Agency Financial Report

Fiscal Year 2023

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Mission

Ensure equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs.

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A MESSAGE FROM THE ACTING COMMISSIONER

As the Acting Commissioner of the Social Security Administration (SSA), I present our Fiscal Year (FY) 2023 *Agency Financial Report*, which details how we managed our resources and delivered services to the public in the past fiscal year.

Our mission is to ensure equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs. We are committed to ensuring that our programs and services are reaching underserved communities and people facing barriers, including individuals with low income, limited English proficiency, mental or intellectual disabilities, and facing homelessness.

Our efforts center around three overarching Strategic Goals established in our Agency Strategic Plan: Optimize the Experience of SSA Customers; Build an Inclusive, Engaged, and Empowered Workforce; and Ensure Stewardship of SSA Programs. We discuss our progress in FY 2023 towards meeting these goals in the *Overview of Our Fiscal Year 2023 Goals and Results* section.

Our budget directly drives the level of service we can deliver, including systems improvements and staffing to stay current with our workloads. Our dedicated employees are doing their part to restore and improve service while working within our current funding levels. Each day, our employees serve field office visitors, answer questions, take claims on the phone, hold hearings, pay benefits, and complete countless other workloads. Building the capacity to meet the public's expectations for timely customer service requires sustained and sufficient funding and staffing levels.

In FY 2023, we began to rebuild our workforce after ending FY 2022 with the lowest staffing level in 25 years. We ended FY 2023 with about 3,100 more employees and the State disability determination services ended FY 2023 with about 700 more employees than at the end of FY 2022. We made progress toward eliminating our hearings backlog. We ended FY 2023 with 321,819 cases pending, the lowest level since 2000.

We are on track to eliminate the backlog and achieve an average wait for a hearing decision of 270 days by the end of FY 2024. It is our priority to reduce our record backlog in initial disability cases. In FY 2023, we successfully completed about 97 percent of all initial disability claims that began the fiscal year pending 180 days or more. While we will did not achieve our plan to reduce the average wait time to 164 days for all initial claims, we are prioritizing these efforts. Our new employees will help us reduce backlogs and improve service. Technology has helped us serve more beneficiaries than ever before, but it cannot replace the staff we need. We must be able to maintain our workforce to eliminate our backlogs and provide timely service.

We continually improve organizational efficiency as new technologies emerge. As good stewards of our programs, we strive to reduce improper payments and combat waste, fraud, and abuse through our quality reviews, cost-effective program integrity work, and payment accuracy efforts. We fight against the persistent and increasingly sophisticated malicious cyber campaigns that threaten our security and privacy, placing cybersecurity at the forefront of our effort to protect the sensitive information entrusted to us.

I am pleased to share that for the 30th 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. We also have no material weaknesses in our internal controls.

Respectfully,

Kilolo Kijakazi, Ph.D., M.S.W.

Baltimore, Maryland
November 14, 2023

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This report is available on our *Agency Financial Report* website.

Did You Know? This is an Award-Winning Report

For the 25th year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting (CEAR) award. Receiving the CEAR award for our FY 2022 AFR is a significant accomplishment for a Federal agency.

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 provides an overview of our mission, organization, Strategic Goals and Objectives (as defined in our *Fiscal Years* (FY) *2022-2026 Agency Strategic Plan*), Priority Goals, and FY 2023 performance measures. We highlight our progress toward accomplishing our Strategic Goals and Objectives and discuss our plans to achieve our mission. We provide a summary of the financial information contained in subsequent sections of the AFR. We also include analysis of our systems, controls, and legal compliance.

Financial Section: The *Financial Section* contains *A Message from the Chief Financial Officer* and a summary of financial management initiatives that advanced the agency's mission. We also include our audited financial statements, the accompanying notes to those statements, and required supplementary information, including the Combining Schedule of Budgetary Resources and information on Social Insurance. This section concludes with the *Independent Auditor's Report*.

Other Information: The *Other Information* section includes our *Summary of Financial Statement Audit and Management Assurances* tables and *Other Financial Information* as well as *The Social Security Administration's Major Management and Performance Challenges During Fiscal Year 2023*. We also provide information on our payment integrity, entitlement reviews and Office of the Inspector General anti-fraud activities, civil monetary penalties, biennial review of user fee charges, grants programs, climate-related financial risk, and debt collection and management activities.

Appendix: The *Appendix* includes a *Glossary of Acronyms*, a list of our agency's top management officials, the members of the Board of Trustees the Social Security Advisory Board, and a *Summary of Key Management Officials' Responsibilities*.

Management's Discussion and Analysis

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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 2023 Goals and Results* provides a high-level discussion of our goals and our key mission results. We display our fiscal year 2023 operating expenses by Strategic Goal and Objective, discuss our Agency Priority Goals, 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, *Analysis of Systems, Controls, and Legal Compliance* 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*, as amended.

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

Mission

Ensure equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs.

