the number of adult beneficiaries who will need a representative payee will increase 21 percent from 2.94 million in 2013 to 3.56 million in 2035. In February and March 2017, Congress held hearings that focused on SSA's determinations of whether beneficiaries need representative payees and how SSA selects and monitors those serving as representative payees.

We continue to identify challenges with SSA's administration of the Representative Payment Program. Some of our most recent audits have found SSA needs to improve controls to ensure it

- makes and documents capability determinations for disabled beneficiaries who previously had a representative payee;
- generates system alerts when there is a discrepancy between representative payee information in the electronic representative payee system and its payment records;
- does not improperly suspend mother/father and spousal beneficiaries who have a child in care and are serving as representative payees for children; and
- does not make payments to representative payees who are not in its electronic representative payee system.

Further, our investigations have identified various types of representative payee fraud. For example, we found representative payees that

- received benefits for children who were not in their custody or care for several years;
- filed fraudulent representative payee applications for benefits on behalf of children;
- failed to report beneficiaries' deaths and continued receiving and using their monthly benefits for several years; and
- misappropriated funds from various beneficiaries and used the funds for their personal use.

AGENCY ACTIONS

SSA is continuing its effort to implement its long-term vision of superior customer service by incorporating strategic goals to meet the increasing demand for SSA services. In addition, the Agency is automating processes and developing online tools that will capitalize on technology. Finally, the Agency continues improving how it selects and monitors payees in the Representative Payment Program.

AGENCY'S EFFORTS TO IMPLEMENT VISION 2025

SSA's *Annual Performance Plan for Fiscal Year 2018 and Revised Performance Plan for 2017* detailed the current priorities and goals it has set to measure the Agency's progress for delivering innovative, quality services. The actions in that document align with the three priorities, including superior customer experience, established in SSA's *Vision 2025*.

One of our reviews reported that SSA was using short-term strategic planning documents to support a broadly stated "aspirational vision." In response to our report, SSA stated it further translated the three vision priorities into measurable goals by creating critical priorities. Recently, the Agency has focused on seven critical priorities for 2016 and 2017. Of the seven, four priorities are related to improving customer service: (1) Advance Customer Engagement; (2) Advance Service Delivery in SSA's Disability Programs; (3) Enhance Knowledge of Social Security Retirement and Disability Programs; and (4) Enhance Quality and Payment Accuracy for SSA's Customers.

EMPLOYEE DEVELOPMENT AND SUCCESSION PLANNING

SSA recognizes it must be diligent in developing leaders and succession planning to combat the loss of experience and institutional knowledge. At the end of FY 2017, the Agency launched the Career Path Website to inform employees of potential career paths and resources they may use to enhance their career planning. In addition, the Agency participated in National Career Development programs, such as the Senior Executive Service Candidate Development Program, that develops transferable executive skills of employees with high potential for a Senior Executive Service leadership role.

ONLINE SERVICE DELIVERY

To deliver innovative and quality services to the American public, SSA developed the strategic objective to develop and increase the use of self-service options. In FY 2017, SSA reported it

- partnered with over 70 external locations, such as local, State, or Federal agencies, to provide video service delivery that allowed the public to complete their business with SSA from those external locations;
- made self-help personal computers available in over 800 SSA field offices nationwide;
- offered the use of the Internet Social Security Number Replacement Card to 24 States and the District of Columbia for individuals to request a replacement SSN card;
- expanded the iClaim process to include certain SSI applications;
- expanded online appeals so individuals can electronically file an appeal on a non-medical claim; and
- enhanced *my* Social Security portal by adding the Get Help widget and Message Center.

REPRESENTATIVE PAYMENT PROGRAM

SSA acknowledges representative payees play a significant role in many beneficiaries' lives, and it explores ways to better identify, screen, and appoint representative payees. SSA also continues identifying representative payees that misuse funds. In its January 2017 report to Congress, SSA stated it conducted 2,590 payee reviews and removed 38 representative payees for misusing beneficiary funds or because of poor performance of duties.

In 2017, SSA reported it made the following improvements to its Representative Payment Program.

- Hired a contractor to assist in performing site reviews of representative payees.
- Consolidated and clarified its capability determination policy to ensure SSA employees consistently develop and document their determinations.
- Implemented enhancements to the electronic Representative Payee System to ensure capability determinations are documented.
- Amplified the release of the new capability policy and capability systems enhancement by delivering comprehensive training through a nationwide video-on-demand to all field office employees.

In addition, SSA reported it used a criminal bar policy to protect vulnerable beneficiaries from potential misuse of benefits by excluding representative payee applicants who had committed certain serious crimes, such as human trafficking, false imprisonment, and kidnapping. However, one of our reviews found that, until April 2016, SSA did not have a system to prevent its employees from selecting individuals as representative payees who had been convicted of barred crimes.

WHAT THE AGENCY NEEDS TO DO

Continue developing and implementing strategies that will provide quality services to the public now and in the future, while overcoming challenges related to an aging population, loss of institutional knowledge, and evolving technology trends.

Explore ways of strengthening its controls for administering the Representative Payment Program, including selection of payees. Also, improve monitoring of representative payee performance to prevent benefit misuse.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Increase customer satisfaction with SSA services.
- Achieve the target speed in answering National 800-Number calls.
- Achieve the target busy rate for National 800-Number calls.
- Improve customer service by reducing the wait time for a hearing decision.
- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

SSA's *Agency Strategic Plan Fiscal Years 2014-2018*

SSA's Annual Performance Plan for Fiscal Year 2018, Revised Annual Performance Plan for Fiscal Year 2017

SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2016

SSA's *FY 2017 Budget Overview*

SSA's *FY 2018 Budget Overview*

SSA's Vision 2025

The Board of Trustees - *The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, July 2017

SSA's 2016 Annual Report of the Supplemental Security Income Program

Pew Research Center - *Internet & Technology: Mobile Fact Sheet*, May 2017

Pew Research Center - *Internet & Technology: Internet/Broadband Fact Sheet*, January 2017

OIG Report - *Congressional Response Report: The Social Security Administration's Vision 2025 Plan* (A-02-16-50125), March 2016

OIG Report - *Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee* (A-09-16-50088), September 2016

OIG Report - *Disabled Beneficiaries Receiving Direct Payments Who Previously Had a Representative Payee* (A-09-17-50205), December 2016

OIG Report - *Customer Waiting Times in the Social Security Administration's Field Offices* (A-04-17-50216), December 2016

OIG Report - *Individual Representative Payees Who Do Not Have a Social Security Number in the Social Security Administration's Payment Records* (A-09-19-50159), February 2017

OIG Report - *Beneficiaries Whose Payments Have Been Suspended for No Child in Care and Who Are Serving as Representative Payees for Children* (A-09-17-50200), February 2017

OIG Report - *Active Representative Payees Who are Not in the Social Security Administration's Electronic Representative Payee System* (A-09-14-34120), February 2017

OIG Report - *Individuals Barred from Serving as Representative Payees* (A-03-16-50156), August 2017.

MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE

CHALLENGE

SSA must modernize its IT to accomplish its mission despite budget and resource constraints.

Few Federal agencies touch as many people as SSA; and IT plays a critical role in SSA's day-to-day operations. However, SSA's aging IT infrastructure is increasingly difficult and expensive to maintain. The Agency continues relying on outdated applications and technologies to process its core workloads (for example, retirement and disability claims). Many of SSA's legacy applications were programmed with Common Business Oriented Language. SSA maintains more than 60 million lines of Common Business Oriented Language, along with millions more lines of other legacy programming languages. According to the Agency's Chief Information Officer, these legacy systems are not sustainable.

In FY 2017, SSA spent $1.8 billion on IT. According to SSA, budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, it must maintain its legacy systems while developing their modern replacements.

Cloud technology has become universal in the industry. Many organizations have realized benefits by extending their technology offerings with a mix of public and on-premise cloud offerings, tuned to meet customer, technology, and service demands. In line with this cloud strategy, SSA developed the Agency Cloud Initiative (ACI) to supplement its legacy infrastructure with the use of cloud technologies and automation. ACI creates an infrastructure that enables SSA's overall IT Modernization plans.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

Since SSA launched *my* Social Security in 2012, over 32.7 million customers have created accounts. According to SSA, in FY 2017, more than half of all Social Security retirement and disability applications were filed online, and customers completed over 155 million transactions using the Agency's Website. Still, the Agency saw about 42 million visitors in its field offices and handled over 36 million calls to its National 800-Number.

To reduce unnecessary field office visits, SSA continues enhancing its online services to provide the public a secure, convenient self-service option. To support its increasing workloads, SSA has developed and implemented over 30 electronic services for the public, businesses, and other government agencies.

One of the Agency's priorities is to improve customer service and convenience by increasing online transactions. To achieve that goal, SSA continues enhancing its *my* Social Security online portal. For example, SSA plans to redesign the portal and expand the services within *my* Social Security to additional user groups, including representative payees, appointed representatives, and business users. In addition, the Agency will enhance security and improve the portal's design to allow broader access from a variety of devices, such as smartphones and tablets. In September 2016, we recommended that SSA improve its access controls for *my* Social Security. The Agency is working to enhance the portal's security and online fraud detection capabilities.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget.

DISABILITY CASE PROCESSING SYSTEM

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA is developing the Disability Case Processing System (DCPS). Once it is implemented, all DDSs will use DCPS. Historically, the project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we completed three reviews of the DCPS project in FY 2017. In the first, we concluded SSA did not estimate the costs it will incur to develop sufficient functionality into DCPS to retire the legacy systems or the associated timeframe for deployment to the DDSs. Also, we reported that the Agency should evaluate its plans to ensure it can demonstrate to Congress and the public that it had chosen the most cost-effective alternative to achieve its goals and continue to do so as new challenges or opportunities occur.

In the second review, we reported that SSA plans to deliver the functionality needed to process all initial disability claims and reconsiderations (as well as initial continuing disability reviews) by January 2018. However, the Agency’s ability to meet its delivery goals will depend on the future growth of the functional requirements backlog and the velocity with which SSA completes the requirements. SSA should continue reviewing its delivery targets to ensure they are feasible, considering the resources committed to the project and the Agency’s development experience to-date.

In the last review, we reported SSA’s goals to deliver functionality to support all initial and reconsideration cases by January 2018 and all remaining workloads including continuing disability reviews and disability hearings by April 2018. However, we concluded that SSA’s ability to meet its goals will depend not only on the velocity with which it completes the backlog of functional requirements identified to-date but also the volume of work yet to be identified.

ACI

ACI is a cross-component project within the Office of Systems that will provide on-premise and public cloud infrastructures, platforms and applications/services to meet the Agency’s service delivery and business operations requirements. SSA’s traditional infrastructure will be augmented with on-premise cloud services, to be hosted in its two national co-processing data centers, and public cloud services for availability, flexibility, and cost-efficiency. The strategic deployment and management of this broad initiative enables SSA to leverage the cloud-computing model as an IT services broker.

SSA positioned a cloud development environment, the Enterprise Data Warehouse, and DCPS in the Agency’s public cloud. In 2017, SSA plans further modernization efforts with a number of applications moving to the Agency’s public cloud. These applications include a customer engagement message center, electronic notices, appointment and calendar service, electronic records management architecture, and a human resources portal.

IT INVESTMENT PROCESS

Finally, according to the recent post-implementation review (PIR) reports, although SSA generally was able to verify and compare costs, functionality impact, and other areas, it could not quantify the benefits or calculate the return on investment for these projects.

AGENCY ACTIONS

IT MODERNIZATION PLAN

For several years, SSA has worked incrementally to modernize its IT infrastructure. However, the Agency’s Chief Information Officer has acknowledged the Agency must undertake a larger, multi-year effort.

In FY 2016, SSA began reorganizing its data into a modern architecture and developing a framework to allow real-time updates (in contrast to legacy systems that batch transactions). According to SSA, it is also moving to modernize its software engineering tools and skills. However, SSA needs a sustained, long-term investment to make the changes needed to develop a fully modern IT infrastructure capable of supporting the Agency's vast and complex operations.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

SSA expanded availability of its online application process for replacement Social Security cards to over half of the U.S. population, with full implementation expected by the end of FY 2018. The Agency also added online capabilities for individuals to check the status of applications and appeals through the *my* Social Security portal. In addition, individuals can appeal non-medical decisions online.

IMPLEMENTATION OF MAJOR IT PROJECTS

DCPS

SSA has taken steps to get the DCPS project on track. At the end of FY 2017, 9 participating DDSs had used DCPS to process over 2,100 disability claims. SSA expects to complete development—and deploy DCPS to about half the DDSs—by April 2018 at a total cost of about $86.5 million. In addition, SSA projects it will spend approximately $33 million from April 2018 through September 2019 to deploy DCPS to all remaining DDSs. SSA is planning for DDSs to begin retiring their legacy systems in FY 2019. By the end of FY 2020, the Agency expects all legacy systems will be retired. SSA estimates it will spend about $6.5 million each year, beginning in FY 2020, to operate and maintain DCPS.

ACI

As SSA implements cloud technology, it expects to receive further flexibility to allocate systems resources to meet changing demands. Cloud technology improves systems availability and performance at a lower cost.

In 2017, SSA completed the implementation of an on-premises cloud proof of concept. In FY 2018, the Agency expects to complete the design for an Agency hybrid cloud. This platform will allow applications to use resources in public clouds and the on-premise SSA cloud simultaneously. In FY 2019, the Agency plans to build and implement the hybrid cloud services.

IT INVESTMENT PROCESS

SSA developed a new IT Investment Process that it expects will improve how it manages and invests in IT. The IT Investment Process will focus on up-front project planning with outcomes tied to specific Agency goals. An enterprise-wide executive IT investment board will meet throughout the year to make funding decisions on projects that provide the greatest benefit to the Agency. As a result, SSA believes it will be better able to deliver the right project on time and within budget.

In recent years, SSA has established policy and procedures for PIR and has been performing PIRs for selected projects. During the PIR, actual costs, benefits, schedule, and identified risks are compared to the original project estimates to assess the IT investment's performance and identify areas for improvement.

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

Ensure the Agency's IT planning and investment control processes are effective.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Enhance IT infrastructure by incorporating innovative advances in service delivery.
- Provide uninterrupted access to SSA systems during scheduled times of operation.
- Implement the consolidated enterprise database and the Enterprise Data Warehouse to improve service delivery and make faster data-driven decisions.

KEY RELATED LINKS

OIG Report - *The Social Security Administration's Management of Information Technology Projects* (A-14-07-17099), July 2007

OIG Report - *Congressional Response Report: The Social Security Administration's Analysis of Alternatives for the Disability Case Processing System* (A-14-16-50078), May 2016

OIG Report - *The Social Security Administration's National Support Center: Progress Report as of April 2016* (Limited Distribution) (A-14-16-50101), July 2016

OIG Report - *Access to the Social Security Administration's my* Social Security *Online Services* (Limited Distribution) (A-14-15-15010), September 2016

OIG Report - *Congressional Response Report: Costs Incurred to Develop the Disability Case Processing System* (A-14-16-50099), September 2016

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of November 2016* (A-14-17-50174), December 2016

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of March 2017* (A-14-17-50079), April 2017

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of August 2017* (A-14-17-50221), September 2017

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

SSA must ensure its information systems are secure and sensitive data are protected.

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

SSA continues expanding its online services to improve customer service. The Agency is also developing systems in the cloud, which creates security concerns with housing sensitive Agency information in public clouds. It is important as SSA expands its services and systems to implement security during the development process.

INFORMATION SECURITY PROGRAM

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have identified weaknesses that, when aggregated, created a significant deficiency in SSA's overall information systems security program that compromised the security of the Agency's information and information systems. Additionally, other audits and evaluations have identified serious concerns with SSA's information security program.

In our most recent report on SSA's compliance with the *Federal Information Security Modernization Act of 2014* (FISMA) (Pub. L. No. 113-283), KPMG LLP (KPMG) determined that SSA had established an Agency-wide information security program. However, KPMG identified a number of deficiencies that may limit the Agency's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data. The deficiencies identified in each FISMA reporting metric domain—risk management, configuration management, identity and access management, security training, information security continuous monitoring, incident response, and contingency planning—are consistent with those cited in prior reports on SSA's FISMA compliance.

SECURING ONLINE SERVICES

As part of the Administration's *Cybersecurity National Action Plan*, agencies must take steps to safeguard personal data in online transactions between citizens and the Government, including adopting and using effective identity proofing and strong multi-factor authentication methods.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to expand the services available under its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue receiving fraud allegations related to *my* Social Security accounts. A major credit reporting agency recently disclosed it had suffered a cyber-security incident in which sensitive data were compromised. SSA uses that agency to verify the identities of either new registrants or existing *my* Social Security users. However, SSA's preliminary assessment concluded there was no impact on the integrity of the Agency's identity proofing process.

In June 2017, SSA released enhancements to its *my* Social Security portal. These enhancements require that SSA use an email address or telephone number for future contact with account holders. However, this requirement does not provide additional assurance the user is the legitimate numberholder. We recognize online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be safeguarding the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe the Agency needs to strengthen the authentication process for the *my* Social Security portal by implementing technologies that meet the requirements for its higher assurance level.

SECURING CLOUD COMPUTING SERVICES

Cloud computing is a general term for delivering hosted technology services over the Internet. It is SSA's policy that no sensitive, personally identifiable information or Federal tax information is stored in, transmitted to, or processed in external cloud environments without authorization from the Chief Information Security and Chief Information Officers. Cloud-based systems must comply with FISMA requirements, Federal Risk and Authorization Management Program requirements, and any additional Agency requirements in SSA's Information Security Policy.

In 2014, we evaluated SSA's cloud computing technologies. We conducted the review early in SSA's cloud-adoption process and encouraged SSA to consult with the Office of Management and Budget on Federal requirements for cloud use. We started a new review of SSA's cloud environment in September 2017. Our objective is to determine whether the cloud environment is protecting the Agency's sensitive information.

