

# OTHER REPORTING REQUIREMENTS

## Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Information Systems Controls	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

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

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

## 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 *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 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), 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 list below the major entitlement reviews conducted by our agency:

### DISABILITY QUALITY ASSURANCE REVIEWS

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

Quality Assurance Reviews					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
% of State DDS decisions to allow or continue not returned to the DDSs for correction	97.7%	98.3%	98.6%	98.4%	98.5%
No. of cases reviewed	32,292	34,378	32,451	32,807	32,262
No. of cases returned to the DDSs due to error or inadequate documentation	729	601	445	524	476

## TITLE II (DI) PREEFFECTUATION REVIEWS

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. For FY 2012, the following table shows that 97.4 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
% of State DDS decisions to allow or continue not returned to the DDSs for correction	97.3%	97.9%	97.8%	97.4%	97.4%
No. of cases reviewed	338,440	356,956	378,712	390,480	362,250
No. of cases returned to the DDSs due to error or inadequate documentation	9,203	7,481	8,506	10,246	9,414

## TITLE XVI (SSI) PREEFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. For FY 2012, the following table shows that 97.9 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
% of State DDS decisions to allow not returned to the DDSs for correction	98.1%	98.3%	98.4%	97.9%	97.9%
No. of cases reviewed	105,203	114,645	124,045	124,401	116,681
No. of cases returned to the DDSs due to error or inadequate documentation	2,018	1,900	2,023	2,612	2,430

## CONTINUING DISABILITY REVIEWS

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

CDR Accuracy					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>Overall Accuracy</b>	96.6%	97.7%	97.8%	97.7%	97.9%
<b>Continuance Accuracy</b>	97.6%	98.6%	98.4%	98.3%	98.6%
<b>Cessation Accuracy</b>	93.2%	94.8%	96.0%	96.0%	95.8%

## OASI AND SSI QUALITY ASSURANCE REVIEWS

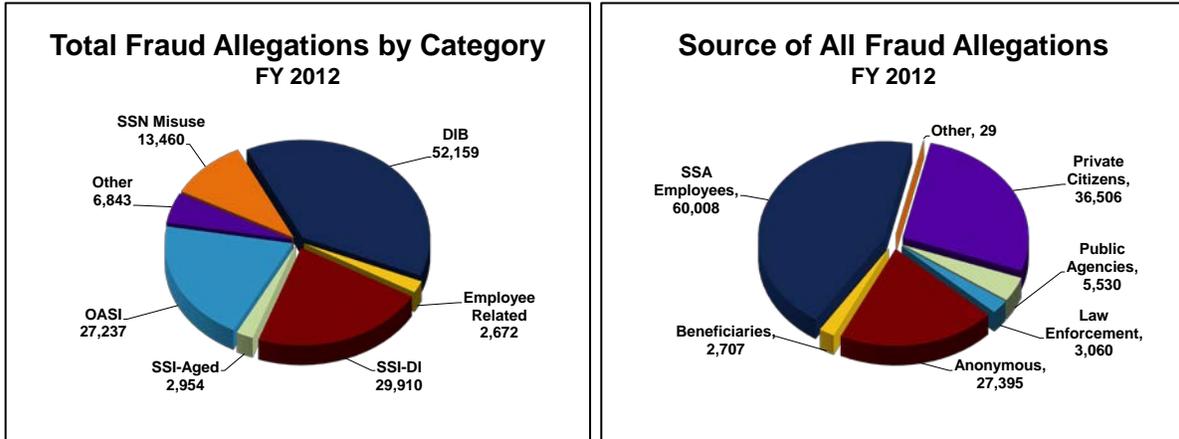
One of our four *Government Performance and Results Act* Strategic Goals is “preserve the public’s trust in our programs.” One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. We present a detailed discussion on the results of these reviews in the *Performance Section* of this report on pages 81-84.

## SSI REDETERMINATIONS

Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in his or her circumstances may affect the amount or continuation of their benefits and thus we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have and will continue to pay the recipient the correct amount. We set a goal for the number of SSI redeterminations we would process in FY 2012. We present a detailed discussion on SSI redetermination performance in the *Performance Section* of this report on page 79.

## THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2012, 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 summarize the OIG's involvement in fraud activities throughout the fiscal year.



## Biennial Review of User Fee Charges

### SUMMARY OF FEES

User fee revenues of \$424 and \$373 million in FY 2011 and FY 2012, respectively, accounted for less than 1 percent of SSA's total financing sources. We derive over 74 percent of user fee revenues from agreements with 22 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2012, we charged a fee of \$10.94 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$11.12 for FY 2013. 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 review of fees during FY 2012, we identified changes in costs that affect current fees and agency activities. A review of these changes did result in a uniform standard fee structure for non-programmatic workloads. SSA is planning to perform another review of these fees during FY 2014.