Programs

Few government agencies affect the lives of as many people as we do. In accordance with law and regulations, we administer three programs under the *Social Security Act*:

- **Old-Age and Survivors Insurance:** Established 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) 2023, we paid OASI benefits to an average of approximately 58 million beneficiaries each month and incurred over $1,204 billion in benefit payment expenses[1] to OASI beneficiaries through the fiscal year. Learn more about retirement benefits on our website at SSA.gov/benefits/retirement and about survivors benefits at SSA.gov/benefits/survivors.
- **Disability Insurance:** Established in 1956, the Disability Insurance (DI) program provides benefits for workers who become disabled and their families. In FY 2023, we paid DI benefits to an average of approximately 9 million beneficiaries each month and incurred over $155 billion in benefit payment expenses[1] to DI beneficiaries through the fiscal year. Read stories from DI beneficiaries on our website at SSA.gov/disabilityfacts/stories.html, and learn more about DI benefits at SSA.gov/benefits/disability.
- **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 2023, we paid SSI benefits to a monthly average of 7.5 million recipients (approximately 2.5 million of whom concurrently receive OASI or DI benefits) and incurred over $58 billion in SSI Federal and State supplementary benefit payment expenses[1] through the fiscal year. Learn more about SSI benefits on our website at SSA.gov/benefits/ssi.

We also support national programs administered by other Federal and State agencies, as required by law, such as Medicare, the Supplemental Nutrition Assistance Program, State Children's Health Insurance Program, E-Verify, Medicaid, and Federal Benefits for Veterans, and programs associated with the *Employee Retirement Income Security Act of 1974*, *Coal Industry Retiree Health Benefit Act*, and *Help America Vote Act*.

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[1] Benefit payment expenses consist of benefits paid and the change in benefits accrued during FY 2023.

How Social Security Benefited America in Fiscal Year 2023

Our programs and services are vital to the public, and the scope of our work is enormous. For more than 85 years, Social Security has provided income security for retirees, individuals with disabilities, and families that lose a wage-earner. Almost 90 percent of workers over the age of 65 receive Social Security benefits.

- We paid a combined total of over $1.4 trillion in Social Security and SSI benefits.
- Approximately 86 percent of the American population age 65 and over received Social Security benefits.
- On average each month, a million blind or disabled children under age 18 received SSI benefits.

How We Served America in Fiscal Year 2023

- Processed over 401.5 million online transactions.
- Mailed an estimated 350 million notices.
- Registered over 9.8 million new accounts on the *my* Social Security portal for a total of more than 80 million users. The portal offers many secure and convenient online self-service options.
- Provided *Social Security Statements (Statement)* to beneficiaries online via *my* Social Security more than 32 million times, and by mail with approximately 14.6 million paper *Statements*.
- Processed over 18 million applications for new and replacement Social Security Number (SSN) cards.
- Posted approximately 304 million annual earnings items to workers' records submitted by both employers and self-employed individuals.
- Performed nearly 2.4 billion automated SSN verifications for employers.
- Conducted 23 cost benefit analyses for incoming data exchanges with various Federal partners, resulting in $11 billion in projected annual savings.
- Our agents handled over 25 million calls and our self-service options handled over 4.4 million calls on our National 800 Number, amid staffing and technology challenges. These challenges resulted in an annual average speed of answer of nearly 36 minutes.
- Completed over 8.5 million retirement and disability claims for benefits; conducted over 550,000 full medical continuing disability reviews (CDR); and performed over 2.5 million non-medical redeterminations of SSI eligibility.
- Completed nearly 378,000 hearing requests; reviewed nearly 80,000 cases in the Appeals Council; and defended over 15,000 disability cases in Federal court.

Organization

Over 61,000 Federal employees and 15,000 State employees serve the public from a network of more than 1,500 offices across the country and around the world. We administer our programs and services online, by phone, by video, and in person in our offices. Our customers can access our online services such as applying for retirement, disability, and Medicare benefits; checking the status of an application or appeal; or requesting a replacement Social Security card.

A diverse, engaged, and well-trained workforce is critical to meeting our service delivery goals. Our employees directly serve the public or provide support to employees who do. We support our workforce throughout their chosen career paths by fostering an engaging workplace environment and by providing training and development opportunities.

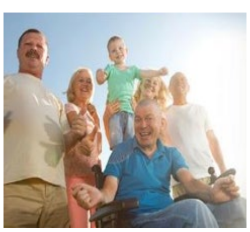
State disability determination services (DDS) make disability determinations for initial claims, reconsiderations, and CDRs. Challenges with hiring and maintaining staff have limited the DDSs' capacity to improve disability workload performance.

Administrative law judges in our hearing offices and administrative appeals judges in our Appeals Council decide appealed cases.

Our processing centers handle the most complex benefit payment decisions, in addition to issuing benefit payments after appeals decisions, determining and collecting debt, correcting records, and performing program integrity work.

Our teleservice centers answer a broad range of Social Security and Medicare questions, schedule appointments for our field offices, provide status updates on current claims or appeals, and ensure the accuracy of our records.

For more information about our organization and its functions, refer to the *Summary of Key Management Officials' Responsibilities* section in the *Appendix* or visit our organizational structure webpage.



Remember! We are with You from Birth through Retirement

When people experience major life events—the birth of a child, a new job or job loss, marriage or the loss of a spouse, health problems, retirement—we are here to help. Create your own *my* Social Security account to receive personalized estimates of future benefits based on your real earnings, see your latest Statement, and review your earnings history (SSA.gov/myaccount).

OVERVIEW OF OUR FISCAL YEAR 2023 GOALS AND RESULTS

How We Manage Performance

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

Setting goals and measuring our performance are vital to our success. We define our performance framework in the *Fiscal Years* (FY) *2022–2026 Agency Strategic Plan* (ASP). Our ASP defines our Strategic Goals and details underlying Strategic Objectives, strategies, and relevant risks and mitigation plans.