AGENCY ACTIONS

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. One of the Agency's goals is to ensure its IT services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen its information security program.

INFORMATION SECURITY PROGRAM

SSA's Office of Information Security has developed its Cybersecurity Strategic and Cybersecurity Tactical plans that include many strategies and initiatives to address IT and cyber-security challenges within each functional area of the National Institute of Standards and Technology's (NIST) Cybersecurity Framework for the next 3 to 4 years. SSA started some of these initiatives, including projects to address privileged user access issues, monitoring mainframe vulnerabilities, and network segmentation. However, SSA has yet to start some important projects that would further strengthen its security program.

SECURING ONLINE SERVICES

SSA believes the changes to the *my* Social Security portal it implemented on June 10, 2017 addressed the authentication requirements contained in Executive Order 13681, *Improving the Security of Consumer Financial Transactions*, which was released in October 2014. While SSA's new authentication plan requires an email address or telephone number for future contact with the account holder, which is an improvement over the current process, it does not provide additional assurance the user is the legitimate numberholder. Our biggest concern is that SSA has not strengthened the identity-proofing process to ensure the user creating an account is who he/she claims to be.

In March 2016, an Agency risk assessment of the *my* Social Security portal concluded the portal required high confidence in the validity of an individual's identity. Based on the higher assurance level SSA determined, the *my* Social Security portal requires multi-factor authentication. Multi-factor authentication indicates the use of more than one authentication factor: something you know, something you have, or something you are.

In June 2017, NIST released a special publication, *Digital Identity Guidelines*, that provides agencies with guidelines for digital authentication of individuals to federal systems over a network. The new guidance revised requirements with the levels of assurance in the risk assessment process. With the changes in requirements, SSA may need to perform a new risk assessment for the *my* Social Security portal. NIST also states agencies making personal data accessible to citizens through digital applications require the use of multiple factors of authentication.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

Ensure the electronic services the Agency provides are secure.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Increase secure access to the public's data.
- Enhance IT infrastructure by incorporating innovative advances in service delivery.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

OIG Report - *The Social Security Administration's Management of Electronic Message Records* (A-14-15-25025), February 2016

OIG Report – *Congressional Response Report: The Security of Systems that Provide Access to Personally Identifiable Information* (Limited Distribution) (A-14-16-50173), August 2016

OIG Report - *Access to the Social Security Administration's my Social Security Online Services* (Limited Distribution) (A-14-15-15010), September 2016

OIG Report - *The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2016 (Limited Distribution) (A-14-17-50151)*, November 2016

OIG Report - *Security of the Social Security Administration's Public Web Applications* (Limited Distribution) (A-14-17-50152), April 2017

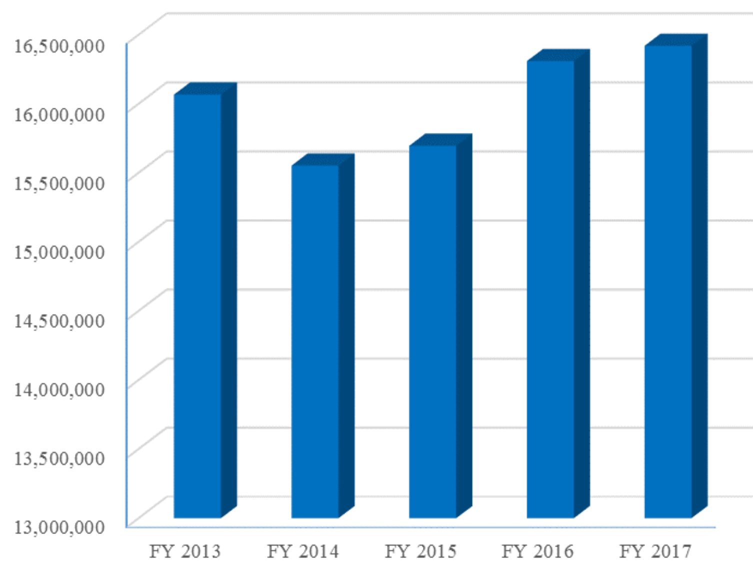
STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.

In FY 2017, SSA issued over 16 million original and replacement SSN cards (see Figure 7). In addition, for Tax Year 2016, the Agency received and processed about 274 million wage items, totaling approximately $6.6 trillion in earnings. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Figure 7: Original and Replacement SSN Cards Issued



SSN USE

The SSN is relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN MISUSE

Given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protecting this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. For example, some government and non-government organizations unnecessarily collect and use SSNs as a primary identifier. Yet, our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes.

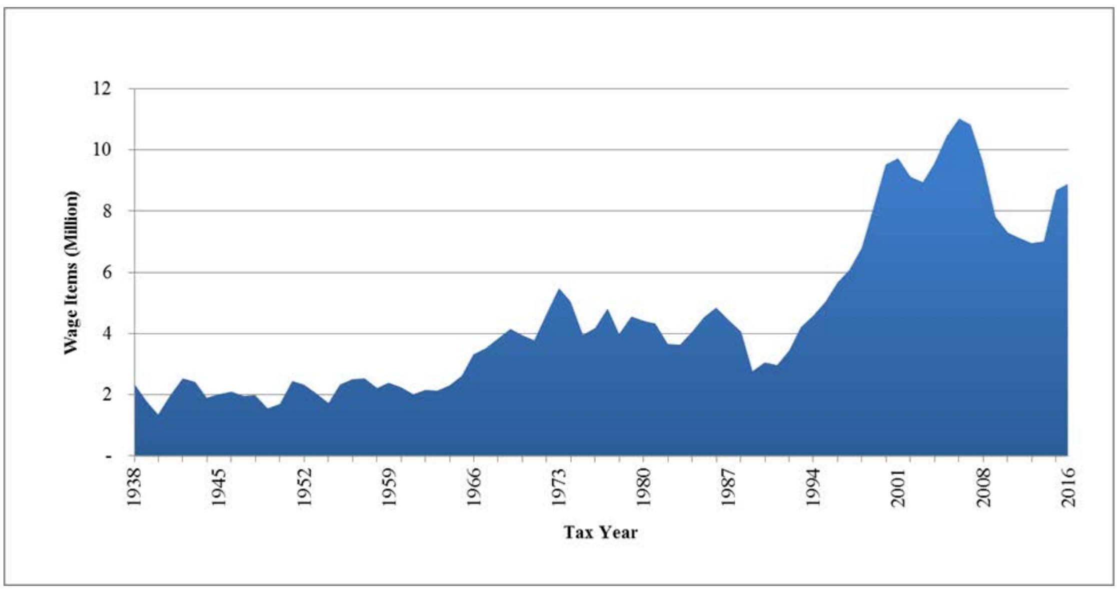
We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. A September 2015 Bureau of Justice Statistics release estimated that 17.6 million U.S. residents age 16 or older were victims of at least 1 incident of identity theft in 2014.

EARNINGS

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and calculate the amount of benefit payments. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.5 trillion in wages and 360 million wage items for Tax Years 1938 through 2016. As shown in Figure 8, in Tax Year 2016 alone, SSA posted about 8.9 million wage items, representing $98 billion in wages, to the ESF.

Figure 8: ESF Suspended Wage Items (1938 to 2016)



AGENCY ACTIONS

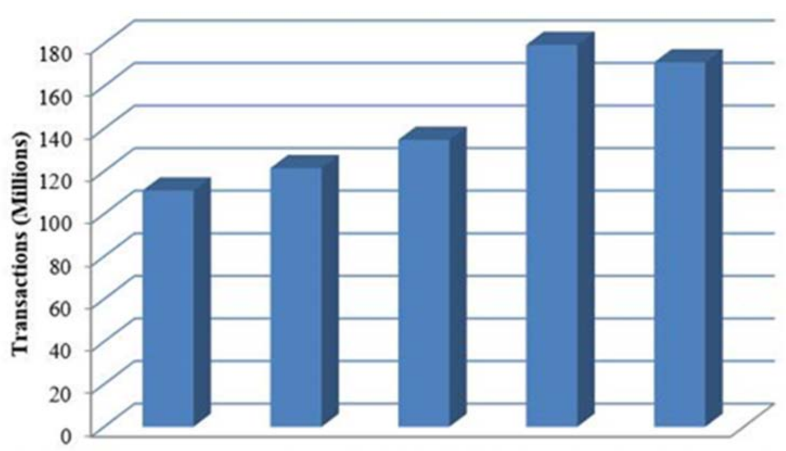
SSA has taken steps to streamline its enumeration process. For example, SSA released the *Internet-based Social Security Number Replacement Card* application in November 2015. This allows SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. In FY 2017, SSA processed nearly 500,000 replacement card applications via the *Internet-based Social Security Number Replacement Card* application. While we believe this initiative may enhance customer service, SSA must ensure it takes necessary steps to minimize the risk of individuals fraudulently obtaining a replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* and providing the required documentation.

SOCIAL SECURITY NUMBER VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify their employees' names and SSNs using the Agency's SSN Verification Service before reporting wages to SSA. For the last 5 years, beginning in 2013, the number of verification transactions for SSN Verification Service has steadily increased from 111 to 156 million. In FY 2017, approximately 33,000 registered employers had submitted about 171 million verifications (see Figure 9).

Figure 9: Social Security Number Verification Service Verifications FYs 2013 Through 2017

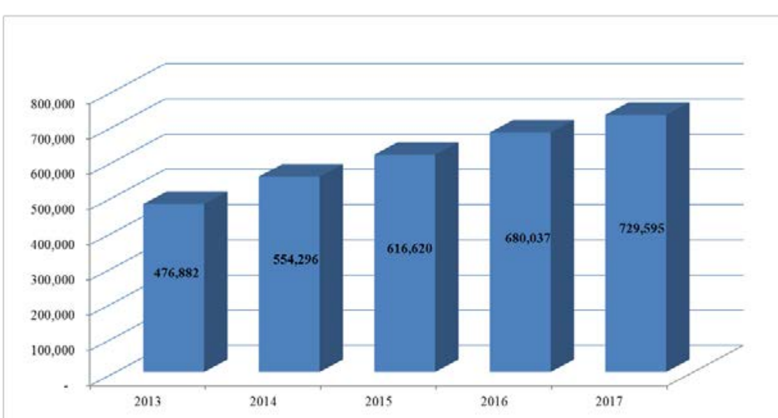


Fiscal Year	2013	2014	2015	2016	2017
Transactions (Millions)	111	121.5	134.8	179.1	171.2
Employers	38,421	36,712	34,496	34,352	33,692
Mismatch Rate	4.28	5.6	6.26	5.14	4.15

E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying electronically the employment eligibility of newly hired employees. According to the Department of Homeland Security, about 730,000 employers have enrolled to use E-Verify as of June 2017, which is the most current data available. Beginning in FY 2013, the number of registered users has steadily increased from 477,000 to 730,000 as shown in Figure 10. In FY 2017 (as of June 2017), more than 26 million queries were submitted.

Figure 10: Enrollment in E-Verify



WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in the protection of SSNs. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

Ensure that any electronic applications related to SSN card issuance offered through *my* Social Security include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of the Agency's employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

KEY RELATED PERFORMANCE MEASURES

The key SSN-related performance measure from SSA's revised FY 2017 *Annual Performance Plan* is listed below.

- Improve the timeliness of the earnings data used to calculate benefits.

KEY RELATED LINKS

OIG Report – *Improper Use of Children's Social Security Numbers* (A-03-12-21269), March 2014

OIG Report – *Access Controls over the Business Services Online* (Limited Distribution), (A-03-13-13015), June 2014.

OIG Report – *Internet Social Security Number Replacement Card Project* (Limited Distribution) (A-08-14-24096), July 2014

OIG Report – *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project* (Limited Distribution) (A-14-14-24130), May 2015

OIG Report – *Status of the Social Security Administration's Earnings Suspense File* (A-03-15-50058), September 2015

OIG Report – *Social Security Administration Correspondence Containing Full Social Security Numbers* (A-04-15-50070), April 2016

OIG Report – *Improper Use of Elderly Individuals' Social Security Numbers (A-03-16-24028)*, January 2017

OIG Report – *Social Security Numbers Assigned and Benefits Paid to Refugees, Parolees, and Asylees (A-08-16-50142)*, July 2017

OIG Report – *Cross-referred Social Security Numbers (A-06-13-23091)*, July 2017

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

PLANNING

While SSA has created annual performance and multi-year strategic plans, we are concerned with the quality of its longer-term vision needed to ensure it has the programs, processes, staff, and infrastructure required to provide needed services for the next 10 to 20 years and beyond. In FY 2015, SSA released its *Vision 2025,* which SSA stated is a critical first step in planning how it will serve the public in the future.

We question whether SSA's *Vision 2025* provides a clear path to the organization SSA will need to be in the future to meet its mission. For example, it does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. We believe SSA's long-term strategic vision should include specific, measurable goals that clearly outline the service delivery model SSA envisions in year 2025 and beyond. Also, while *Vision 2025* describes the Agency's future environmental drivers, it does not explain how those drivers will affect SSA's ability to provide services in the future. Additionally, SSA's plan did not choose one primary service delivery method as recommended by the National Academy of Public Administration, which SSA contracted for a long-range strategic review. Instead, *Vision 2025* promised a service delivery system that would meet each customer's desire even though budget constraints may make such an approach unrealistic.

SSA also worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA but does not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. Also, the roadmap is not available publicly, so stakeholders cannot understand how SSA's vision will be implemented and how it may impact them in the future.

TRANSPARENCY

The Agency has a mixture of outcome and output performance measures on which it publicly reports. The outcomes it measures include customer satisfaction, the timeliness of service or claims processing, and the accuracy of its payments. Other performance measures appear to measure outcomes but actually measure outputs. In these cases, SSA included a desired outcome in the wording of the performance measures, but it does not actually measure those outcomes. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of initial disability claims using electronically transmitted health records and medical evidence (Health IT)." While an increased number of claims using Health IT may improve the disability determination process, it may not. A better performance measure would measure whether claims using Health IT had better outcomes, like more accurate or timely disability determinations when compared to claims processed without Health IT.

SSA also has a number of output performance measures, including completing the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform whether the completion of the workloads equate to positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and ineligible for benefits through the completion of CDRs.

ACCOUNTABILITY

SSA'S ANTI-FRAUD PROGRAMS

SSA needs a strong anti-fraud infrastructure to combat attempts to defraud its programs. We continue to report on fraud schemes that cost taxpayers millions of dollars. For example, in August 2017, we reported that over 7,000 beneficiaries had nearly $11 million of their benefit payments misdirected by unauthorized changes to their direct deposit information in Calendar Years 2014 to 2016.

In FY 2014, we hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Additionally, SSA has had to respond to new risk management requirements that became effective in FY 2017. Specifically, the Office of Management and Budget issued Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* It states that management has overall responsibility for establishing internal controls to manage fraud risk. This includes reporting to the Agency's governance structure the actions the Agency has taken to manage fraud risks and the status of the Agency's Risk Profile. The Agency's Risk Profile must include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative controls to mitigate identified material fraud risks.

INDEPENDENT AUDITORS' REPORT

The FY 2017 *Independent Auditors' Report* contains three significant deficiencies in internal control. The three significant deficiencies are summarized below (refer to SSA's FY 2017 *Agency Financial Report* for the full text of the report).

Certain Financial Information System Controls. The auditor identified the following four systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of IT Systems Controls.

- IT Oversight and Governance
- Access controls
- Network Security Controls
- Change and Configuration Management

Controls over the Reliability of Information Used in Certain Control Activities. The IT control deficiencies discussed above elevate the risk that data produced by SSA's IT systems, also known as information produced by the entity (IPE), may not be complete or accurate. When management uses IPE to perform its manual process level controls, it must have reasonable confidence the IPE is reliable for its intended purpose, and if necessary, add controls that compensate for information systems control deficiencies. The auditor found that management did not design and implement effective controls to ensure certain IPE used in performing manual process-level controls over benefits due and payable and accounts receivable was complete and accurate.

Accounts Receivable/Overpayments. The auditor identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to accounts receivable/overpayments. Specifically, the auditor's testing disclosed the following deficiencies.

- Financial Accounting Process Related to Overpayments
- Documentation Supporting Accounts Receivable/Overpayment Claims and Calculations
- Compliance with SSA Policies and Procedures Impacting the Effectiveness of Internal Controls
- IT System Limitations Affecting Accuracy and Presentation of OASDI Accounts Receivable

AGENCY ACTIONS

PLANNING

SSA created an addendum to its *Agency Strategic Plan* for FYs 2014-2018 to show how the *Vision 2025* priorities aligned with the Plan's strategic objectives. The addendum also showed how the *Vision 2025* priorities aligned with SSA's major management priorities for FYs 2015 through 2016. Per the addendum, the major management priorities were the Agency's first step in focusing and prioritizing the resources to realize *Vision 2025* and served as the first phase of the implementation of *Vision 2025*. However, while the addendum was listed on SSA's public Website with its *Agency Strategic Plan* previously, as of the date of this report, it no longer was. SSA plans to release a new strategic plan for FYs 2018-2022, highlighting three main strategic goals—deliver services effectively, improve the way SSA does business, and ensure stewardship.

TRANSPARENCY

SSA has slightly increased the number of outcome performance measures and lessened the number of output measures in its FY 2017 *Annual Performance Report*. Also, it provided its strategy and performance teams with performance-measure development training. Additionally, it implemented a new process for developing performance measures, with the goal of identifying the best indicators where data are available to measure progress in achieving the desired outcome of strategic objectives. Per SSA, it will continue developing more outcome-based performance measures as it moves forward with developing its next *Agency Strategic Plan*.

ACCOUNTABILITY

SSA has taken a number of steps to increase its anti-fraud activities. In November 2014, it established the Office of Anti-Fraud Programs to monitor the Agency's anti-fraud initiatives. The Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution (AFES) to identify high fraud risk areas that have the most significant impact to the Agency. SSA completed the initial acquisition of AFES in FY 2016. The acquisition included a commercial, off-the-shelf software package that was the core of AFES. SSA expects AFES to enable it to identify patterns of potential types of fraud, improve functionality for data-driven fraud triggers and real-time fraud risk analysis, and integrate technology into its anti-fraud business processes.