## 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 FY 2012 Quarterly Debt Management Activities Programmatic and Administrative Activity table. For more information on our agency's effort to curb overpayments, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

We identified a system limitation in the processing of Title II Overpayment recordation. In July 2011, the Government Accountability Office (GAO) issued an audit report on the Disability Insurance Program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments.*" In that audit, GAO identified a Title II 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 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes.

The following tables do not include the amounts related to post 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. This system limitation prevents us from tracking what we estimate to be approximately \$110 million in accounts receivable in the current fiscal year. We are working to address the system limitation and have determined that the estimated \$110 million in post-2049 debt is uncollectible and total accounts receivable are correctly reflected in the financial statements and the tables that follow.

<b>Debt Management Activities Programmatic and Administrative Activity</b>					
<u>Dollar Totals (in millions)</u>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total receivables</b>	\$14,913	\$15,000	\$15,212	\$15,854	\$16,588
<b>New receivables</b>	5,615	5,818	5,736	6,102	5,955
<b>Total collections</b>	(3,366)	(3,561)	(3,650)	(3,633)	(3,663)
<b>Adjustments</b>	(580)	(1,093)	(888)	(809)	(536)
<b>Total write-offs</b>	(1,010)	(1,077)	(986)	(1,018)	(1,022)
- <b>Waivers</b>	(443)	(475)	(497)	(546)	(502)
- <b>Terminations</b>	(567)	(602)	(489)	(472)	(520)
<b>Non delinquent debt</b>	11,176	11,030	11,055	11,190	11,589
<b>Total delinquent debt</b>	\$3,737	\$3,970	\$4,157	\$4,664	\$4,999
<b><u>Percentage Analysis</u></b>					
<b>% of outstanding debt:</b>					
- <b>Non delinquent</b>	74.9%	73.5%	72.7%	70.6%	69.9%
- <b>Delinquent</b>	25.1%	26.5%	27.3%	29.4%	30.1%
<b>% of debt estimated to be uncollectible<sup>1</sup></b>	27.1%	27.5%	27.7%	27.8%	27.3%
<b>% of debt collected</b>	22.6%	23.8%	24.0%	22.9%	22.1%
<b>% change in collections from prior FY</b>	13.3%	5.8%	2.5%	-0.5%	0.8%
<b>% change in delinquencies from prior FY</b>	6.5%	6.3%	4.7%	12.2%	7.2%
<b>Clearances as a % of total receivables</b>	29.3%	30.9%	30.5%	29.3%	28.2%
- <b>Collections as a % of clearances</b>	76.9%	76.8%	78.7%	78.1%	78.2%
- <b>Write-offs as a % of clearances</b>	23.1%	23.2%	21.3%	21.9%	21.8%
<b><u>Other Analysis</u></b>					
<b>Cost to collect \$1</b>	\$0.07	\$0.06	\$0.07	\$0.08	\$0.07
<b>Average number of months to clear receivables:</b>					
- <b>OASI</b>	18	18	16	15	15
- <b>DI</b>	40	42	45	38	49
- <b>SSI</b>	36	34	35	35	36

1. The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the financial statements.

<b>FY 2012 Quarterly Debt Management Activities Programmatic and Administrative Activity</b>				
<b>Dollar Totals (in millions)</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<b>Total receivables</b>	\$15,976	\$16,041	\$16,478	\$16,588
<b>New receivables</b>	1,216	2,697	4,449	5,955
<b>Total collections</b>	(854)	(1,796)	(2,674)	(3,663)
<b>Adjustments</b>	(3)	(210)	(382)	(536)
<b>Total write-offs</b>	(237)	(504)	(769)	(1,022)
<b>- Waivers</b>	(112)	(249)	(376)	(502)
<b>- Terminations</b>	(125)	(255)	(393)	(520)
<b>Aging schedule of debts:</b>				
<b>- Non delinquent debt</b>	10,873	11,187	11,589	11,589
<b>- Delinquent debt</b>				
<b>- 180 days or less</b>	1,447	1,203	1,237	1,252
<b>- 181 days to 10 years</b>	3,380	3,364	3,340	3,410
<b>- Over 10 years</b>	276	287	312	337
<b>- Total delinquent debt</b>	\$5,103	\$4,854	\$4,889	\$4,999

## Definitions:

- Adjustments – Program debt adjustments represent: (1) written-off debts, by way of terminations, that we reinstate for collections; (2) changes in debts when we update debtor accounts with new information; and (3) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
- Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (1) is without fault in causing the debt; and (2) either cannot repay it or repayment would be against good equity and conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.
- Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (1) the debtor cannot or will not repay the debt; (2) the debtor cannot be located after diligent search; or (3) 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 Treasury Offset Program and Administrative Wage Garnishment. If the debtor becomes entitled to Title II benefits or eligible for Title XVI payments, we reinstate the debt and resume recovery through benefit/payment withholding.
- Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (1) the date we establish a Title II debt; (2) the date of the initial overpayment notice for a Title XVI debt; (3) the date of the last voluntary payment; (4) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (5) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.