Our Strategic Goals are:

Strategic Goal 1: Optimize the Experience of SSA Customers;

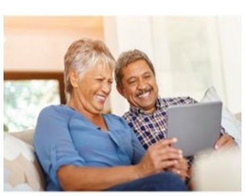
Strategic Goal 2: Build an Inclusive, Engaged, and Empowered Workforce; and

Strategic Goal 3: Ensure Stewardship of SSA Programs.

Planned Performance: In March 2023, we published our *Annual Performance Plan for FY 2024, Revised Performance Plan for FY 2023, and Annual Performance Report* (APR) *for FY 2022* as part of the *President's FY 2024 Budget Request*. We refer to this consolidated plan and report as the APR. The APR outlines our tactical plans for achieving the Strategic Goals and Objectives in our ASP, finalizes our FY 2023 performance commitments, and describes how we ensure data integrity of our performance information. The budgeted workloads published in our APR correspond to the key workload measures in the *FY 2023 Operating Plan*.

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 plan to publish the final APR containing our actual FY 2023 results in February 2024. The final APR will be available on our website.

This *Agency Financial Report* summarizes our strategic initiatives, overall performance results, and financial activities we conducted to carry out our mission in FY 2023. The following table shows our operating expenses by Strategic Goal and Objective.



Remember! You Can Access Our Services Online

Our online services allow you to request a replacement Social Security card (in most States), print a benefit verification letter, and more—from anywhere and from any of your devices!

FY 2023 Operating Expenses by Strategic Goal and Strategic Objective
(Dollars in Millions)

Strategic Goal 1: Optimize the Experience of SSA Customers	**$11,244**
Strategic Objective 1.1: Identify and Address Barriers to Accessing Services	$1,185
Strategic Objective 1.2: Expand Digital Services	$1,871
Strategic Objective 1.3: Build a Customer-Focused Organization	$8,188
Strategic Goal 2: Build an Inclusive, Engaged, and Empowered Workforce	**$653**
Strategic Objective 2.1: Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement	$191
Strategic Objective 2.2: Support Employees' Chosen Career Paths	$462
Strategic Goal 3: Ensure Stewardship of SSA Programs	**$2,719**
Strategic Objective 3.1: Improve the Accuracy and Administration of Our Programs	$1,960
Strategic Objective 3.2: Identify and Eliminate Potential Barriers to Access Contracts and Grants	$19
Strategic Objective 3.3: Improve Organizational Performance and Policy Implementation	$740

Priorities: In support of the GPRMA, we established three Agency Priority Goals (APG), which are 24-month goals reflecting our top priorities. We routinely review our progress and take actions to improve our outcomes, promote innovation, and deliver favorable results.

For FYs 2022–2023, our APGs were:

1. Improve Equity in the Supplemental Security Income Program.
2. Improve the National 800 Number Service.
3. Improve Initial Disability Claims.

We made notable progress towards our goal of providing increased outreach and improved benefit delivery, including to communities of color and underserved communities. By September 30, 2023, we increased the number of all SSI applications by nearly 15 percent, relative to the 2021 baseline, restoring rates closer to pre-pandemic levels, as well as increased the number of SSI applications from underserved communities by over 25 percent, relative to the 2021 baseline.

We set ambitious FYs 2022–2023 APG targets to improve the average processing times for initial claims and to work down older cases and to reduce the average speed of answer on our National 800 Number. In FY 2023, we processed over 90,000 more initial disability claims than we did in FY 2022. While we will did not achieve our plan to reduce the average wait time to 164 days for all initial claims, we are prioritizing these efforts. In addition, we completed about 97 percent of our cases that started FY 2023 pending 180 days or more, surpassing our APG target of 85 percent. Similarly, while our 36 minute average speed of answer is greater than the 12 minutes projected in the APG, we are diligently working to establish the technology to improve service.

Please visit Performance.gov to see our APG goals, progress, results, and how we focus leadership priorities to drive progress and change.

Summary of Fiscal Year 2023 Performance

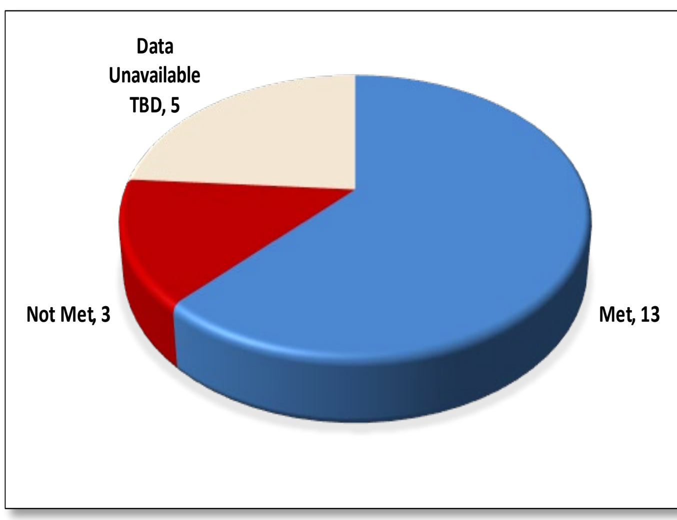
This section provides an overview of progress made in accomplishing the strategic objectives and performance measures and targets included our published FYs 2022–2024 Annual Performance Plan and Report. We highlight the approaches we used to achieve our FY 2023 performance measures, outline some of the challenges we faced meeting these goals, and provide an analysis of our performance.