SSA released its FY 2016 *Anti-Fraud Strategic Plan* in September 2016 and recently released an updated FY 2017 Plan. Per SSA, it aligned the Plan with the leading practices identified in the Government Accountability Office's *A Framework for Managing Fraud Risks in Federal Programs,* as well as SSA's *Agency Strategic Plan*. The anti-fraud plan describes how the Agency will develop and implement a comprehensive, unified anti-fraud program.

SSA has also completed a Disability Fraud Risk Assessment in response to the Government Accountability Office's framework and Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Per SSA, it used a phased approach in its assessment, following the standard phases of general risk management listed below.

- **Plan risk management –** SSA modified the risk management approach to its specific business processes.
- **Identify risks –** SSA identified risks at the program level, annotating all risks identified. It defined a fraud risk as a vulnerability that bad actors might exploit to gain benefits fraudulently.
- **Assess risks –** SSA prioritized risks and assessed new and current risks for likelihood and impact.

- **Plan risk responses** – SSA developed new proposed actions for newly identified risks and residual proposed actions for risks where SSA had current mitigating strategies.
- **Monitor and control risks** – SSA will develop management information to evaluate, monitor, and control risks through adaptation to circumstances. It will regularly re-evaluate risks.

WHAT THE AGENCY NEEDS TO DO

SSA should make public the roadmap guiding implementation of its *Vision 2025*. Also, the Agency should develop performance measures that address its long-term outcomes, so SSA and the public can track implementation of the roadmap.

SSA needs to continue to develop the infrastructure needed to strengthen its anti-fraud efforts.

The Agency needs to address its three internal control significant deficiencies.

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Continue to serve as a model agency for employment of individuals with targeted disabilities.
- Enhance workforce knowledge, skills, and abilities to achieve organizational goals by increasing employee satisfaction with training and development.
- Expand use of data to support workforce planning, program evaluation, and decisionmaking.
- Assess office lease expirations and increase co-location of components to reduce SSA's physical footprint.
- Become one of the Top 5 Best Places to Work among large agencies in the Government.

KEY RELATED LINKS

Government Accountability Office, *A Framework for Managing Fraud Risks in Federal Programs*, July 2015

Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 2016

SSA's *Agency Strategic Plan, Fiscal Years 2014-2018*

SSA's *Agency Strategic Plan, Fiscal Years 2014-2018, Update Addendum: Vision 2025 Alignment*

SSA's *Annual Performance Plan for FY 2017-FY 2018 (Annual Performance Plan for FY 2018, Revised Performance Plan for FY 2017)*

SSA's *Vision 2025*

National Academy of Public Administration Report – *Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030*, July 2014

OIG Report – *Fraud Risk Performance Audit of the Social Security Administration's Disability Programs* (Limited Distribution) (A-15-15-25002), April 2015

OIG Report – *Congressional Response Report: The Social Security Administration's Vision 2025 Plan* (A-02-16-50125), March 2016

OIG Report – *The Social Security Administration's Financial Report for Fiscal Year 2017* (A-15-18-50273), November 2017

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit Table

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

Summary of Management Assurances Table

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Compliance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Federal Systems comply to financial management system requirements					
Non-Compliance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Compliances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

ENTITLEMENT REVIEWS AND OFFICE OF THE INSPECTOR GENERAL ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Payment Integrity* report for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law (P.L.) 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we 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. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal year (FY) 2013 through FY 2017.

Quality Assurance Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	98.1%	98.1%	97.7%	97.6%	97.4%
Number of cases reviewed	31,672	29,780	29,360	33,010	34,198
Number of cases returned to the DDS offices due to error or inadequate documentation	608	577	663	796	898

DI PRE-EFFECTUATION REVIEWS

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI pre-effectuation accuracy rates for FY 2013 through FY 2017.

DI Pre-Effectuation Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.1%	96.9%	96.4%	95.8%	95.8%
Number of cases reviewed	333,159	316,306	293,015	300,440	278,796
Number of cases returned to the DDS offices due to error or inadequate documentation	9,619	9,689	10,647	12,758	11,811

SSI PRE-EFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2013 through FY 2017.

SSI Pre-Effectuation Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.7%	97.6%	97.1%	96.9%	96.9%
Number of cases reviewed	109,645	105,628	104,808	112,875	106,777
Number of cases returned to the DDS offices due to error or inadequate documentation	2,530	2,562	2,988	3,508	3,288

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2013 through FY 2017.

CDR Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overall accuracy	97.2%	97.6%	96.7%	97.1%	96.7%
Continuance accuracy	98.0%	98.3%	97.3%	97.8%	97.6%
Cessation accuracy	95.1%	95.5%	95.0%	94.9%	93.5%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2013 through FY 2016. Data for FY 2017 is not available at this time. We will report the FY 2017 data in our FY 2018 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayment accuracy	99.8%	99.5%	99.6%	99.8%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayment accuracy	92.4%	93.0%	93.9%	92.4%	Data not yet available
Underpayment accuracy	98.3%	98.5%	98.6%	98.8%	Data not yet available

SSI REDETERMINATIONS

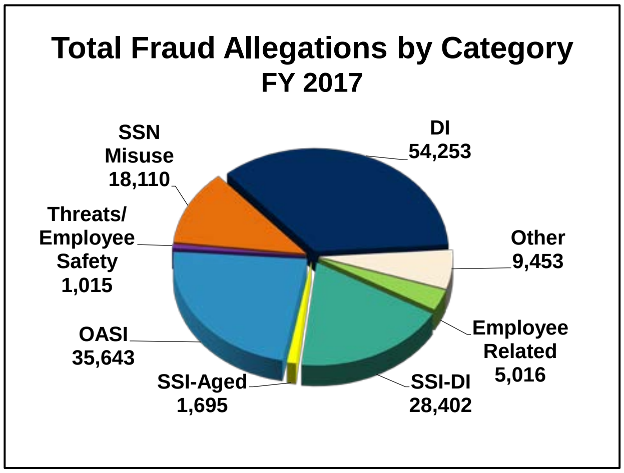
SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2013 through FY 2017.

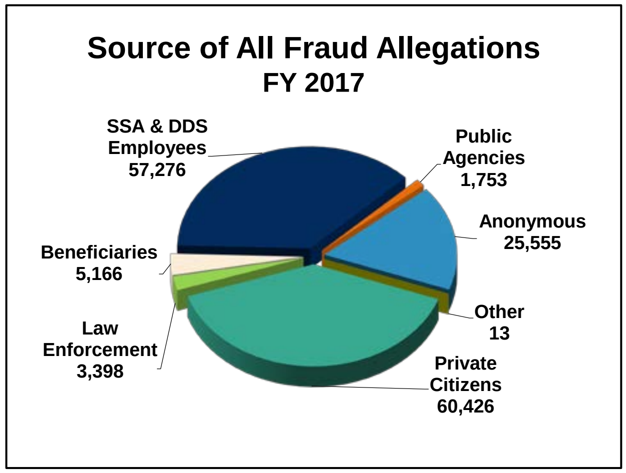
SSI Redeterminations Table
(In Millions)

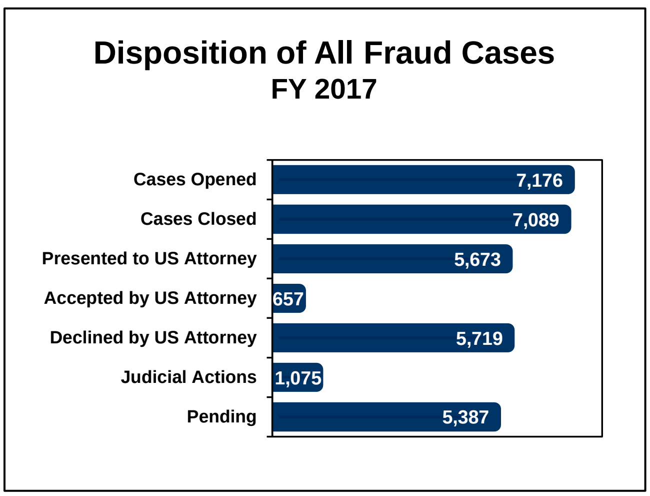
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of redeterminations completed	2.634	2.628	2.267	2.530	2.590

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2017, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







FRAUD REDUCTION AND DATA ANALYTICS ACT REPORT

FRAUD REDUCTION AND DATA ANALYTICS ACT

The *Fraud Reduction and Data Analytics Act of 2015* (FRDAA) requires us to include in our annual financial report our agency's progress in the financial and administrative controls and procedures to assess and mitigate fraud risks, as well as our development and use of data analytics to identify, prevent, and respond to fraud, including improper payments. The report must contain our progress in:

- Implementing financial and administrative controls, such as fraud risk principle 8 in the *Standards for Internal Control in the Federal Government*, and Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, which calls for agencies to adhere to the leading practices for managing fraud risk;

- Identifying risks and vulnerabilities to fraud; and
- Establishing strategies, procedures, and other steps to curb fraud.

OUR ANTI-FRAUD EFFORTS

As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs. We take seriously our responsibility to detect, deter, and mitigate fraud. We have zero tolerance for fraud, and we work tirelessly to protect the American public from fraud in our programs.

In March of 2014, after reviewing and reporting on our practices, and in response to reported fraud cases, we re-established our National Anti-Fraud Committee. This committee of senior-level executives, co-chaired by the Deputy Commissioner for Budget, Finance, and Management (formerly Budget, Finance, Quality, and Management) and our Inspector General, is a focal point for our anti-fraud efforts that support national and regional strategies to combat fraud, waste, and abuse.

In December 2014, to continue our commitment to protect our programs from fraud and to identify an entity within the agency to lead fraud risk management (FRM) activities, we established the Office of Anti-Fraud Programs to provide centralized oversight and accountability for initiatives to detect, deter, and mitigate fraud while focusing on:

- Centralizing anti-fraud data analytics;
- Monitoring and supporting our anti-fraud initiatives;
- Formulating new anti-fraud initiatives;
- Developing consistent anti-fraud policies and processes;
- Leading the agency's FRM activities;
- Aligning our anti-fraud efforts with industry standards; and
- Partnering with OIG, whose mission includes fraud investigation.

FRDAA REPORTING REQUIREMENTS

IMPLEMENTING FINANCIAL AND ADMINISTRATIVE CONTROLS

We use data analytics to enhance detection of potential fraud and have developed analytical tools to determine common characteristics and patterns to help uncover potential fraud and other suspicious behavior. Data analytics present an opportunity to maximize our resources and better organize efforts to explore and develop the future of fraud analyses and oversight. In addition to data analytics, we have financial and administrative controls in place to detect, deter, and mitigate fraud.

Examples of these controls include:

- Anti-Fraud Communications Campaign (AFCC): AFCC is a multi-year campaign to convey the agency's anti-fraud messaging and promote continued expansion of anti-fraud capabilities.
- Anti-Fraud Data Analytics: Anti-Fraud Data Analytics improve fraud prevention and detection, enabling us to identify and track suspicious or potentially fraudulent transactions and take appropriate preventive and corrective actions.
- Administrative Sanctions: Administrative sanctions are penalties for making false or misleading statements, or withholding material information in certain circumstances. Penalties are nonpayment of Title II benefits and ineligibility for Title XVI payments for specified periods.
- Anti-Fraud Training: Agency employees and DDS employees are required to complete annual anti-fraud training. The training provides information to protect programs from fraud originating internally and

externally, and enables employees to remain informed on the current and proper means to support the agency's efforts to detect and prevent fraud.

- Civil Monetary Penalties (CMP): Section 1129 of the *Social Security Act* authorizes imposition of a CMP against anyone who makes false statements or misrepresentations, or materially withholds information in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. Additionally, OIG may impose CMPs against representative payees for wrongful conversion of payments for their own use, or failure to notify us of a material change in a beneficiary's living arrangements or work activity.
- Cooperative Disability Investigation (CDI) Units: CDI units are joint efforts among SSA, OIG, and various State agencies to pool effective resources to investigate potential fraud in Title II and Title XVI disability programs. According to OIG, CDI units contributed more than $1 billion to agency savings over the last 3 fiscal years.
- Fraud Prevention Units (FPU): FPUs are specialized fraud units comprised of examiners dedicated to determining and acting on probable fraud cases and compiling data from the cases to help the agency further develop analytical tools for identification of potential fraud.
- Fraud Prosecution Project: The goal of this project is to increase the number of prosecutions for crimes involving Social Security matters. To support this project, the Office of the General Counsel has provided attorneys to serve as Special Assistant United States Attorneys (fraud prosecutors) in many of the Federal districts where we have regional offices and at our headquarters in Baltimore, MD.

IDENTIFYING RISKS AND VULNERABILITIES TO FRAUD

Preventing and combatting fraud is core to our agency's values, and we have various tools in place and under development to help us succeed. In FY 2017, we procured software that will serve as the basis for the Anti-Fraud Enterprise Solution (AFES). AFES allows us to replace and expand our current anti-fraud systems and processes. AFES will integrate data from multiple sources and use industry-proven predictive analytics techniques to identify high-risk transactions that require further review.

AFES directly supports the agency goal to "Strengthen the Integrity of Our Programs" -- specifically to protect the public's data, provide secure online services, and increase payment accuracy. It also supports the agency's efforts to meet the requirements of FRDAA that reference and mandate the Government Accountability Office's (GAO) *Framework for Managing Fraud Risks in Federal Programs*. Over a five-year phased implementation, we plan to develop, integrate, test, and implement AFES throughout the agency's lines of business, beginning with eServices and the disability program in FY 2017.

In FY 2018, we plan to explore redesign of the e8551 allegation referral process as part of AFES. This redesign will provide a modernized process for agency and DDS employees to develop and refer allegations of potential fraud involving agency programs and operations to OIG.

In addition, in accordance with the requirements set forth in OMB Circular No. A-123, we established our initial risk profile. Implementation of an Enterprise Risk Management (ERM) framework will improve strategic and risk mitigation decision-making throughout the agency by allowing managers to have a better understanding of inherent risks. As we move forward with a more mature ERM model, our goal is to cultivate a more risk-aware culture throughout the agency and incorporate risk as a significant factor in decision-making. We began conducting fraud risk assessments of our programs in FY 2017, beginning with the disability program. As part of our enterprise fraud risk management strategy, on a recurring schedule, we will conduct fraud risk assessments on our other major lines of business as appropriate, for example, payroll, beneficiary payments, grants, large contracts and purchase and travel cards.

We established a plan to develop a fraud risk profile to satisfy the requirements of OMB Circular No. A-123. The steps in development of a risk profile unique to the agency are:

- Identify agency objectives and risk categories;

- Map and validate agency functions and processes to agency objectives;
- Develop a risk register;
- Engage managers and subject matter experts in evaluating inherent risk;
- Manage the identification of existing risk responses and the assessment of their effectiveness;
- Analyze risk data and assemble it into a draft risk profile; and
- Vet the draft profile, incorporate necessary revisions, and prepare the final risk profile.

ESTABLISHING STEPS TO CURB FRAUD

We are dedicated to protecting the integrity of our programs as stewards of taxpayers' money. We must be vigilant in our anti-fraud efforts as combatting fraud is an ongoing and evolving process. We are committed to establishing strategies and procedures and taking necessary steps to curb fraud and preserve the public's trust in our programs.

Our *Anti-Fraud Strategic Plan* emphasizes our commitment to developing a comprehensive, unified anti-fraud program, and identifies our goals, objectives, and strategies to mitigate fraud in our programs. This plan is consistent with GAO's framework that identifies leading practices for managing fraud risks and control activities to prevent, detect, and respond to fraud in Federal programs. In addition, this plan aligns with the critical goal in our *Agency Strategic Plan* (www.socialsecurity.gov/agency/asp/materials/pdfs/plan-2014-2018.pdf) to "Strengthen the Integrity of Our Programs."

Our Anti-Fraud Strategic Goals are:

Goal 1: *Build an Organizational Culture Conducive of Fraud Risk Management*;

Goal 2: *Strengthen Our Programs through Assessment and Monitoring*;

Goal 3: *Implement a Comprehensive Approach to Fraud Risk Management*; and

Goal 4: *Conduct Outreach and Ongoing Communication Activities on Our Anti-Fraud Efforts*.

As previously noted, we began conducting fraud risk assessments of our programs in FY 2017. In FY 2018, we will ensure our fraud risk assessments are consistent with leading practices, and we will develop a plan for regularly updating the assessments. We will identify and assess risks and prioritize them to address those risks with the highest potential impact first. We will continue to communicate our anti-fraud strategies to employees and other stakeholders, and link our anti-fraud efforts to other risk management activities.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Social Security Act* authorizes the Commissioner to impose a CMP for certain specific violations. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any false statements, misrepresentations, or omissions, who fails to report material information, and representative payees who commit conversions in connection with obtaining or retaining benefits or payments under Titles II, VIII, and XVI of the *Social Security Act*. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from advertisements, solicitations, and other communications (including Internet websites) that may convey the false impression that the communication is approved, endorsed, or authorized by the Social Security Administration. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without authorization and generally prohibits charging for services that the Social Security Administration provides to the public without charge. The Commissioner delegated authority to enforce both sections to the Inspector General.

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* expanded the categories of penalties that require adjustment for inflation to include CMPs under the *Social Security Act* and requires agencies to: (1) use an interim final rulemaking to adjust the level of CMPs in 2016 with an initial "catch-up" adjustment; (2) continue to make annual adjustments in future years; and (3) report on these adjustments annually. As required, we are providing information on our current CMPs; these amounts include the initial "catch-up" adjustments and the initial annual adjustment. We will continue to make annual adjustments in future years and report on these adjustments annually.