Our budget directly drives the level of service we can deliver, including systems improvements and staffing to stay current with our workloads. While we face multiple challenges to restore service delivery to the standards both we and the public expect, we are working diligently to do so within our resource levels.

For FY 2023, we have 21 performance measures that we use to track progress toward meeting our Strategic Goals and Strategic Objectives. Overall, we met our targets for 13 of the 16 performance measures with available data. Final data for 5 of the remaining performance measure targets were not available at the time we published this report. The unavailable data results are indicated as to be determined (TBD). Additional details about available FY 2023 results are in the sections below.

We will publish final data for all performance measures in our *Annual Performance Plan for FY 2025, Revised Performance Plan for FY 2024, and Annual Performance Report for FY 2023* in February 2024.

Summary of Our FY 2023 Performance Measure Results



Strategic Goal 1: Optimize the Experience of SSA Customers

Strategic Objectives

- 1.1 Identify and Address Barriers to Accessing Services
- 1.2 Expand Digital Services
- 1.3 Build a Customer-Focused Organization

Create a *my* Social Security account

SSA.gov/myaccount

Our goal is to optimize the experience of our customers by providing timely, accurate, and efficient access to our services. We strive to better understand our customers' evolving needs, advance inclusive policies, and ensure equity throughout our programs (e.g., targeted outreach to communities of color and underserved communities, expanded availability of online tools, and examination of disparities using data collection and analysis). What follows highlights our progress and challenges toward accomplishing our Strategic Goal and Objectives.

Strategic Objective 1.1: Identify and Address Barriers to Accessing Services

We expanded our network of advocates and community-based organizations and met with them regularly to address the needs of people facing barriers to accessing our services. As outlined in our Equity Action Plan, we are improving our ethnicity data collection, which helps us better understand how our programs work for different groups and take steps to better serve those groups.

We collected customer feedback to help us better understand customer perceptions, needs, and preferences. We captured real-time customer feedback across all service channels to help identify pain points along customers' journeys. We collected customer feedback for two of our priority service designations: (a) Filing for Social Security retirement benefits and (b) Applying for a replacement Social Security card. We streamlined our customer feedback platform with enhanced feedback channels and data collection tools. We also conducted customer research, pain point analysis, service design, stakeholder enablement, and performance measurement for our third priority service designation, Obtaining Adult Disability Benefits.

In FY 2023, we partnered with SSI outreach organizations and advocacy groups that help people apply for SSI, resulting in over 3,750 SSI claims filed. We completed over 19,000 outreach events for underserved communities. We developed Diversity, Equity, Inclusion, and Accessibility (DEIA) training that helps our adjudicators understand, recognize, and remove barriers to fair and equitable decision-making.

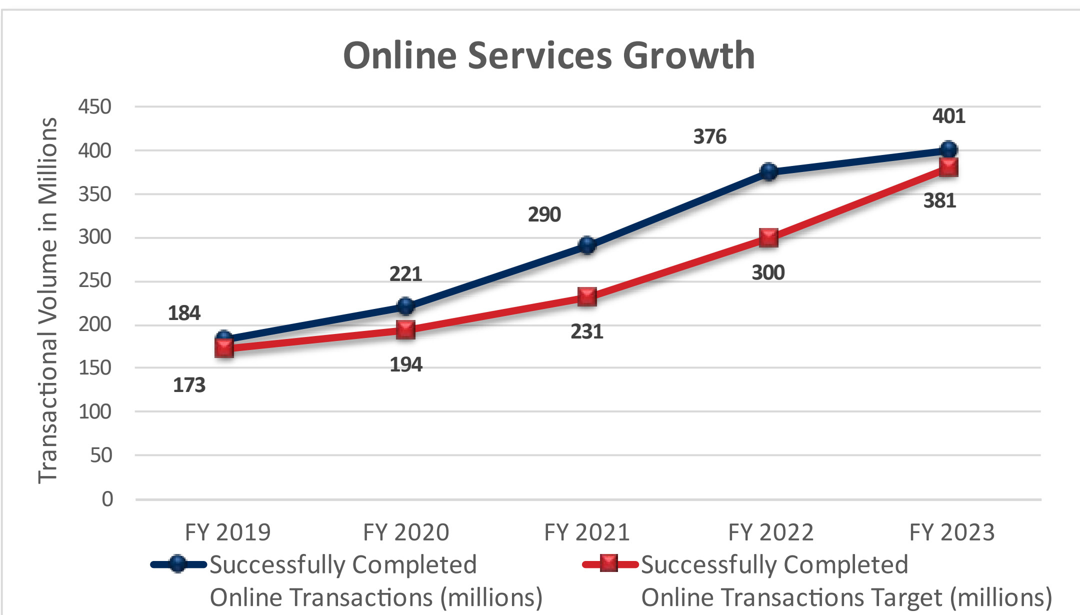
Strategic Objective 1.2: Expand Digital Services

We enhanced the customer experience by providing convenient, user-friendly, and secure digital self-service options.

We began the rollout of our digital self-service option *Upload Documents* to allow individuals applying for or receiving certain services to upload forms, documents, or evidence associated with their transaction. We prioritized reviewing forms and policies to either remove signature requirements or allow electronic signature options. In FY 2023, we launched technician-initiated eSignature on 38 first-party forms.

Our online *my* Social Security portal offers a broad range of services, including changing an address or direct deposit information, getting personal retirement benefit estimates, and requesting a replacement Social Security Number (SSN) card.

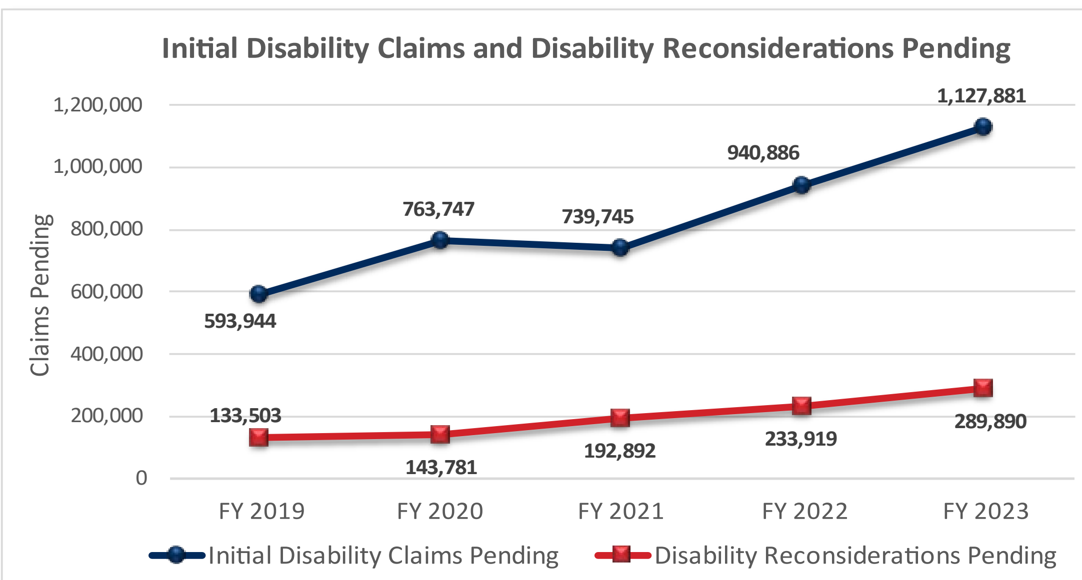
In FY 2023, we expanded our Internet SSN Replacement Card application to 47 States and Washington, DC, and customers can now change their name due to marriage in 9 States. We enhanced our online tax statement application (my1099), allowing customers to access historical benefit statements for five previous tax years. We implemented the *i454*, allowing adult beneficiaries to complete and submit the Medical CDR report online. We deployed our Enterprise Scheduling System to 50 States, Washington, DC, Puerto Rico, and the U.S. Virgin Islands, allowing customers to self-schedule enumeration appointments. We enhanced our text messaging services to allow customers to receive cost-of-living adjustment notice messages.



Strategic Objective 1.3: Build a Customer-Focused Organization

We prioritized improving the national average processing time for initial disability claims and reconsideration claims. In FY 2023, we did not achieve our projected Initial Disability Claim average processing time performance, however, to address the growing volume of pending initial and reconsideration claims, we re-directed Federal resources to provide immediate, direct support for disability claims processing. We convened specialized workgroups to develop and implement solutions to eliminate the disability backlog and recruit and retain employees at the State level. We established a national contract to recruit and manage medical and psychological consultants and issued guidance permitting telehealth for certain consultative examinations. We also onboarded 2 large health networks and 20 new health partners to increase the submission of electronic medical evidence and utilize software to generate a list of cases containing medical evidence that will likely meet or equal a medical listing. We improved disability, hearings, and appeals case processing systems through our enterprise-wide efforts to develop and implement modern, national claims processing systems.

Our Processing Centers (PC) process highly complex cases that require manual handling. We remain focused on addressing a backlog of pending actions. We took steps to address the backlog by transferring workloads among all the PCs to ensure that all available processing capacity is engaged. We are also processing the oldest pending cases across all workloads while balancing the continued processing of younger case priorities. In FY 2023, we hired PC staff to help reduce pending actions.



The following dashboard shows our FY 2023 performance measures status, including the Strategic Goal, Objectives, and a brief summary of our performance:

Strategic Goal 1: Optimize the Experience of SSA Customers
Performance at a Glance

Strategic Objective	Performance Measure	Performance Results Met/Not Met	Performance Summary
1.1: Identify and Address Barriers to Accessing Services	1.1a: Redesign SSA's website to enhance the user's online experience	**Met**	Customer satisfaction with our website was 69.7%, which exceeded our target to achieve a 1.5% increase from the 47.7% baseline.
	1.1b: Collect Customer Feedback	**Not Met**	We did not establish end of journey feedback collection for priority service designations due to technical resource constraints.
1.2: Expand Digital Services	1.2a: Increase the number of successfully completed online transactions	**Met**	We successfully completed 401.5 million online transactions, exceeding our FY 2023 target of 381 million online transactions and completing about 25.8 million more transactions than FY 2022.
	1.2b: Expand video service delivery	**Not Met**	We continue to work through testing with DHS to issue non-U.S. Citizen replacement cards.
1.3: Build a Customer-Focused Organization	1.3a: Provide uninterrupted access to our systems during scheduled times of operations	**Met**	Our systems availability was 99.95%, which exceeded our target of 99.90%.
	1.3b: Modernize evidence acquisition systems to drive increased electronic medical evidence volumes through a multi-channel strategy	**Not Met**	We acquired 55% of our medical evidence electronically, which was less than our 56% target, and the same as FY 2022.
	1.3c: Improve customer service by reducing the number of actions pending at the processing centers	**Met**	The number of actions pending at the processing centers was 4.6 million, below our target of 4.7 million.