Civil Monetary Penalty Adjustments

Statutory Authority	Penalty	Year Enacted	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	1994	2017	01/15/2017	$0-8,084	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	2015	2017	01/15/2017	$0-7,623	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2017	01/15/2017	$0-50,276	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2017	01/15/2017	$0-10,055	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)

BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2016 and FY 2017, we earned $314 million and $288 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 74 percent of user fee revenues from agreements with 20 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2017, we charged a fee of $11.68 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.87 for FY 2018. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2016 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2014. We are planning to perform another review of these fees during FY 2018.

REDUCE THE FOOTPRINT

In 2015, OMB issued Management Procedures Memorandum 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, which called for agencies to dispose of surplus properties, as well as make more efficient use of real property assets. This guidance requires agencies to reduce the total square footage of domestic office and warehouse inventory relative to a newly established 2015 baseline.

In accordance with new Reduce the Footprint guidelines, we developed and implemented a *Real Property Efficiency Plan* to guide the agency in our efforts to comply with OMB's requirements. This plan only measures our reduction goals based on designated office and warehouse facilities, excluding many of our public-facing facilities from our reporting requirements. The agency monitors the continuing implementation and submits to OMB the annual plan, describing the overall approach in managing our real property footprint. The following information reflects the overall change in the agency's real property footprint from the FY 2015 baseline for Reduce the Footprint, as well as strategies we are pursuing to comply with the mandate.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, the General Services Administration (GSA) acts as the landlord for the Federal civilian Government, and is charged with promulgating regulations governing the acquisition, use, and disposal of real property. We work closely with GSA to manage our portfolio given changing workloads and the best business case for the agency.

Square Footage Table

	FY 2015 Baseline	FY 2016	Change from FY 2015 Baseline	FY 2017	Change from FY 2015 Baseline
Useable square footage	11,701,596	11,526,841	-174,755 or -1.5%	Not Available[1]	Not Available[1]

Note:

1. The agency works with GSA to reconcile Reduce the Footprint useable square footage and it will not be available until the second quarter of FY 2018. We will report the FY 2017 data in our FY 2018 *Agency Financial Report*.

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2015 Reported Cost	FY 2017	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable

We are pursuing the following strategies to comply with OMB's Reduce the Footprint policy:

- Analyzing rent trend projections, while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels;

- Pursuing field and hearing office collocation opportunities when it makes business sense and does not adversely affect customer service; and
- Continuing to phase in telework, which may present opportunities for future office space reductions.

GRANTS OVERSIGHT AND NEW EFFICIENCY ACT REPORTING

The *Grants Oversight and New Efficiency Act* requires agencies to report on Federal grant and cooperative agreement awards that have not yet been closed out and for which the period of performance, including any extensions, elapsed for more than two years. As noted in the following table, we have no such grants or cooperative agreements to report.

The agency has six grant programs monitored by Grants Management Officers (GMO). Each GMO is responsible for monitoring their workload to ensure timely grant closeouts. Although we currently do not have any expired grants that have exceeded the two-year timeframe for closeout, there are occasions when a GMO cannot immediately close a grant. In certain instances, closeout could be delayed by one year.

Grants and Cooperative Agreements Summary Table

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	Not Applicable	Not Applicable	Not Applicable
Number of Grants/Cooperative Agreements with Undisbursed Balances	Not Applicable	Not Applicable	Not Applicable
Total Amount of Undisbursed Balances	Not Applicable	Not Applicable	Not Applicable

DEBT COLLECTION AND MANAGEMENT

DEBT COLLECTION

We have a robust debt collection program to recover all types of overpayments. We use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

In FY 2017, we recovered approximately $3.89 billion using both our internal and external collection tools. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $17.32 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

INTERNAL COLLECTIONS

We utilize internal collection tools to recover payments of delinquent debt for individuals **in current pay**. In FY 2017, we recovered $3.699 billion using our internal collection tools, which accounted for about 95 percent of our total collections amount. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $16.32 billion using our internal collection tools. The following table provides a description of each of our internal debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

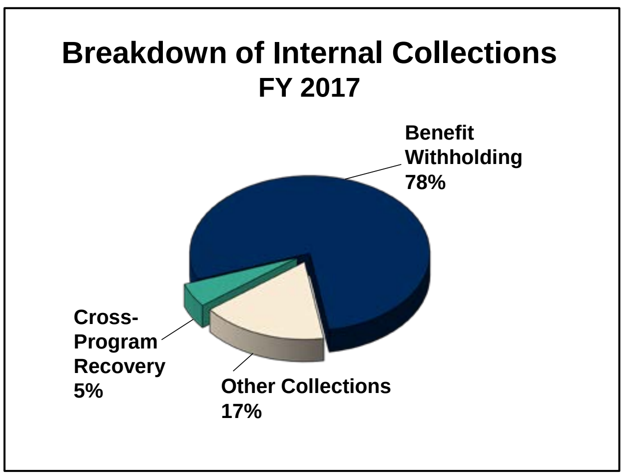
Internal Collections During Fiscal Year 2017
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	TOTAL
Benefit Withholding	We withhold some or all benefit payments for Title II beneficiaries and Title XVI recipients in current pay. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.068	$0.830	$2.898
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.025	$0.158	$0.183
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.361	$0.258	$0.618
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.454	$1.246	$3.699

Notes:

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

The following chart highlights the allocation of overpayments collected through our various internal collection tools as a proportion of the total FY 2017 $3.699 billion internal collections amount.



EXTERNAL COLLECTIONS

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2017, we recovered $188.10 million using our external collection tools, which accounted for about 5 percent of our total collections amount. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $1 billion using our external collection tools. The following table provides a description of each of our external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

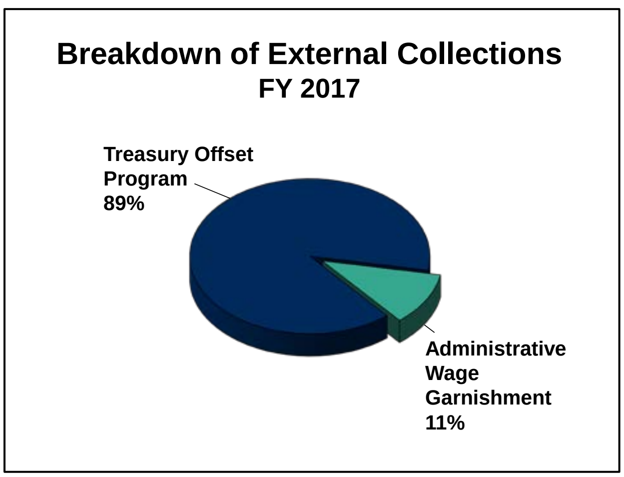
External Collections During Fiscal Year 2017
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	TOTAL
Treasury Offset Program (TOP)	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset.	$0.098	$0.070	$0.168
Administrative Wage Garnishment (AWG)	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions).	$0.016	$0.004	$0.020
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.114	$0.074	$0.188

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. For information on administrative overpayment collections, please refer to the Recapture of Improper Payments Reporting section of the *Payment Integrity* report.
3. We also use credit bureau reporting, non-entitled debtors, and automatic netting SSI as external collection tools. Collections derived from these recovery methods are subsets of the main recovery methods displayed in the table above. However, we still track these collections for informational and decision-making purposes.

The following chart highlights the allocation of overpayments collected through our various external collection tools as a proportion of the total FY 2017 $188.10 million external collections amount.



DEBT MANAGEMENT

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide definitions of certain line items immediately following the Debt Management Activities Program and Administrative table. For more information on our agency's effort to curb overpayments, please refer to the *Payment Integrity* report immediately following this section.

We identified a system limitation in the processing of certain overpayments. In July 2011,GAO issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond the year 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 44,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $540 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. We are working to address the system limitation; however, the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

FY 2017 Quarterly Debt Management Activities Program and Administrative Table
(Dollars in Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$21,182	$21,510	$21,844	$22,644
New receivables	1,520	3,299	5,065	7,602
Total collections	(963)	(1,866)	(2,731)	(3,888)
Adjustments	(245)	(600)	(934)	(1,297)
Total write-offs	(144)	(337)	(570)	(787)
- Waivers	(68)	(156)	(249)	(339)
- Terminations	(76)	(181)	(321)	(448)
Aging schedule of debts:				
- Non delinquent debt	12,436	12,880	13,050	13,628
- Delinquent debt				
- 180 days or less	1,940	1,696	1,712	1,791
- 181 days to 10 years	5,961	6,066	6,177	6,288
- Over 10 years	845	868	905	937
- Total delinquent debt	$8,746	$8,630	$8,794	$9,016

Debt Management Activities
Program and Administrative Table
(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total receivables	$17,046	$18,252	$19,361	$21,014	$22,644
New receivables	5,616	5,976	5,865	6,420	7,602
Total collections	(3,817)	(3,686)	(3,692)	(3,604)	(3,888)
Adjustments	(391)	(309)	(446)	(536)	(1,297)
Total write-offs	(950)	(775)	(618)	(627)	(787)
- Waivers	(421)	(373)	(342)	(275)	(339)
- Terminations	(529)	(402)	(276)	(352)	(448)
Non delinquent debt	11,268	11,895	12,210	12,984	13,628
Total delinquent debt	$5,778	$6,357	$7,151	$8,030	$9,016
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	66.1%	65.2%	63.1%	61.8%	60.2%
- Delinquent	33.9%	34.8%	36.9%	38.2%	39.8%
% of debt estimated to be uncollectible*	26.3%	25.5%	24.2%	42.7%	42.6%
% of debt collected	22.4%	20.2%	19.1%	17.2%	17.2%
% change in collections from prior fiscal year	4.2%	-3.4%	0.2%	-2.4%	7.9%
% change in delinquencies from prior fiscal year	15.6%	10.0%	12.5%	12.3%	12.3%
Clearances as a % of total receivables	28.0%	24.4%	22.3%	20.1%	20.6%
- Collections as a % of clearances	80.1%	82.6%	85.7%	85.2%	83.2%
- Write-offs as a % of clearances	19.9%	17.4%	14.3%	14.8%	16.8%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	16	17	15
- DI	66	55	62	55	44
- SSI	38	39	43	42	43

Note:

*The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the financial statements.

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against

equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.

3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the TOP and AWG. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

PAYMENT INTEGRITY

BACKGROUND

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Strengthen the Integrity of Our Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2014–2018* (www.socialsecurity.gov/agency/asp/). Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct continuing disability reviews (CDR) to determine whether disability beneficiaries continue to meet the programs' medical criteria. However, terminating disability benefits after a CDR does not necessarily mean that the original determination was incorrect; it may mean the beneficiary's medical condition has improved to the point he or she can work. Therefore, the benefits he or she received before improvement are considered proper payments.

In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), we report as improper those payments that result from:

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

As outlined in OMB's IPERIA guidance, any program with $750 million in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. Two of our programs meet OMB's definition of high-priority programs: the OASDI program and the SSI program. More information about the improper payments in our high-priority programs for FY 2017 and previous years can be found on OMB's improper payment website (www.paymentaccuracy.gov).

The information presented in this report complies with the guidance provided in IPIA, OMB Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments,* and OMB Circular No. A-136, *Financial Reporting Requirements*. This report provides general information that demonstrates our commitment to reducing improper payments. The report also describes our efforts in reducing, recovering, and preventing improper payments for our OASDI and SSI benefit programs and our administrative payments.

We also fulfill the requirements of Executive Order 13520, *Reducing Improper Payments,* by providing additional information about our efforts to curb improper payments in our OASDI and SSI programs on our public improper payments website (www.socialsecurity.gov/improperpayments).

PAYMENT REPORTING

IMPROPER PAYMENTS STRATEGY

For FY 2017, we continued to align our improper payments strategy with our improper payments governance. We are collaborating with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to "Strengthen the Integrity of Our Programs." Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Collaborate with our Federal partners across the Improper Payment and Data Exchange Communities of Practice to find innovative ways to prevent and reduce improper payments through potential legislative proposals, data exchange agreements, or other collaboration;
- Increase efforts to recover overpayments by modernizing our debt collection systems;
- Enhance predictive models and automation tools to help identify error-prone aspects of benefit eligibility;
- Expand the use of data analytics to reduce fraud and payment errors; and
- Streamline the Representative Payee Program to better identify potential misuse of benefits.

We do not intend for our key improper payment initiatives to be a static list. We periodically reassess our focus as it relates to reducing improper payments. One of our ongoing priorities is to enhance quality and payment accuracy for the public.

This fiscal year, based upon our stewardship reviews and other efforts, we identified the leading causes of improper payments and major quality issues and selected workloads where we can collectively make meaningful progress by the end of FY 2018, based on the FY 2018 President's Budget. Building on our current efforts and processes, we will focus on two key areas: (1) combating the leading cause of improper payments; and (2) improving quality and program integrity.

The following are our key priority strategic initiatives to achieve our Strategic Goal:

- Explore the cost-effectiveness of increasing Access to Financial Institutions (AFI) information;
- Enhance the wage reporting process;
- Identify non-home real property;
- Make better use of data exchanges, including entering into a new data exchange agreement to obtain arrival and departure information from the Department of Homeland Security (DHS), Customs and Border Protection;
- Implement a corrective plan for applying the Government Pension Offset (GPO) (a definition of GPO is available at: www.socialsecurity.gov/pubs/10007.html) and Windfall Elimination Provisions (WEP) (a definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf);
- Identify potential entitlements;
- Increase post-entitlement accuracy;
- Enhance debt collection policy and practices;
- Improve the representative payee capability determination process; and
- Improve medical cessation processing.

We discuss these initiatives and their relation to reducing improper payments in our OASDI and SSI programs in the Improper Payment Root Cause Categories and the Improper Payment Corrective Actions sections of this report.

We also discuss initiatives that affect improper payments in both programs in the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section of this *Payment Integrity* report.

In our *Annual Performance Plan for FYs 2017–2018*, one of our strategic objectives to achieve our Strategic Goal is to Increase Payment Accuracy. To reach this strategic objective, we identified the following four performance measures:

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;
- Improve the integrity of the SSI program by ensuring that 94 percent of our payments are free of overpayment;
- Complete the budgeted number of full medical CDRs; and
- Complete the budgeted number of SSI non-medical redeterminations.

We provide more information about our performance measures in our *Annual Performance Plan for FYs 2017–2018* (www.socialsecurity.gov/agency/performance/2018/2018APP.pdf).

EXPERIENCE IN THE OASI, DI, OASDI, AND SSI PROGRAMS

OMB requires agencies that have programs or activities that are susceptible to significant improper payments to list the programs and related improper payment rates in one table. Table 1 shows the improper payment rates for OASI, DI, OASDI, and SSI programs for FY 2016. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid. We calculate the improper payment rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016. For our SSI program, please see Table 1.2 for more details about our improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

Table 1: Improper Payments Experience FY 2016 (Dollars in Millions)

	OASI	DI	OASDI	SSI	DRAA	Total
FY 2016 Outlays	$770,538.77	$140,661.52	$911,200.29	$56,754.07	$0.00	$967,954.36
FY 2016 Proper Payment $	$768,699.60	$139,922.30	$908,621.90	$51,734.13	$0.00	$960,356.03
FY 2016 Proper Payment %	99.76%	99.47%	99.72%	91.15%	100.00%	99.22%
FY 2016 Improper Payment $	$1,839.17	$739.22	$2,578.39	$5,019.94	$0.00	$7,598.33
FY 2016 Improper Payment %	0.24%	0.53%	0.28%	8.85%	0.00%	0.78%
FY 2016 Overpayment $	$1,210.73	$697.60	$1,908.33	$4,323.93	$0.00	$6,232.26
FY 2016 Overpayment %	0.16%	0.50%	0.21%	7.62%	0.00%	0.64%
FY 2016 Underpayment $	$628.44	$41.62	$670.06	$696.01	$0.00	$1,366.07
FY 2016 Underpayment %	0.08%	0.03%	0.07%	1.23%	0.00%	0.14%

Notes:

1. Total OASDI and SSI outlays for FY 2016 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. OASDI outlays are estimates based on limited sample sizes.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive percentages from unrounded source data.
4. We had no DRAA payments in FY 2016. In addition, there is no additional funding or obligations for DRAA.

OASDI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately $3.5 trillion to OASI beneficiaries. Of that total, we estimate $7.3 billion were overpayments, representing approximately 0.21 percent of outlays. We estimate that underpayments during this same period were $2.5 billion, the equivalent of approximately 0.07 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid $682.7 billion to DI beneficiaries over the last 5 years (FYs 2012–2016). Of that total, we estimate $5.8 billion were overpayments, representing approximately 0.85 percent of outlays. We estimate underpayments during this same period totaled $1.1 billion, the equivalent of approximately 0.16 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016.

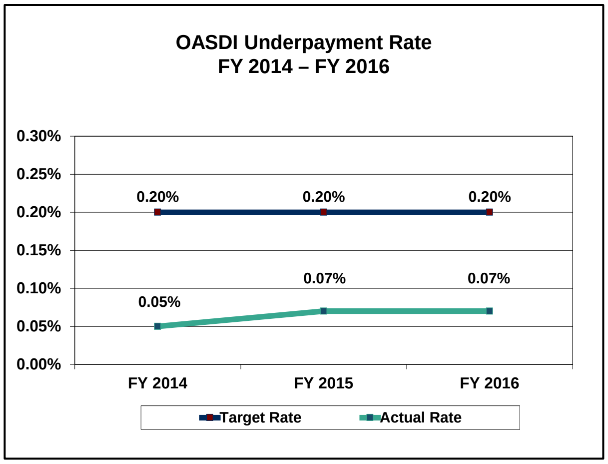
Table 1.1: OASDI Improper Payments Experience
FY 2014 – FY 2016
(Dollars in Millions)

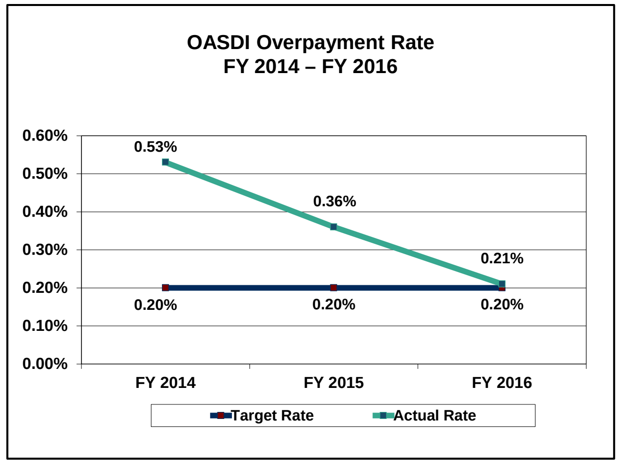
	FY 2014		FY 2015		FY 2016	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$720,351.38		$712,644.02		$770,538.77	
Underpayment Error	$291.26	0.04%	$371.62	0.05%	$628.44	0.08%
Overpayment Error	$2,962.06	0.41%	$1,575.47	0.22%	$1,210.73	0.16%
DI						
Total Benefit Payments	$142,368.41		$141,045.42		$140,661.52	
Underpayment Error	$181.19	0.13%	$200.14	0.14%	$41.62	0.03%
Overpayment Error	$1,603.68	1.13%	$1,524.93	1.08%	$697.60	0.50%
Combined OASDI						
Total Benefit Payments	$862,719.79		$853,689.44		$911,200.29	
Underpayment Error	$472.45	0.05%	$571.76	0.07%	$670.06	0.07%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$4,565.74	0.53%	$3,100.40	0.36%	$1,908.33	0.21%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2014–2016 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. Total benefit payments for OASDI are estimates based on limited sample sizes, which may cause them to vary from year to year.
3. FY 2017 data will not be available until summer 2018.
4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
5. OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.03 percent and –0.05 percent for underpayments and ±0.40 percent for overpayments; for FY 2015, +0.03 percent and –0.04 percent for underpayments and +0.14 percent and –0.15 percent for overpayments; and for FY 2016, +0.07 percent and –0.10 percent for underpayments and +0.13 percent and –0.12 percent for overpayments.
6. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.12 percent and –0.23 percent for underpayments and +0.12 percent and –1.76 percent for overpayments; for FY 2015, +0.13 percent and –0.25 percent for underpayments and +1.07 percent and –1.18 percent for overpayments; and for FY 2016, +0.02 percent and –0.06 percent for underpayments and +0.49 percent and –0.53 percent for overpayments.
7. Changes in the OASDI error rates from FY 2014 to FY 2015 and from FY 2015 to FY 2016 are not statistically significant.

The following graphs show our estimated OASDI underpayment and overpayment rates for the last three years. Substantial Gainful Activity (SGA) (a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html) and WEP and GPO errors continue to impact the overall error rates as the leading causes of error.





SSI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately $278.6 billion to SSI recipients. Of that total, we estimate $19.3 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were $4.2 billion, the equivalent of approximately 1.5 percent of outlays.

Table 1.2 shows the estimated improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

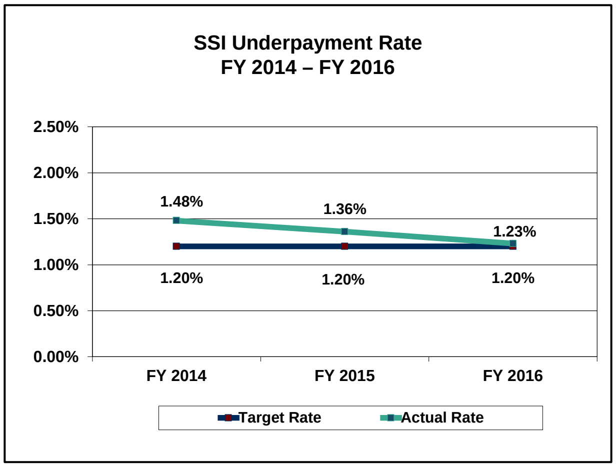
Table 1.2: SSI Improper Payments Experience
FY 2014 – FY 2016
(Dollars in Millions)

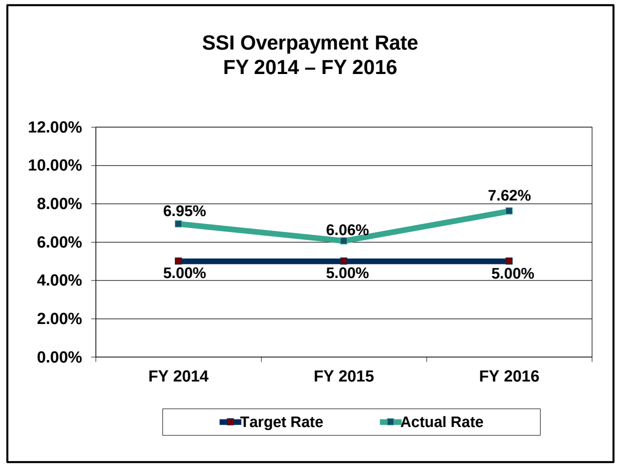
	FY 2014	FY 2015	FY 2016
Total Federally Administered Payments			
Dollars	$56,457.56	$56,625.58	$56,754.07
Underpayments			
Dollars	$840.26	$770.20	$696.01
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.48%	1.36%	1.23%
Overpayments			
Dollars	$3,924.48	$3,431.29	$4,323.93
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	6.95%	6.06%	7.62%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2017 data will not be available until summer 2018.
3. The percentages and dollar amounts presented in Table 1.2 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
4. SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, ±0.27 percent for underpayments and ±0.95 percent for overpayments; for FY 2015, ±0.51 percent for underpayments and ±0.64 percent for overpayments; and for FY 2016, ±0.31 percent for underpayments and ±1.08 percent for overpayments.
5. Please note that year-to-year differences from FY 2014 to FY 2015 are not statistically significant. Changes in the SSI overpayment error rates from FY 2015 to FY 2016 are statistically significant.

The graphs below show our estimated SSI underpayment and overpayment rates for the last three years.





IMPROPER PAYMENT ROOT CAUSE CATEGORIES

Table 2 lists the major causes of improper payments (overpayments and underpayments) in the OASDI and SSI programs using OMB's seven categories of error. For consistency with Table 1, we also included DRAA payments.

Table 2: Improper Payment Root Cause Category Matrix for FY 2016
(Dollars in Millions)

	OASDI Program		SSI Program		DRAA	
Reason for Improper Payment	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility	$26.89	$0	$3,931.10	$596.93	$0	$0
Failure to Verify:						
Death Data	$101.67	$0	$42.01	$0	$0	$0
Financial Data	$0	$0	$197.22	$9.89	$0	$0
Excluded Party Data	$0	$0	$0	$0	$0	$0
Prisoner Data	$0	$0	$0	$0	$0	$0
Other Eligibility Data	$568.28	$36.01	$47.62	$12.01	$0	$0
Administrative or Process Error Made by:						
Federal Agency	$1,211.49	$634.05	$105.98	$77.18	$0	$0
State or Local Agency	$0	$0	$0	$0	$0	$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$0	$0	$0	$0	$0	$0
Medical Necessity	$0	$0	$0	$0	$0	$0
Insufficient Documentation to Determine	$0	$0	$0	$0	$0	$0
Other Reason (explain)	$0	$0	$0	$0	$0	$0
TOTAL	$1,908.33	$670.06	$4,323.93	$696.01	$0	$0

Notes:

1. Data Source: FY 2016 OASDI and SSI stewardship reviews.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Because the amount of death overpayment is small, the estimated amount of error found in our samples varies from year to year. Over the five-year period, FY 2012–FY 2016, it averaged approximately $29 million per year.
4. Because the amount of prisoner overpayment is small, the estimated amount of error found in our samples varies from year-to-year.
5. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:
   - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.
   - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For our SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7), Wages (Table 2.9), and Other Real Property (Table 2.13).
   - **Failure to Verify Data** – Improper payments issued because the agency or another party administering Federal dollars fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exists in government or third-party databases.
     - **Death Data** – Failure to verify that an individual is deceased and the agency pays that individual. For more information, see the Additional Comments section.
     - **Financial Data** – Failure to verify that an individual's or household's financial resources (e.g., current income or assets) do not meet the threshold to qualify him or her for a benefit, and the agency makes a benefit payment to that individual or household. For our corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7) and Other Real Property (Table 2.13).
     - **Excluded Party Data** – Failure to verify that an individual or entity has been excluded from receiving Federal payments and the agency pays that individual or entity.
     - **Prisoner Data** – Failure to verify that an individual is incarcerated and ineligible for receiving a payment and the agency pays that individual. For our corrective actions related to this improper payment category, refer to the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section; Prisoner Information.
     - **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result. For OASDI, the leading root causes are SGA and GPO. For SSI, the leading root causes are Living Arrangement and In-kind Support and Maintenance. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).
   - **Administrative or Process Errors Made** – Improper payments caused by incorrect data entry, classifying, or processing of applications or payments made by Federal, State, local agencies, or other organizations that administer Federal dollars. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Increase Post-Entitlement Accuracy (Table 2.4) and Potential Entitlements (Table 2.5). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).
   - **Medical Necessity Errors** – Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.
   - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.
   - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

IMPROPER PAYMENT CORRECTIVE ACTIONS

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR OASDI IMPROPER PAYMENTS

Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

SUBSTANTIAL GAINFUL ACTIVITY

Description:

When disability beneficiaries work, several factors determine whether they can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely, or we do not take the proper actions to process work reports. The following graph shows the five-year rolling average of SGA overpayment deficiency dollars. Please note that year-to-year differences are not statistically significant.

Historical Figures:

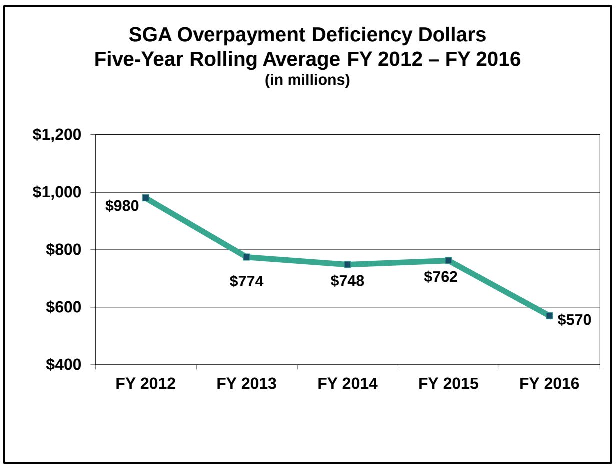


Table 2.1: SGA Overpayment Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$980	$774	$748	$762	$570

Corrective Actions:

Table 2.2 shows our actions to ensure timely processing of beneficiaries' earnings. Payment errors based on SGA correspond to the "Inability to Authenticate Eligibility" and the "Failure to Verify: Other Eligibility Data" categories in Table 2.

Table 2.2: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.	September 2017	We continue to work with all stakeholders to develop appropriate corrective actions and enhance automated solutions on these cases. Since November 2015, we have initiated all 8,807 cases released for corrective action. We continue discussions with appropriate stakeholders to enhance our automated solutions to prevent such errors in the future.
Predictive Model		
We have developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts based on quarterly earnings from the Office of Childhood Support Enforcement (OCSE) into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process.	Ongoing	In 2016, over 80 percent of the completed work CDRs, selected by Work Smart with a high probability of an overpayment, ended in a cessation of benefits. In 2017, Work Smart will select over 15,000 cases requiring a work CDR using quarterly earnings (OCSE data). These cases will be worked roughly one year in advance from when annual earnings data would be available. The remaining cases selected for a work CDR will come from annual earnings. In FY 2017, we removed approximately 809,854 unproductive CDR alerts from the current CDREO process using the national screening program. When we implement Section 824 of the *Bipartisan Budget Act of 2015* in 2018, we will be introducing monthly earnings into Work Smart as another form of earnings data that will allow us to identify beneficiaries working above SGA.
Legislation and Legislative Proposals		
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed September 2017	In September 2017, we implemented a new online wage reporting application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account.

Description	Target Completion	Status
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	April 2018	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. We have met major milestones, such as finalizing the Federal Register Notice (FRN) and the Notice of Proposed Rulemaking (NPRM), which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.

COMPUTATIONS

Description:

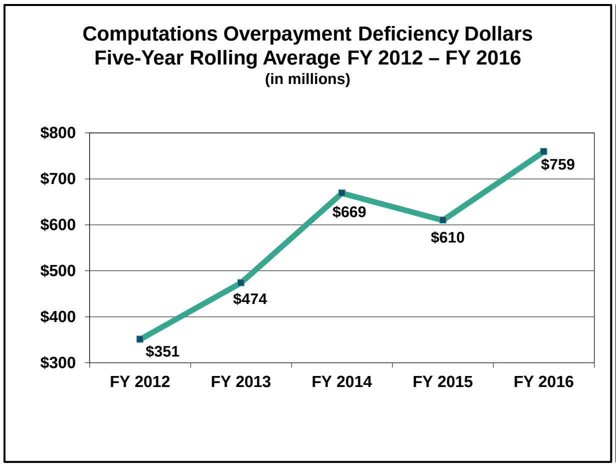
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

We determine a person's benefit amount based on several factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2012–2016, approximately 70 percent of the computation errors resulted in overpayments, with the leading causes being WEP, failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the reduction factor (ARF) computation. RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to the larger of 82.5 percent of the deceased beneficiary's death Primary Insurance Amount or the benefit amount that the deceased beneficiary would receive if he or she were still alive. WEP accounted for 66 percent of computation errors for the 5-year period, while RIB-LIM and ARF, respectively, accounted for 10 percent and 6 percent of these errors. In addition to our WEP/GPO Corrective Action Plan that is now underway, we will further identify the root causes of RIB-LIM and ARF errors and likely issue policy reminders to our staff.

Historical Figures:

Please note that year-to-year differences are not statistically significant.



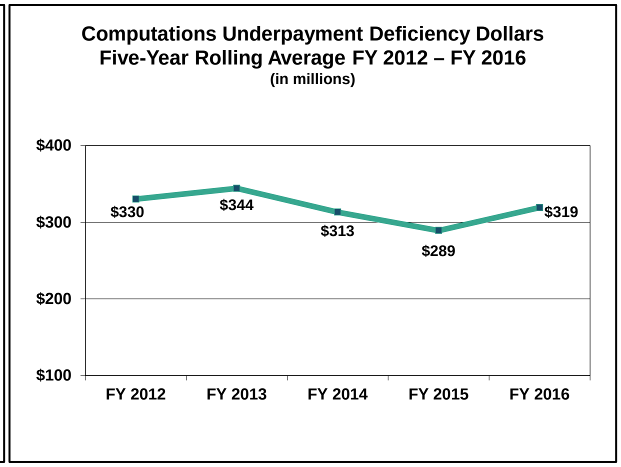


Table 2.3: Computations Deficiency Dollars FY 2012 – FY 2016

(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$351	$474	$669	$610	$759
Underpayments	$330	$344	$313	$289	$319

Corrective Actions - Increase Post-Entitlement Accuracy

Recent studies indicate that we can improve accuracy in the areas of processing OASDI work CDRs and other changes to a beneficiary's record after they are already entitled to benefits. To address this issue, we developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current CDREO by integrating quarterly work CDR alerts based on quarterly earnings from OCSE into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process so technicians can evaluate cases where a beneficiary is working over SGA.

By addressing post-entitlement accuracy and identifying potential entitlements, we will reduce improper overpayments and underpayments.

Table 2.4 shows our actions to increase our post-entitlement accuracy. Post-entitlement accuracy errors correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2.4: Increase Post-Entitlement Accuracy – Corrective Actions

Description	Target Completion	Status
Provide better descriptive definitions of the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	FY 2018	We completed planning and analysis in September 2016. We began updating problematic OASDI system alert, exception, and processing limitation codes with better descriptive definitions in FY 2017. The ongoing enhancements should improve technicians' post-entitlement processing accuracy.
Review the most problematic overpayment cases being worked in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	FY 2018	This project is ongoing. We began a national payment center overpayment study in April 2016. In FY 2016, we focused on overpayments due to disability cessation or extended period of eligibility. We have completed the FY 2016 case reviews. The report is in the final stages of clearance.

Our studies also show that we sometimes overlook potential entitlements (i.e., entitlement to benefits other than the one an individual is applying for or receiving). In FY 2013, we established a dedicated workgroup and process for evaluating and addressing potential entitlement workloads. To date, we have:

- Initiated four outreach efforts dealing with vulnerable populations such as widows, veterans, the aged, and disabled children.
- Implemented systems changes for three projects dealing with widows, children, and the aged.
- Developed a community outreach plan to promote OASDI surviving parent's benefits.
- Completed analysis on projects involving potential entitlement situations for minor children, Medicare only beneficiaries, military service retirees, and disabled children.
- Selected projects to be addressed in FY 2018.

Table 2.5 shows our further actions to pursue potential entitlement workloads. Some corrective actions in the table will be implemented over more than one fiscal year. We plan to reduce underpayments by completing workloads targeting vulnerable populations. We will identify cases and develop a strategy to prevent recurrences. Payment errors related to potential entitlements correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2.5: Potential Entitlements – Corrective Actions

Description	Target Completion	Status
Pursue potential entitlement workloads.	Completed FY 2017	• In FY 2017, key potential entitlement efforts included: o Paying veterans who were not given full credit for their military service (i.e., analyzing and preparing military service cases to credit appropriate wages). We paid over $7 million in underpayments to over 1,252 veterans. o Paying SSI recipients currently on our rolls who are eligible for childhood disability beneficiary (CDB) benefits. We identified and conducted analysis on a population of 13,934 recipients who are eligible for CDB benefits. The cases were prepared for case processing. o Paying spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We identified 6,365 beneficiaries who required updated payment information. The payment information was updated, and the files were prepared for resumption of benefits. o Identifying SSI recipients entitled to child benefits on the record of a parent. We prepared a file of 27,565 claimants for review and case processing. o Identifying 1,249 CDBs incorrectly charged a 5-month waiting period. We prepared a file for case processing. o Developing a systems alert to identify Medicare only beneficiaries when they attain 30–40 quarters of coverage. We implemented the system alert in September 2017.