Strategic Goal 2: Build an Inclusive, Engaged, and Empowered Workforce

Strategic Objectives

- 2.1 Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement
- 2.2 Support Employees' Chosen Career Paths

Our goal is to ensure our hiring and promotion practices promote equity, as we ensure our workforce delivers customer-focused service to diverse populations and reflects the diversity of the customers they serve. We are aligning our human capital policies and emerging technologies, to attract, train, develop, and retain our workforce. What follows are highlights of our progress and challenges toward accomplishing our Strategic Goal and Objectives.

Strategic Objective 2.1: Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement

We implemented a proactive planning approach to ensure the effective hiring, development, and retention of a talented and diverse workforce. We conducted analyses on hiring and employee advancement through our annual Management Directive 715 reporting process, and worked to improve policies and practices to ensure a representative workforce and maintain compliance with the *Architectural Barriers Act* Accessibility Standards. We reaffirmed our agency-wide policy on prohibiting discrimination, including harassment, based on sexual orientation, gender identity, or gender expression.

In FY 2023, we developed our FYs 2023–2026 Human Capital Operating Plan to address retention and attrition challenges through Strategic Workforce Planning. We conducted a DEIA analysis of our national mentoring program and established a workgroup with key agency stakeholders to identify strategies to increase the diversity of mentors. We announced direct hiring authority on our Careers with SSA website, which allows managers to directly recruit and hire candidates to fill critical positions, and added inclusive language in our job announcements in support of our DEIA Strategic Plan. Additionally, we updated our employee engagement resources, including executive and manager toolkits, to enable agency leaders to streamline workforce planning efforts and mitigate the impact of attrition.

Strategic Objective 2.2: Support Employees' Chosen Career Paths

We focused on improving employee engagement, strengthening our performance management process, and ensuring equity in leadership development. We expanded and diversified applicant pools through targeted recruitment of underrepresented groups. We also employed tools that support executive and management development, including attrition and retention analysis, employee feedback surveys, and targeted Improving Workplace Morale plans.

In 2023, we launched our traditional Mentoring Program with 350 mentees and over 250 mentors. We hosted activities that included mentoring program guidance, action planning, and focus groups for program improvement. We implemented mini-flash mentoring events for over 5,600 employees, focusing on career development, interpersonal skills, and soft skills. We presented career development topics focused on planning, interviewing, and resources. We also hosted the National Leadership Development Program (NLDP) Preparatory Series (an NLDP improvement), offering prospective applicants a series of four training sessions to prepare for the FY 2024 NLDP assessment process.

The following dashboard shows our FY 2023 performance measures status, including the Strategic Goal, Objectives, and a brief summary of our performance:

Strategic Goal 2: Build an Inclusive, Engaged, and Empowered Workforce
Performance at a Glance

Strategic Objective	Performance Measure	Performance Results Met/Not Met	Performance Summary
2.1: Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement	2.1a: Enhance the leadership and executive pipelines through modernized national leadership and executive development programs	**Met**	We implemented 67% of NLDP improvements recommendations based on program evaluation feedback (NLDP Preparatory Series), exceeding our 50% target.
	2.1b: Increase the use of workforce data analyses to support executive workforce and succession planning and data-driven decision making	**Met**	We released four new workforce planning and analysis resources on Exercising Inclusive Decision-Making, Workload Prioritization Tool, Knowledge Sharing Tool, and Workforce Projections.
2.2: Support Employees' Chosen Career Paths	2.2a: Improve employee engagement	**TBD**	Results available in Q1 of FY 2024
	2.2b: Ensure new supervisors receive timely training to improve their leadership skills and competencies	**Met**	Ninety-six percent of new supervisors completed training within one year of the effective date of their supervisory appointment, which exceeded our 95% target, and is an improvement of about 14% compared to FY 2022.
	2.2c: Strengthen manager accountability for effective performance management	**Met**	We maintained 96% of performance documents within e7B, which matched our FY 2023 target.

Strategic Goal 3: Ensure Stewardship of SSA Programs

Strategic Objectives

- 3.1 Improve the Accuracy and Administration of Our Programs
- 3.2 Identify and Eliminate Potential Barriers to Access Contracts and Grants
- 3.3 Improve Organizational Performance and Policy Implementation

Antifraud facts

Our goal is to ensure stewardship and the efficient administration of our programs, look for ways to improve the administration of our programs, and work to identify and address potential inequities. We focused our efforts on three major areas: improving program integrity, enhancing our fraud prevention and detection activities, and improving workforce performance and increasing accountability. What follows are highlights of our progress and challenges toward accomplishing our Strategic Goal and Objectives.