Description	Target Completion	Status
Pursue potential entitlement workloads (continued).	FY 2018	• In FY 2018, key potential entitlement efforts will include: o Processing 1,249 cases involving CDB beneficiaries incorrectly charged a 5-month waiting period. We expect to complete these cases in December 2017. o Processing cases involving 13,934 SSI recipients currently on our rolls who are eligible for CDB benefits. We expect to complete these cases by June 2018. o Resuming benefits to 6,365 spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We expect to complete these cases by October 2018. o Processing 27,565 cases involving SSI recipients entitled to child benefits on the record of a parent. We expect to complete these cases by October 2018. o Preparing to conduct outreach to secure applications from beneficiaries who are currently receiving widow's benefits on the record of their most recent spouse but are due a higher benefit on the record of a previous deceased spouse. o Paying veterans denied based on insured status because proper credit was not given for deemed wages. o Paying beneficiaries due underpayments because we withheld benefits pending SSI offset. o Identifying individuals incorrectly denied retirement benefits due to lack of insured status. o Identifying Federal employees eligible for benefits and/or Medicare entitlement.

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR SSI IMPROPER PAYMENTS

Our greatest payment accuracy challenges occur within the SSI program. The program's complexities stem from the way legislation requires us to determine SSI eligibility and to calculate SSI payments. We generally make SSI payments on the first day of the month for eligibility in that month. Many factors influence SSI payment accuracy. Even if the payment is correct when paid, any changes that may occur during the month can affect the payment due, which can result in an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. We remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner.

SSI is a means-tested program for individuals with limited income and resources who are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) fail to timely report changes in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report such changes is the primary cause of both overpayment and underpayment errors.

Our stewardship findings over the last five years show that the major causes of overpayments in the SSI program have been errors or omissions in the following:

- Financial accounts (e.g., bank savings or checking accounts, or credit union accounts);
- Wages;
- In-kind Support and Maintenance (ISM); and
- Other real property (i.e., ownership of non-home real property).

Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for wages.

FINANCIAL ACCOUNTS

Description:

Financial accounts with countable resources in excess of the allowable resource limits are the leading cause of SSI overpayment errors. When an applicant, recipient, or deemor has financial accounts with values exceeding the allowable resource limits, these accounts may result in periods of SSI ineligibility.

Historical Figures:

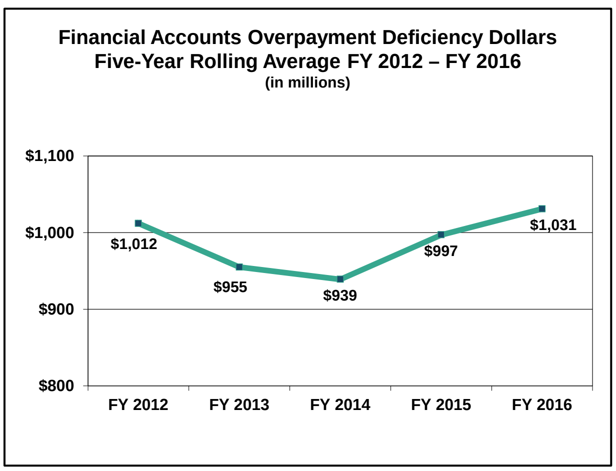


Table 2.6: Financial Accounts Overpayment Deficiency Dollars FY 2012 – FY 2016 (Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$1,012	$955	$939	$997	$1,031

Corrective Actions:

A claimant, recipient, or deemor must give us permission to request his or her financial records from any financial institution (i.e., financial permission) as an eligibility requirement for SSI. We developed the AFI program to address overpayment errors related to financial accounts. AFI is an automated process that verifies alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged bank accounts, AFI detects undisclosed accounts using unique search criteria. We use AFI to verify financial accounts during the SSI application process, as well as when we conduct periodic redeterminations of continued eligibility.

We reduce SSI improper payments resulting from excess resources held in financial institutions by using the AFI electronic process on initial claims and redeterminations (i.e., a review of a recipient's non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount) and conducting up to 10 searches per individual for undisclosed bank accounts.

In an effort to streamline and continue the use of the AFI waiver process, we plan to implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.

Table 2.7 shows our actions to reduce errors related to financial accounts. Payment errors related to financial accounts correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2.7: Financial Accounts – Corrective Actions

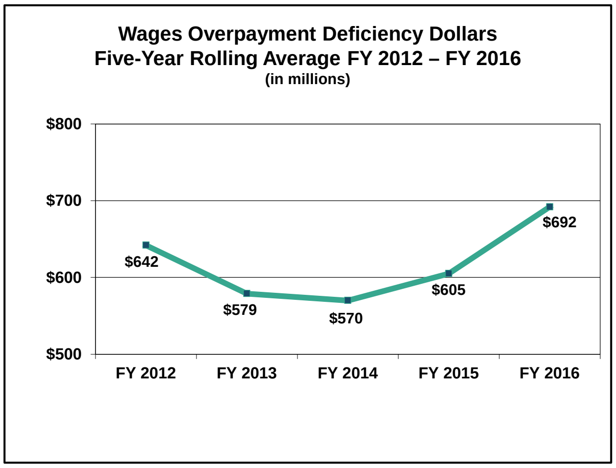
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not be the most efficient use of our limited program integrity resources to conduct additional AFI searches or to make any additional changes to the process at this time.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	Completed December 2015	Our study found that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	Completed January 2016	In October 2015, we added functionality to allow an address, other than the current residence address, for geographic searches in AFI to search the prior address when a person moves. In January 2016, we added functionality to search for financial institutions by the routing transit number when initiating AFI requests.
Implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.	FY 2020 through FY 2022	Planning and analysis is to begin in FY 2018. We will implement the following key AFI waiver enhancements in the new debt management system: • Create an automatic trigger of AFI requests; scheduled for development in FY 2020. • Enhance ability to view attachments from financial institutions; scheduled for development and release in FY 2021. • Automate splitting of co-owned bank account balances; scheduled for development and release in FY 2021. • Create functionality to recall/cancel/delete AFI requests; scheduled for development and release in FY 2022.

WAGES

Description:

For more than a decade, wage discrepancies have been one of the leading causes of SSI overpayment and underpayment errors. Wage discrepancies occur when the recipient or his or her deemor has actual wages that differ from the wage amount used to calculate the SSI payment.

Historical Figures:



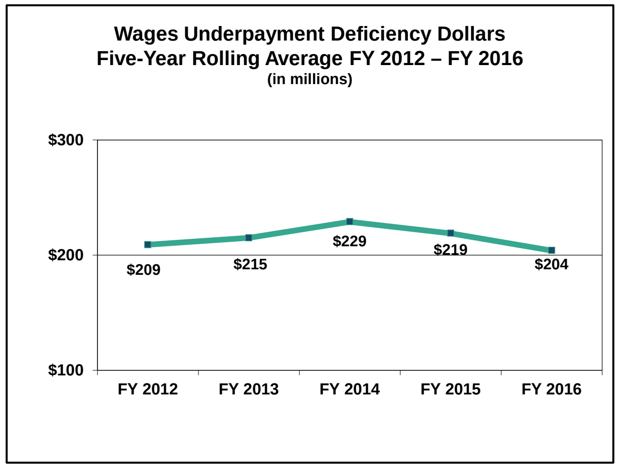


Table 2.8: Wages Deficiency Dollars FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$642	$579	$570	$605	$692
Underpayments	$209	$215	$229	$219	$204

Corrective Actions:

We rely on individuals to self-report wages to us on time. However, we know that they may fail to report or not report wages in time to prevent an improper payment. Section 824 of the *Bipartisan Budget Act of 2015* gives the agency authority to conduct information exchanges with payroll providers to obtain accurate, up-to-date, and relevant wage information to determine SSI eligibility and to prevent improper payments. We will request that applicants, recipients, deemors, and ineligible children provide their consent for us to obtain wage information from payroll data providers as part of the SSI application and redetermination processes.

We developed several communication initiatives to help encourage recipients not only to remember to report events that can affect eligibility or payment amounts, such as changes in living arrangements, but also to make it easier for them to comply with reporting requirements. For example, we created two educational resources that field offices give recipients during claims and redeterminations:

- A two-pocket folder – The folder includes panels that list the SSI reporting requirements and pockets to store key documents such as wage stubs or other materials to help people report accurately.
- A business card – This small card contains information on the reporting requirements to be kept in a wallet or with other important papers.

Other examples of our corrective actions to address the root causes of wage-related errors include options for recipients (or representative payees on their behalf) or their deemors to self-report wages via telephone or a smartphone application. Since October 2013, recipients, representative payees, and deemors can use those automated reporting tools to report the preceding month's wages at any time in the current month.

- Supplemental Security Income Telephone Wage Reporting (SSITWR)

  In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report the prior month's gross wages via an automated telephone system. SSITWR ensures we post the wage amounts to the individual's record timely from the date we received the reported wages.

- Supplemental Security Income Mobile Wage Reporting Smartphone Application

  Beginning in December 2012, 50 field offices across all 10 regions began a pilot for mobile wage reporting. This initiative allowed certain SSI recipients, representative payees, and deemors to use their smartphones to report the prior month's gross wages, using an application they can download at no cost from the Google Play and Apple App stores. The initial pilot was successful, and we expanded it to nearly 270 participating field offices in March 2013. The expanded phase of the pilot was successful as well, with more than 9,000 wage reports submitted using the smartphone application during the entire pilot. We rolled out the initiative nationally on August 1, 2013, following the release of some minor system improvements made as the result of feedback received during the pilot.

- Automated Reminder

  In September 2013, we implemented an automated SSI wage reporting reminder. Individuals can voluntarily sign up to receive a monthly email or text message reminder to report wages for the prior month.

We continue to increase the number of successful wage reports SSI recipients submit using our automated SSI wage reporting systems. In FY 2017, we processed 1,088,666 successful automated wage reports, which is an increase of 4.00 percent over the number in FY 2016.

Table 2.9 shows our actions to reduce errors related to wages. Payment errors related to wages correspond to the "Inability to Authenticate Eligibility" category in Table 2.

Table 2.9: Wages – Corrective Actions

Description	Target Completion	Status
Request that SSI applicants and recipients provide their consent for us to obtain information from other sources.	Completed October 2015	We now capture the SSI recipient's authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. In addition, we added new print options to allow the claims representative to provide a printed copy of the authorization information to the person who provided the authorization or to any third parties that require proof of authorization prior to releasing personal information to us.
Perform a proof of concept (POC) to test whether automated posting of income information available through commercial wage databases offered by private payroll providers would allow us to reduce wage-related improper payments and save administrative resources.	Completed July 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed September 2017	In September 2017, we implemented a new online wage report application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account.
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	April 2018	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. We have met major milestones, such as finalizing the FRN and the NPRM, which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.

IN-KIND SUPPORT AND MAINTENANCE

Description:

ISM refers to the SSI policy for reducing benefit amounts for recipients who receive support in the form of food or shelter from family, friends, or other third party sources. Determining whether an individual receives ISM requires that claimants and recipients report changes in their living arrangement in a timely manner and answer detailed questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they receive from outside of the household.

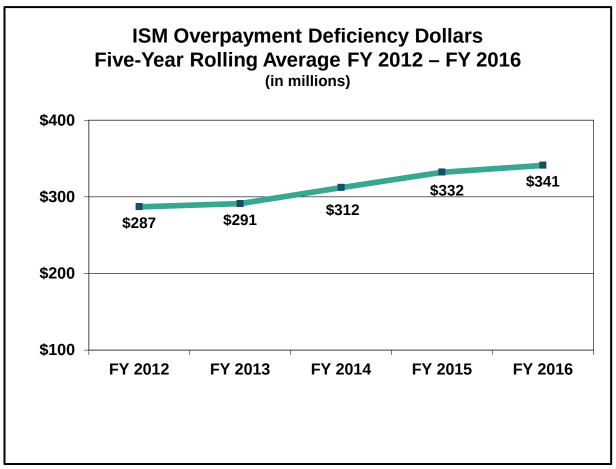
Every time we process an application for SSI benefits, develop a redetermination of eligibility for SSI benefits, or receive a change of address report, and the recipient alleges a living arrangement change that is not documented in our claims system, we need to develop and possibly recalculate for ISM.

For non-initial claim situations, our development may be retroactive up to a period of two years depending on the redetermination review period. We must develop for the possibility of ISM from the first change in living arrangement reported by the recipient to the present living arrangement. In addition, if a recipient reports a change in living arrangement and we discover that a prior living arrangement change was not reported, we must develop and possibly recalculate for ISM from the first change in living arrangement reported by the recipient to the present living arrangement. These situations, along with the lack of reports of livings arrangements by claimants and recipients, may create overpayments and underpayments.

We ask questions to help us determine if claimants or recipients are paying their share of the household expenses. If they are not paying their fair share, we count the difference between the fair share amount and the actual contribution as income to the claimant in the form of ISM.

We must develop for ISM under the law. The basis for charging ISM is found in Section 1612(a)(2)(A) of the *Social Security Act* (www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm). The law requires us to reduce an individual's benefit amount by one-third when he or she is living in another person's household and receiving support and maintenance, which for our purposes is food and shelter.

Historical Figures:



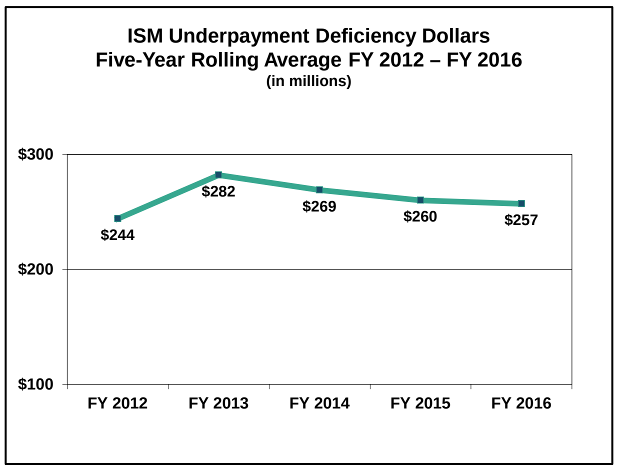


Table 2.10: ISM Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$287	$291	$312	$332	$341
Underpayments	$244	$282	$269	$260	$257

Corrective Actions:

Table 2.11 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the "Failure to Verify: Other Eligibility Data" and the "Administrative or Process Error Made By: Federal Agency" categories in Table 2.

Table 2.11: ISM – Corrective Actions

Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

OTHER REAL PROPERTY

Description:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on the land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2012–2016, our FY 2016 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $217 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, will require our technicians to identify undisclosed property owned by the applicant, recipient, or deemor via an electronic process.

Historical Figures:

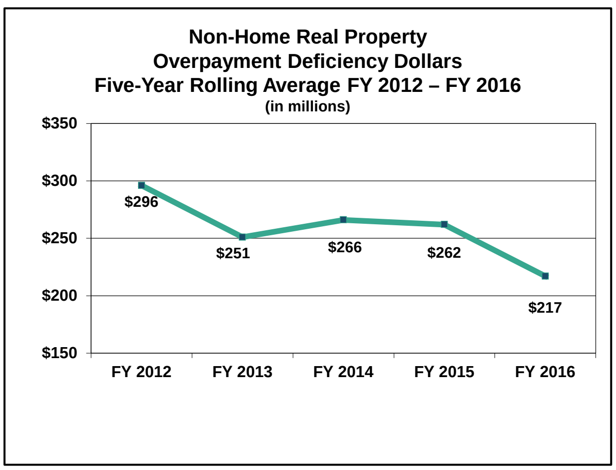


Table 2.12: Non-Home Real Property Overpayment Deficiency Dollars FY 2012 – FY 2016 (Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$296	$251	$266	$262	$217

Corrective Actions:

Real property ownership information is available publicly for all 50 States through commercial data providers (e.g., *LexisNexis/Accurint*). To test the value of using a commercial provider to identify undisclosed real property, we studied the use of *LexisNexis/Accurint* in SSI claims and redeterminations. This study indicated that the use of this data could reduce SSI overpayments associated with the ownership of undisclosed property by SSI claimants and recipients. In November 2015, we began pursuing nationwide expansion of non-home real property integration with the SSI Claims System. The process will integrate third-party, non-home real property ownership data directly into the SSI Claims System path as a lead for further development. We implemented nationwide at the end of FY 2017.

Table 2.13 shows our actions to reduce errors related to non-home real property. Payment errors related to non-home real property correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2.13: Other Real Property – Corrective Actions

Description	Target Completion	Status
Fully integrate third-party, non-home real property data with SSI systems for mandatory use during initial claims and high-error redetermination interviews and optional use during other open claim events.	Completed FY 2017	In FY 2017, we completed nationwide implementation.
The FY 2018 President's Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual's eligibility for benefits, after proper notification. In addition, we could require a beneficiary's consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.	Pending	No congressional action to date.

OTHER MAJOR CAUSES AND CORRECTIVE ACTIONS IN THE OASDI AND SSI PROGRAMS

The following key initiatives enhance our program integrity efforts.

WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET

Description:

WEP and GPO are benefit reductions/offsets that apply to Social Security benefits of those individuals who worked in non-covered employment (i.e., did not pay Social Security taxes on their earnings) and who receive a pension based on those non-covered earnings. The majority of these non-covered workers are in Federal, State, or local government service.

While in total WEP and GPO lead to a large dollar value of improper payments, there is no single dominating cause of improper payments or errors leading to them. The root causes for the problems result from the lack of:

- Accurate data to administer the WEP and GPO provisions;
- Automation to minimize human error and ensure timely action in response to existing alerts;
- Understanding among agency technicians of how non-covered pensions work (e.g., whether the payments are recurring or issued in a lump sum or whether there may be a cost-of-living adjustment, which is key to correctly administering the WEP and GPO provisions); and
- Understanding among agency technicians of how to administer the WEP and GPO provisions, in terms of computations and any exceptions.

We propose a multi-pronged approach to address each of the underlying causes of improper payments:

- Pursuit of new data;
- Enhanced automation;
- Clarified policy instructions; and/or
- Enhanced training specific to the more common WEP/GPO errors.

We are fully committed to improve our administration of these workloads. In 2017, we worked with the Internal Revenue Service (IRS) to explore possibilities for the IRS to receive and share data on non-covered pensions, which we will continue in FY 2018. We also began our automated enhancement efforts, which will continue into FY 2018. This year, we also clarified our policy instructions and produced training for our Operations employees.

We formed a cross-agency work group to:

1. Review all Office of the Inspector General (OIG) and internal studies over the past five years to compile a comprehensive list of identified changes in WEP/GPO implementation;
2. Assess the root causes of improper payments based on these changes; and
3. Develop policy, data, systems, or training solutions in line with each of the root causes of improper payments.

Table 2.14: Windfall Elimination Provision and Government Pension Offset Corrective Actions

Description	Target Completion	Status
Policy Clarification	Completed FY 2017	We updated and modified policy and process documentation to focus on those areas of WEP/GPO administration that have been most error prone, such as beneficiaries who are dually-entitled. We made the last policy clarification in May 2017.
Targeted Training	Completed FY 2017	We developed and conducted a series of videos on demand on WEP and GPO that specifically target the error prone areas. We aired the last video series broadcast to a nationwide audience in April 2017.
Pursuit of New Data	FY 2018	We have been in ongoing discussions with the IRS to obtain non-covered pension information. IRS believes it cannot request the pension information we want from the States without Treasury sponsored legislation. We are requesting that IRS review its previous opinion regarding legal authority to provide data to the agency.
Enhanced Automation	FY 2018	We are pursuing a series of systems changes that will automate calculations for non-covered pensions. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely. We proposed 10 automation enhancements and successfully implemented 3 in FY 2017, with the remaining 7 targeted for FY 2018.

DATA EXCHANGES

We developed a strategic initiative focused on making better use of data exchanges to further use data from outside sources to improve program administration and prevent improper payments.

Description:

Our objective is to continue current computer matching agreements (CMA) that yield a positive cost benefit analysis, expand effective CMAs to meet additional program needs, research current programs, work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Currently, we conduct 23 CMAs with various Federal partners to obtain benefit payment data, wage data, unemployment data, fugitive felon identification, savings securities, workers' compensation, residency information, and nursing facility admission data that we use to determine eligibility and offset benefits for our programs. The total annual savings attributed to these CMAs is over $7 billion, with an annual cost of approximately $189 million yielding a positive cost benefit ratio of 37 to 1.

Table 2.15 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

Table 2.15: Data Exchanges – Corrective Actions

Description	Target Completion	Status
Establish a data exchange agreement with DHS to obtain information necessary to identify when SSI recipients and OASDI beneficiaries are out of the country. SSI recipients are ineligible for any entire calendar month during which they are not present in the United States. OASDI beneficiaries are not due benefits if they are out of the country for more than six consecutive months.	FY 2018	We conducted a pilot study that focused on the use of the data for the SSI program. We compared travel data in the DHS Arrival and Departure Information System (ADIS) to travel data on SSI records for a random sample of SSI non-citizens who traveled outside of the United States for 30 consecutive days or more. Results of the pilot study showed positive program savings from utilizing the ADIS data. We estimate $45.4 to $46.3 million in potential detectable or preventable SSI overpayments if we had access to the data. Since we already have legal authority to share this data with DHS and because of the projected savings, we are drafting a CMA with DHS to obtain citizen and non-citizen travel data. We expect to complete the CMA in FY 2018. However, to fully operationalize the process, we also need to establish and implement business processes and automation to support the data exchange.

PRISONER INFORMATION

To diminish improper payments in the prisoner suspension area, we completed two of our three initiatives to help curb improper payments paid to prisoners. First, because of our efforts in FY 2016 to reemphasize the prisoner program suspension and reinstatement requirements to our technicians, we suspended monthly benefits to 44,661 OASDI and 76,148 SSI beneficiaries, an increase of 10 percent over our prior fiscal year prisoner suspension totals. This increase in prisoner suspensions saved our programs approximately $4.8 million in improper payments. Second, our monitoring process to track and control the return of incorrectly paid incentive payments from overpaid correctional institutions recouped 14 incorrectly paid incentive payments totaling $7,000 in money credited back to our OASDI and General trust funds. We could not implement our third initiative to capture inmate population files from the largest State correctional institutions. Our reporting agreements with our State correctional institutions required revisions to capture this specific inmate information. We have recently revised our reporting agreements, and we will begin renegotiating these agreements in FY 2018 to request State correctional inmate population reports. Obtaining this inmate data will help us determine if we are receiving complete prisoner information from each of these State correctional reporters.

IMPROVING THE REPRESENTATIVE PAYEE CAPABILITY DETERMINATION PROCESS

An internal report found that we need to improve the way we develop and document capability determinations for competent adults. In addition, a National Academy of Medicine study advised that we could improve our capability determination process by providing detailed guidance to third parties who provide information (i.e., lay evidence) about a beneficiary's ability to manage his or her benefits. Using the respective findings of these reports as a guide, we implemented the following plan to improve our capability determination process:

- Consolidated, streamlined, and clarified capability determination instructions to help ensure consistency in the development and documentation of capability determinations;
- Implemented the first release of enhancements to our electronic Representative Payee System to ensure that all capability determinations are properly developed and documented; and

- Developed and delivered mandatory field office training to ensure proper understanding of how to develop and document capability determinations.

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR IMPROPER ADMINISTRATIVE PAYMENTS

The major causes of improper administrative payments (overpayments and underpayments) include:

- Incorrect amounts paid (including duplicate payments);
- Health benefit debts due to insufficient employee pay (e.g., in a non-pay status); and
- Salary overpayment due to processing retroactive timesheet corrections and personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2016 (for vendor and travel payments) were due to a single incident where one invoice was submitted and processed twice. The second submission of the invoice varied slightly from the original, preventing us from more rapidly identifying the invoice as a duplicate. We recovered this overpayment within one week of the incorrect payment. To prevent a similar occurrence, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payment, and determined that existing internal controls are adequate.
- Health benefit debts are a major cause of payroll and benefits improper payments. These debts automatically occur when an employee, who has health benefits coverage, is in a non-pay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. The employee now becomes indebted to the agency because we paid both the employee and agency's share.
- Retroactive timesheet corrections are another major cause of payroll and benefits improper payments. Timesheets sometimes need to be adjusted retroactively due to normal business processes, such as early closeouts (e.g., an employee is paid based on estimated hours of work, but the employee then requests to change leave without pay to paid leave or advanced leave to leave without pay), late approval of overtime or compensatory time requests, and other appropriate reasons for retroactive changes.
- Retroactive personnel actions are another major cause of payroll and benefits improper payments. Personnel actions are sometimes delayed, and actions must be backdated to the appropriate point in time. Retroactive timesheet corrections and personnel actions also sometimes occur due to coding errors. In those cases, additional training is provided for appropriate personnel, and internal controls are reviewed to ensure they are adequate.

  For timesheet and personnel action corrections, we recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 52 pay periods. A negative result indicates that the employee was overpaid, and the system automatically creates a debt. An action that is past 52 pay periods cannot be processed through the electronic system; therefore, we must enter the debt manually.

  To address the major causes of payroll and benefits improper payments, we are working to implement recent updates to OMB Circular No. A-123, which will:

  - Broaden our efforts to identify improper payments;
  - Train staff on new data querying tools; and
  - Develop new baseline metrics.

Please note that for government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until January 2018. We will report our findings from the FY 2017 reviews in next year's *Payment Integrity* report.

REDUCTION TARGETS

Table 3 below presents our accuracy targets for FYs 2017 and 2018 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 3: OASDI Improper Payments Reduction Outlook
FY 2017 – FY 2018
(Dollars in Millions)

	FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate
OASDI				
Total Benefit Payments	$934,599.47		$989,710.07	
Underpayments	$1,869.20	≤0.20%	$1,979.42	≤0.20%
Overpayments	$1,869.20	≤0.20%	$1,979.42	≤0.20%

Notes:

1. Total OASDI benefit payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.

Table 3.1 presents our target accuracy goals for FYs 2017 and 2018 for the SSI program.

Table 3.1: SSI Improper Payments Reduction Outlook
FY 2017 – FY 2018
(Dollars in Millions)

	FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate
SSI				
Total Federally Administered Payments	$57,031.52		$57,977.94	
Underpayments	$684.38	≤1.20%	$695.74	≤1.20%
Overpayments	$3,421.89	≤6.00%	$3,478.68	≤6.00%

Notes:

1. Total federally administered SSI payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.

RECAPTURE OF IMPROPER PAYMENTS REPORTING

INFORMATION ON PAYMENT RECAPTURE AUDIT PROGRAM

In this section, we discuss how we meet the payment recapture audit requirements of IPERA for our OASDI and SSI programs and administrative payments. Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and administrative payments.

Table 4: Overpayment Payment Recaptures with and without Recapture Audit Programs
(Dollars in Millions)

Overpayments Recaptured through Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2017)	$13,173.15	$13,098.08	$4.02	$0.45	$26,275.69
Amount Recaptured (FY 2017)	$2,567.13	$1,320.98	$2.16	$0.41	$3,890.68
FY 2017 Recapture Rate	19%	10%	54%	93%	15%
FY 2018 Recapture Rate Target	16%	9%	100%	100%	15%
FY 2019 Recapture Rate Target	15%	8%	100%	100%	15%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2017)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$2.40
Amounts Recaptured (FY 2017)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$1.29

Notes:

1. This table comprises all identified and recovered benefit program overpayments from our benefit payment recapture audit program for the specified fiscal year. Overpayments identified or recovered in a specified year include debt established in prior years. We do not recapture benefit overpayments outside of our payment recapture audits for benefit payments.
2. The Amounts Identified for benefit payments are debt available for recovery in FY 2017. These amounts include debts identified in previous fiscal years that were not recovered or were determined to be uncollectible.
3. The Amounts Recaptured for benefit payments are FY 2017 recoveries from debt we had available for recovery in FY 2017, which include debts identified in prior years.
4. We do not consider every overpayment improper according to the definition contained in IPIA.
5. We based the recapture rate target for benefit payments on FY 2017 and prior years' experience and the anticipated growth of our benefit payments in FY 2018 and FY 2019.
6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. We include these administrative payments under the table heading titled "Other."
7. Totals for Amount Identified (FY 2017) and Amount Recaptured (FY 2017) for administrative payments are from our internal payment recapture audit in FY 2016. Overpayments identified or recaptured in FY 2016 include debt established in prior years.
8. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which we discuss in the Recapture of Improper Payments Reporting section of this *Payment Integrity* report. We do not have separated totals for payroll and benefits or vendor and travel.
9. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2016 but could have occurred in a prior year.
10. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.
11. We return all amounts recaptured to the original appropriation from which the payment was made.

BENEFIT PAYMENTS

PAYMENT RECAPTURE AUDIT PROGRAM

For our OASDI and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts. We have a multi-pronged approach to conducting payment recapture audits for our OASDI and SSI programs. Our employees follow an internal review process to determine OASDI and SSI payment accuracy. We perform stewardship reviews, which measure the accuracy of payments to beneficiaries and recipients. Each month, specialists with extensive expertise in our benefit programs and business processes, conduct our stewardship reviews. These employees review a sample of OASDI and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility and payment amount for the review period. We use these data to identify payment accuracy, as well as our strengths and weaknesses, which allows us to target our resources to take corrective actions that yield the highest return on investment.

In our field offices, processing centers, and State disability determination services (DDS), employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. A work CDR is a review of the eligibility requirements regarding a DI beneficiary's ability to perform SGA. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Our statistical predictive models help us prioritize the CDRs and redeterminations we work annually. We first complete those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this *Payment Integrity* report titled, Agency Information Systems and Other Infrastructure, Human Capital, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities because they both identify cases where we should discontinue benefit payments. To support CDRs and redeterminations, we specifically request funding through the normal budget process, and the number of CDRs and redeterminations we can conduct each year depends on the level of resources appropriated to the agency.

PAYMENT RECAPTURE AUDIT REPORTING

OMB Circular No. A-136 requires agencies that have programs or activities that are susceptible to significant improper payments to report about their payment recapture audit activities. However, we are unable to segregate our improper payments from our total overpayment aggregate for our OASDI and SSI benefit payments since some overpayments are not improper according to the definition of improper payments in IPIA. Certain overpayments are unavoidable and not improper if statute, regulation, or court order requires these payments (such as continued payments required by due process procedures). Table 4 shows our OASDI and SSI overpayment experience, inclusive of improper payments.

In addition, some overpayments are uncollectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt and the agency determines that such request is credible.

PROGRAM RECOVERY TARGETS

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). As shown in Table 4, we determine our payment recapture recovery targets for benefit payments for FY 2018 and FY 2019 based on our FY 2017 experience. Certain uncontrollable factors affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. We generally experience greater collections from our external debt collection tools when jobs are abundant and former OASDI beneficiaries and SSI recipients are working.

ADMINISTRATIVE PAYMENTS

INTERNAL PAYMENT RECAPTURE AUDIT PROGRAM

As shown in Table 4.1, we segment administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 4.1: FY 2016 Administrative Expenses
(Dollars in Millions)

Payroll and Benefits	$6,746
State DDS	$1,986
***American Recovery and Reinvestment Act* (ARRA)[1]**	$70
Other Administrative Expenses[2]	$3,546
Total Administrative Expenses	$12,348

Notes:

1. ARRA expenses consist of National Support Center building costs only.
2. Other Administrative Expenses includes vendor, travel, transportation, rents, communications and utilities, printing and reproduction, other services, supplies and materials, equipment, land and structure, grants, subsidies and contributions, information technology systems, OASI and DI Trust Fund operations, other dedicated accounts, other reimbursable, interest and dividends, and insurance claims and indemnities.

We conduct annual payment accuracy reviews as part of our payment recapture audit program. Results from the audit program and quality review process continue to confirm that our administrative payments are well below the OMB threshold for reporting improper payments.

In the paragraphs below, we indicate the categories from Table 4.1 or payment types within a category that we did not review because it was not cost effective. As required by OMB Circular No. A-136, we notified OMB in September 2015 that certain categories and payment types within a category are not cost effective to review; and therefore, are excluded from our payment recapture audit program.

For FY 2016, the internal recovery audit program included a review of the following payment categories from Table 4.1: Payroll and Benefits and Other Administrative Expenses.

Payroll and benefits account for a majority of our total administrative expenses. For FY 2016, we found approximately $4.02 million in improper payroll overpayments out of $6,746 million payroll payments, which yielded a 0.06 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

From the Other Administrative Expenses category, we review vendor and employee travel payments using an existing internal recovery audit program that contains a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify duplicate payments made to the same vendor, with the same invoice date, and for the same amount;
- An annual payment accuracy review examining select criteria on a random sample of payments to identify improper payments or weakness in the internal payment recapture audit program; and
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

In FY 2016, we reviewed $1.60 billion in vendor and travel payments out of $1.65 billion subject to review. We elected to exclude incomplete cost-type contracts from the scope of the recovery audit since they have payments that are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms of the contract.

We identified total vendor and travel improper overpayments of $0.445 million, approximately 0.03 percent of total payments subject to review. As of the end of FY 2016, almost $48,000 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivables balance reflected the timing of when we issued the request for overpayment refund. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

Within the Other Administrative Expenses category, we exclude, from our payment recapture audit program, payments made via electronic payment systems because they are not cost-effective to review for the following reasons:

- The excluded payments are not usually susceptible to improper payments because they utilize interfaced systems that require little manual intervention and include strong system controls to prevent improper payments.
- In November 2011, we awarded a contract to a vendor to perform a payment recapture audit of all our administrative payments, including the Other Administrative Payments category. Of $23,282 million in payments reviewed (spanning three fiscal years), the auditors identified, and we confirmed and recovered, improper payments totaling $29,191, approximately 0.00013 percent of the payments reviewed. The few improper payments identified were either vendor or DDS payments.

For State DDS payments, our 10 regional offices review amounts drawn against pre-approved DDS spending plans. For payment accuracy, our OIG reviews the DDS payments on a rotational basis. We use our OIG's findings, if any, to enhance our payment controls.

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 0.6 percent of our total administrative expenses in FY 2016.

Not all administrative overpayments are collectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt and the agency determines that the request is credible.

ADMINISTRATIVE PAYMENTS RECOVERY TARGETS

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. Table 4 shows our targets for our administrative payment recapture audit program. We strive to recover all administrative overpayments, and established a 100 percent target. We selected this recovery rate based on our in-house recovery experience for the past three fiscal years. We incur a small amount of administrative overpayments, mainly from former employees and duplicate payments to vendors. We use various tools for collection, including offset of subsequent vendor payments, the Treasury Offset Program (TOP), and Administrative Wage Garnishment (AWG).

DISPOSITION OF PAYMENT RECAPTURE FUNDS

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audit Programs
(Dollars in Millions)

Amount Recaptured		Disposition of Recaptured Funds						
Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of the Inspector General	Returned to Treasury	Other[1]
Benefit	$3,888.11	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$3,888.11
Administrative	$2.57	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$2.57

Note:

1. We return all amounts recaptured to the original appropriation from which the payment was made for our benefit and administrative payments.