Strategic Objective 3.1: Improve the Accuracy and Administration of Our Programs

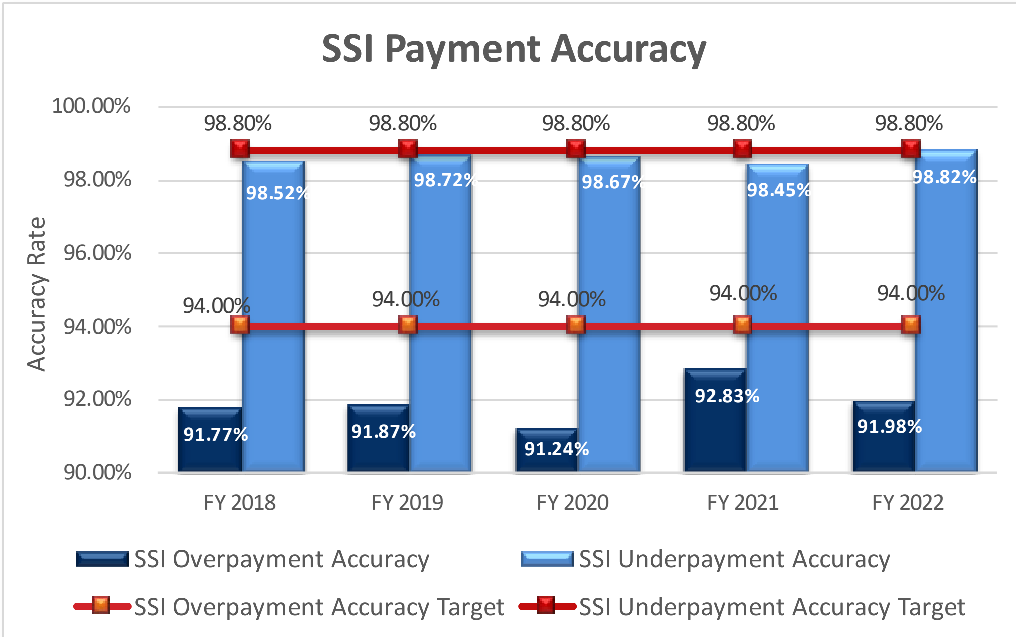
Dedicated program integrity funding helped ensure individuals receive the benefits to which they were entitled and helped safeguard the integrity of benefit programs by confirming eligibility, improving payment accuracy for overpayments and underpayments, and preventing fraud.

In addition, program integrity funding allows us to conduct SSI redeterminations, conduct the anti-fraud cooperative disability investigations program, and support special attorneys for fraud prosecutions. We will continue these efforts to ensure public confidence in our programs and operations and to ensure we are providing beneficiaries the correct benefits to which they are entitled.

Our online debt management processing provides beneficiaries with options to repay debts and enables us to effectively and efficiently post, track, collect, and report on overpayments. Our mobile wage reporting application and Optical Character Recognition functionality for scanning and uploading photographed documents makes it easier for SSI recipients to report wages from mobile devices.

In FY 2023, we mailed beneficiary notices regarding potential eligibility for higher benefits on their own earnings record and higher surviving divorced spouse benefits due to the death of their ex-spouse. We released videos on YouTube, social media platforms, and in field office waiting rooms explaining the importance of reporting wages and the various options available for reporting. We released the annual National Anti-Fraud Training to our employees, covering fraud and social media, organizational representative payee fraud, and identity theft.

We focused on improving our SSI payment accuracy, modernizing our debt management system, and expanding our cybersecurity program to ensure the integrity of our programs.



Strategic Objective 3.2: Identify and Eliminate Potential Barriers to Access Contracts and Grants

We focused on eliminating potential barriers to acquisition and grant opportunities. We targeted outreach to Historically Black Colleges and Universities (HBCU) and Institutions Serving Students of Color (ISSC) to solicit feedback about our grantmaking process and potential barriers. We also communicated with bidders and recipients of our contracts for Historically Underutilized Business Zone, Woman-Owned, Veteran-Owned, and Small Disadvantaged Businesses to learn about their experiences with our procurement process, barriers they encountered, and recommended solutions to eliminate these barriers.

In FY 2023, we announced the Interventional Cooperative Agreement Program, Retirement and Disability Research Consortium, and Analyzing Relationships between Disability, Retirement, and Work funding opportunities to targeted research audiences, including 180 HBCUs and ISSCs. We hosted an Industry Day with over 300 registered small business contractors to present upcoming information technology modernization initiatives and associated contracting opportunities. We updated our Procurement Forecast on a quarterly basis.

Strategic Objective 3.3: Improve Organizational Performance and Policy Implementation

We partnered with other Federal agencies to share data and develop strategies to address Government-wide initiatives. We increased the accuracy of our records, improved the customer experience, and increased organizational effectiveness, by providing SSN verifications and exchanging birth, death, prisoner, and benefit payment information, as permitted under law, with Federal, State, and private partners. We collaborated with the Department of Treasury and

Office of Management and Budget to initiate a new data exchange agreement to provide State death data to the Department of the Treasury for the Do Not Pay system, in support of *Consolidated Appropriations Act,* 2021. We also reached an agreement with the States on death data pricing.

In FY 2023, we hosted data exchange meetings with our Federal and private sector partners regarding confidentiality and disclosures, data safeguarding requirements, financial agreements, and the future of work. Additionally, we updated regulatory provisions to reflect advances in medical knowledge and emerging research by publishing a final rule to update the listing of impairments for Digestive and Skin Disorders.