AGING OF OUTSTANDING OVERPAYMENTS

OMB Circular No. A-136 requires agencies to have an aging schedule of the amount of outstanding overpayments identified through their payment recapture audit program (i.e., overpayments that have been identified but not recaptured). Table 6 shows our aging schedule for our OASDI and SSI programs and our administrative payments.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits
(Dollars in Millions)

Program or Activity		FY 2017 Amount Outstanding (0 to 6 Months)	FY 2017 Amount Outstanding (6 Months to 1 Year)	FY 2017 Amount Outstanding (Over 1 Year)	FY 2017 Amount Determined to not be Collectable
OASDI	Overpayment Dollars	$954.90	$513.15	$2,126.58	$465.89
	Percent of Total Outstanding	9%	5%	21%	5%
SSI	Overpayment Dollars	$835.69	$549.49	$4,034.18	$312.53
	Percent of Total Outstanding	7%	5%	35%	3%
Payroll and Benefits	Overpayment Dollars	$1.29	$0.71	$1.51	$0.59
	Percent of Total Outstanding	37%	20%	43%	17%
Vendor and Travel	Overpayment Dollars	$0.03	$0.00	$0.02	$0.00
	Percent of Total Outstanding	62%	4%	35%	3%
TOTAL	Overpayment Dollars	$1,791.90	$1,063.35	$6,162.28	$779.02
	Percent of Total Outstanding	8%	5%	28%	4%

Notes:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:
   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.
2. Totals for payroll and benefits payments and vendor and travel payments are from our internal payment recapture audit in FY 2016.
3. Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2017 for OASDI overpayments and SSI overpayments. For payroll and benefits overpayments and vendor and travel overpayments, Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2016.
4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.
5. FY 2017 Amount Determined to not be Collectable is not included in the amount outstanding or total outstanding.

ADDITIONAL COMMENTS

AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASI, DI, AND SSI PROGRAMS

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected $3.9 billion in OASDI and SSI benefit overpayments in FY 2017 at an administrative cost of $0.07 for every dollar collected. We collected $17.3 billion over a 5-year period (FYs 2013–2017). Since 2004, our cumulative recoveries are $41.5 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as some external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. From 1992–2017, our external collection techniques have yielded $7.071 billion in benefit overpayment recovery. For additional information about our external collection techniques, please refer to the Debt Collection and Management section of this FY 2017 *Agency Financial Report*.

We suspend or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards. Generally, we terminate or suspend collection action when the debtor cannot repay, we are unable to locate the debtor, or the cost of collection is likely to be more than the amount recovered. Terminating collection action is a temporary or conditional write-off in that the debt remains on the debtor's record. If the debtor becomes entitled to benefits in the future, we will collect the debt by appropriate and available methods.

We developed a system to handle TOP, credit bureau reporting, and AWG. Because the system includes more than TOP and is the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

In September 2013, we enhanced ECO to collect delinquent debts through Treasury's State Reciprocal Program. The State Reciprocal Program allows States to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent non-tax debt by offset of State payments.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we began planning and analysis of the Overpayment Redesign information technology investment. Through this initiative, we will build a new comprehensive overpayment system that will enable us to record, track, collect, and report our overpayments more efficiently. The Overpayment Redesign investment will be a multi-year effort.

As resources permit, we will also expand the Non-Entitled Debtors (NED) program to collect additional debts from debtors who have never been entitled to OASDI benefits or SSI payments. We plan to develop the NED initiative in a series of releases. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary, and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible.

- In the future, we also will analyze the implementation of the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. In addition, we will assess the use of private collection agencies for debt collection. Prior to implementing these additional debt recovery tools, we will need to address many factors, such as:
    - The impact on our current collection policies and procedures;
    - Post-entitlement notices, as well as the need for new notices; and
    - Feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective.

We are also pursuing modernization of our remittance operation. Currently, individuals and third parties repay debt by either mail or telephone. We are developing multiple channels to receive remittances electronically. We plan to complete planning and analysis of our solutions in FY 2018.

COLLECTING DEBT

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts. In October 2013, we began notifying debtors of our ability to offset eligible State payments to collect their debt. These changes also support debt management compliance and performance as required by OMB. Below are enhancements to improve our OASDI and SSI debt recovery efforts.

- Overpayment Redesign.
  - We began the planning and analysis phase in FY 2016.
  - We currently plan to begin development and implementation starting in FY 2018 through FY 2023.
- Remittance Modernization.
  - We completed planning and analysis on the Social Security Electronic Remittance System to process remittances received in our field offices for program debt and completed development in FY 2017. National rollout began in October 2017, with full implementation achieved in December 2017.
  - We are currently in the planning and analysis phase for other electronic remittance options.
- Treasury Report on Receivables enhancements for OASDI and SSI.
  - We implemented systems enhancements to meet the reporting requirements of the *Digital Accountability and Transparency Act of 2014*.

RECOVERY OF OVERPAYMENTS DUE TO DEATH

The Federal Government uses the reclamation process to recover benefit payments paid via direct deposit to the financial account of a beneficiary who died, became legally incapacitated, or a beneficiary who died before the date of the payment(s). To recover OASDI and SSI payments funds from U.S. financial institutions, we must send reclamation requests within 120 days of the date we learned of a beneficiary's death. A financial institution may protest any reclamation if it believes we did not initiate reclamations timely.

We have procedures for recovering both OASDI and SSI improper payments for overpayments due to death where we paid the beneficiary by paper check. Below are examples of actions we take for OASDI and SSI beneficiaries:

If the overpaid OASDI beneficiary is deceased, we attempt to recover the overpayment by:

- Withholding any underpaid benefits due to the deceased beneficiary;
- Withholding any lump-sum death payment payable to individuals on the same earnings record;
- Proposing adjustment against any person who was living in the same household and receiving benefits on the overpaid individual's earnings record at the time the overpaid individual died; or
- Sending a letter to the endorser or the deceased's estate requesting repayment.

If the overpaid SSI recipient is deceased, we will notify the estate of the overpayment and seek recovery from:

- A liable representative payee;
- A liable spouse;
- A sponsor of an alien recipient (under certain circumstances); or
- Any individual who committed fraud to cause the overpayment.

Post-payment Internal Controls: We have several post-payment internal controls to track and resolve discrepancies related to allegations of death, including:

- The Numident Death Match – This match identifies discrepancies between the Numident and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.
- The Death Information Processing System (DIPS) – DIPS is an agency-wide, web-based system used to add, change, or remove death information on the Numident database for deceased individuals. DIPS replaced the Death Alert Control and Update System and the Customer Information Control System.
- The Electronic Death Registration (EDR) process – This State-sponsored initiative automates the paperbound death registration process and allows States to verify the name and Social Security number of a deceased person against our Numident before registering the death. This process results in the transmission of more accurate and timely death information electronically to us, allowing us to stop death benefits for the deceased beneficiary. The EDR process supports the agency's Strategic Goal, "Strengthen the Integrity of Our Programs." This includes minimizing improper payments by identifying and preventing erroneous payments after death, reducing erroneous death terminations, and improving our process of initial death reports. Death reports received timely greatly reduce the probability of improper payments to deceased beneficiaries.

BARRIERS

Our processes and policies and our statutory and regulatory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The FY 2018 President's Budget includes several legislative proposals that can help simplify our programs and better identify, prevent, and recover improper payments. We discuss some of these proposals in the following paragraphs. More information on our legislative proposals can be found in our *FY 2018 Budget Overview* (www.socialsecurity.gov/budget/).

INCREASE FROM $10 TO 10 PERCENT THE MINIMUM AMOUNT WE CAN WITHHOLD FROM MONTHLY OASDI BENEFITS TO RECOVER AN OVERPAYMENT

When a beneficiary receives more OASDI benefits than he or she should have, we can recover this overpayment by reducing the beneficiary's future monthly benefits. Depending on the beneficiary's financial circumstances, we may decide to recover less than the full amount of the monthly benefit until the overpayment is repaid in full. However, we are required to recover at least $10 per month. This proposal would require us to recover at least 10 percent of the monthly OASDI benefit when recovering an overpayment. The SSI program already uses the 10 percent rule to recover overpayments.

CONDUCT DATA MATCHES WITH PRIVATE COMMERCIAL DATABASES

The FY 2018 President's Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual's eligibility for benefits, after proper notification. In addition, we could require a beneficiary's consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.

ACCOUNTABILITY

Effective FY 2012, as required by IPERA, we are holding managers, program officials, and senior executives accountable for reducing improper payments. For these employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent, detect, and recover improper payments and meet targets to reduce improper payments.

AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

INTERNAL CONTROLS

We have a strong internal control environment that has always included controls over our benefit payment and debt management processes. As a result, we are directly leveraging our existing internal control environment and assurance processes to provide reasonable assurance that our internal controls over improper payments are in place and operating effectively.

As part of our internal control environment, we have a well-established, agency-wide management control program as required by the *Federal Managers' Financial Integrity Act* (FMFIA). We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until we resolve the issues.

We established the Improper Payments Oversight Board (IPOB) to ensure that we are focusing on improper payment prevention, formulating clear and innovative strategies, and driving timely results agency-wide. The IPOB's role is to serve as the corporate team to:

- Oversee all improper payment-related activities for the agency;
- Collaborate and shape strategy; and
- Resolve cross-component differences, address challenges encountered by staff, and drive timely results.

For additional information about our internal control environment, please refer to the *Systems and Controls* section of this FY 2017 *Agency Financial Report*.

The effective internal controls we incorporate into our business processes and financial management systems, as well as the program integrity efforts mentioned throughout this report, support our Acting Commissioner's annual statement to the President and Congress that discusses whether our:

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;
- Financial management systems are in conformance with government-wide requirements; and
- Internal controls over financial reporting are operating effectively.

We include the Acting Commissioner's annual statement of assurance, additional information of our review program, and our financial statement audit, in the *Systems and Controls* section of this FY 2017 *Agency Financial*

Report. In addition, we include the auditors' report in the *Auditors' Report* section of this FY 2017 *Agency Financial Report*.

Our strong overall internal control program contributes significantly to our efforts to reduce improper payments.

HUMAN CAPITAL

Our program integrity work is labor-intensive and dependent on having the necessary trained staff to do the work. The same employees who handle our program integrity work also handle applications for benefits and other mission-critical work.

Our stewardship responsibility includes conducting non-medical SSI redeterminations and full medical CDRs. These reviews save significant program dollars by avoiding improper payments. In FY 2016 and FY 2017, our budgets increased and, as a result, we were once again able to increase the number of full medical CDRs that we process. In FY 2016, we completed over 850,000 full medical CDRs and approximately 2.53 million SSI redeterminations. In addition, we completed approximately 285,000 work CDRs in FY 2016. In FY 2017, we completed approximately 870,000 full medical CDRs and approximately 2.59 million SSI redeterminations. In addition, we completed approximately 313,500 work CDRs in FY 2017.

The FY 2018 President's Budget will help enable us to eliminate the backlog of CDRs by the end of FY 2018 and prevent a new backlog from developing, which will help ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2014 and earlier, establish that we achieve significant program savings with this workload. The Budget proposes $1,735 million, which includes the 2018 cap adjustment amount of $1,462 million, as authorized in the *Bipartisan Budget Act of 2015*. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021.

INFORMATION SYSTEMS

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to ensure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This process enables us to fulfill our obligation to comply with Federal laws, such as FMFIA, which requires that we establish and maintain effective internal controls. CIRP automatically selects potentially suspicious transactions for management investigation based on predefined criteria. The selection criteria are focused on suspicious activity rather than improper payments. However, if the transaction involves an issued payment, the reviewer looks at the accuracy of the payment to ensure that we complied with proper procedures.

In August 2013, we implemented the Public Facing Integrity Review (PFIR) system to monitor potentially fraudulent online transactions. We use this tool to investigate suspicious direct deposit transactions made through *my* Social Security online accounts and to take steps to mitigate any losses to our agency and the public. In November 2015, we released an update of the PFIR system that included measures intended to help secure our newest online service, Internet Social Security Number Replacement Card application. This enhancement to the PFIR system added new fraud prevention and detection processes specific to enumeration, in addition to established processes that safeguard *my* Social Security online accounts and direct deposit transactions.

We continue to collaborate with Treasury to identify and implement fraud detection activities. In April 2016, we launched a Direct Deposit Fraud Prevention (DDFP) enhancement, which assists in detecting and preventing unauthorized redirection of benefit payments. With this enhancement, an alert appears that allows the review of the record to determine whether to accept or cancel a pending direct deposit change. In May 2016, we executed an additional enhancement to DDFP to allow us to add a suspense code to a record to prevent the unauthorized redirection of benefits. We continue to take advantage of a fraud indicator flag to assist when beneficiaries indicate that they did not receive their direct deposit payment. The fraud indicator provides supporting evidence to assist with the recovery of misdirected payments.

The demands for our services continue to grow at a rate that will soon outpace our resources. To support the changing needs of our employees and the public we serve, we launched the IT Investment Process - a more effective and efficient way of managing our IT Investments. We established an IT Investment Review Board, with senior executive level membership that meets regularly to evaluate IT proposals to ensure they meet the priorities of the agency.

OTHER INFRASTRUCTURE

As required by law, we conduct pre-effectuation reviews on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State DDS offices. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDS offices for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2015 cases will result in lifetime savings (after all appeals) of:

- $433 million in OASDI benefit payments;
- $60 million in SSI Federal payments;
- $228 million in Medicare benefits; and
- $2 million in the Federal share of Medicaid payments.

SAMPLING AND ESTIMATION

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a statistically valid sample of OASI, DI, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, contact third parties for additional information if needed, and redevelop all non-medical factors of eligibility as of the sample month to determine whether the payment was correct. We express any difference between what we actually paid and what the reviewer determines we should have paid as an overpayment or underpayment error. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in FY 2016. For government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until summer 2018. We will report our findings from the FY 2017 stewardship reviews in next year's *Payment Integrity* report.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay more or less, than we should have paid. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year rolling average for each type of deficiency to identify and rank error trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We base our corrective actions for our high-priority programs on the information we obtain from the stewardship reviews. We focus our efforts on major causes of improper payments, both overpayments and underpayments.

Appendix

GLOSSARY OF ACRONYMS

A

ACI	Agency Cloud Initiative
ADIS	Arrival and Departure Information System
ADP	Automated Data Processing
AFCC	Anti-Fraud Communications Campaign
AFES	Anti-Fraud Enterprise Solution
AFI	Access to Financial Institutions
AFR	Agency Financial Report
ALJ	Administrative Law Judge
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ARF	Adjustment of the Reduction Factor
ARRA	American Recovery and Reinvestment Act of 2009
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

C

CARES	Compassionate and REsponsive Service
CDB	Childhood Disability Beneficiary
CDI	Cooperative Disability Investigation
CDM	Continuous Diagnostics and Mitigation
CDR	Continuing Disability Review
CDREO	Continuing Disability Review Enforcement Operation
CEAR	Certificate of Excellence in Accountability Reporting
CIRP	Comprehensive Integrity Review Process
CMA	Computer Matching Agreement
CMP	Civil Monetary Penalty
CMS	Centers for Medicare and Medicaid Services
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross-Program Recovery
CSRS	Civil Service Retirement System

D

DACA	Deferred Action for Childhood Arrivals
DATA Act	Digital Accountability and Transparency Act of 2014
DATS	Death Alerts Tracking System
DCPS	Disability Case Processing System
DDFP	Direct Deposit Fraud Prevention
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DIPS	Death Information Processing System
DRAA	Disaster Relief Appropriations Act of 2013

E

ECO	External Collection Operation
EDR	Electronic Death Registration
EN	Employment Network
ERM	Enterprise Risk Management
ESF	Earnings Suspense File

F

FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employee Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FPU	Fraud Prevention Unit
FRDAA	Fraud Reduction and Data Analytics Act of 2015
FRM	Fraud Risk Management
FRN	Federal Register Notice
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GITC	General Information Technology Control
GMO	Grants Management Officer
GPO	Government Pension Offset
GPRMA	Government Performance and Results Modernization Act of 2010
GSA	General Services Administration

H

HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

I

IG	Inspector General
IPE	Information Produced by Entity
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IPOB	Improper Payment Oversight Board
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
iSSNRC	Internet Social Security Number Replacement Card
IT	Information Technology

K

KPMG	KPMG, LLP

L

LAE	Limitation on Administrative Expenses

M

MD&A	Management’s Discussion and Analysis

N

NAFC	National Anti-Fraud Committee
NED	Non-Entitled Debtors
NIST	National Institute of Standards and Technology
NPRM	Notice of Proposed Rulemaking

O

OA	Occupancy Agreement
OAFP	Office of Anti-Fraud Programs
OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCSE	Office of Child Support Enforcement
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
O/P	Overpayment
OPM	Office of Personnel Management

P

PFIR	Public Facing Integrity Review
PIR	Post-implementation Review
P.L.	Public Law
POC	Proof of Concept
POMS	Program Operations Manual System
PP&E	Property, Plant, and Equipment
PSC	Program Service Center
PTF	Payments to Social Security Trust Funds
Pub. L. No.	Public Law Number

R

RAFC	Regional Anti-Fraud Committee
RIB-LIM	Retirement Insurance Benefit Limitation
RRI	Railroad Retirement Interchange

S

SECA	Self Employment Contributions Act
SERS	Social Security Electronic Remittance System
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SF-133	Budget Execution Reports
SGA	Substantial Gainful Activity
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSN	Social Security Number
SSOARS	Social Security Online Accounting and Reporting System
Statement	Social Security Benefit Statement

T

Ticket Program	Ticket to Work and Self-Sufficiency Program
Title VIII	Special Veterans Benefits
TOP	Treasury Offset Program
Treasury	Department of the Treasury

U

U.S.	United States
U.S.C.	United States Code
USSGL	United States Standard General Ledger

V

VR	Vocational Rehabilitation

W

WEP	Windfall Elimination Provision

SSA MANAGEMENT AND BOARD MEMBERS

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Our Agency Financial Report
is available at:

SocialSecurity.gov/finance

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