The following dashboard shows our FY 2023 performance measures status, including the Strategic Goal, Objectives, and a brief summary of our performance:

Strategic Goal 3: Ensure Stewardship of SSA Programs
Performance at a Glance

Strategic Objective	Performance Measure	Performance Results Met/Not Met	Performance Summary
3.1: Improve the Accuracy and Administration of Our Programs	3.1a: Improve the integrity of the Supplemental Security Income program by focusing our efforts on reducing overpayments[2]	**TBD**	Results available in Summer 2024
	3.1b: Maintain a high payment accuracy rate by reducing overpayments, in the Old-Age, Survivors, and Disability Insurance program[2]	**TBD**	Results available in Summer 2024
	3.1c: Modernize our Debt Management System	**Met**	We expanded our automated remittance processing capabilities by increasing the use of lockbox services for SSI remittances.
	3.1d: Ensure the quality of our decisions by achieving the State disability determination services net and decisional accuracy rate for initial disability decisions	**TBD**	Results available in January 2024
	3.1e: Maintain effective cybersecurity and privacy programs	**Met**	We achieved 90% on the Chief Information Officer *Federal Information Security Modernization Act* Metrics Scorecard, exceeding our target of 81% and improving the agency's cybersecurity posture.

[2] Annual OASDI and SSI Stewardship Report results are available in the summer of the following year.

Strategic Objective	Performance Measure	Performance Results Met/Not Met	Performance Summary
	3.1f: Ensure timely and accurate payments to appointed representatives	Met	We achieved an average processing time of 45 days, which was below our target of 60 days and an improvement of about 26 days on average compared to FY 2022.
3.2: Identify and Eliminate Potential Barriers to Access Contracts and Grants	3.2a: Small Business Administration annual scorecard success in contracting with Historically Underutilized Business (HUB) Zone, Woman-Owned, Veteran-Owned, and Small Disadvantaged Businesses	**TBD**	Results available in Spring of 2024
	3.2b: Increase funding for HBCUs and ISSCs	Met	We increased funding by 110%, exceeding our target of 50% above the 4-year average.
3.3: Improve Organizational Performance and Policy Implementation	3.3a: Reduce our real property footprint	Met	We achieved a 108,614 Useable Square Footage (USF) reduction, exceeding our target of 70,000 USF.

Looking Forward – Facing Our Challenges

Millions of people depend on us for a financial safety net; it is imperative that we provide timely, quality service. To meet the critical needs of the public, we will enhance our services, advance our policies and business processes, and evolve our technological solutions. We are making clear our acceptable service levels to ensure we align our resources to achieve service improvements in our core workloads.

We are focused on rebuilding our workforce to address our service challenges. One of our key priorities is addressing our record backlogs in disability cases. We are diligently assisting the State DDSs who make disability decisions on our behalf. We are implementing new strategies to address recruitment and retention issues. We deployed Federal cadres to assist the DDSs in processing cases, especially where the DDSs face disproportionate staffing losses. We are using our disability case processing system and other technologies to help us identify cases that meet the criteria for expedited processing.

Our customers count on our National 800 Number agents to answer important questions. Too many people have experienced lengthy delays waiting to speak with an agent, particularly during our peak call periods. We have hired additional telephone agents and are transitioning our National 800 Number to a new service platform, our Next Generation Telephony Project, which we expect will improve some of our current service challenges.

We use technology to provide the public with convenient, user-friendly, and secure self-service options. More people are embracing the convenience of online services. We are improving the customer experience by expanding our digital services and modernizing our systems to provide the public with convenient online and automated service options.

We are committed to ensuring that our programs and services are reaching underserved communities and people facing barriers to accessing our services. We are continuing our SSI outreach work, including collaborating with Federal and State Government agencies and third-party organizations to make the public aware of potential benefit eligibility.

We are committed to climate adaptation and resilience planning to reduce climate change risks. Our *Climate Action Plan* reaffirms our vision to improve our capacity to assess and build resilience to climate change risks. We provide information on Climate-Related Financial Risk in the *Other Reporting Requirements* section.

We are working to better serve millions of people while maintaining strong stewardship and rigorous oversight of the programs we administer. We discuss additional program challenges as detailed in the *Highlights of Financial Position* section and Note 17, Social Insurance Disclosures, in the *Financial Statements and Additional Information* section.

HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unmodified opinion on our financial statements from Ernst & Young 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 are located in the *Financial Section* of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2021 through 2023 (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)			
	2023	2022	2021
Total Assets	$2,856.4	$2,877.0	$2,893.3
Less Total Liabilities	$157.0	$136.8	$121.5
Net Position (assets net of liabilities)	$2,699.4	$2,740.2	$2,771.8

Change in Net Position (end of fiscal year)			
	2023	2022	2021
Net Costs	$1,433.3	$1,294.4	$1,194.2
Total Financing Sources[2]	$1,392.5	$1,262.8	$1,136.4
Change in Net Position	$(40.8)	$(31.6)	$(57.8)

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes the following line items from the Statements of Changes in Net Position located in the *Financial Section* of this report: Net Change in Unexpended Appropriations, Appropriations Used in Cumulative Results of Operations, Total Non-Exchange Revenue, Transfers-In/Out Without Reimbursement, Imputed Financing Sources, and Other.

Balance Sheet: The Balance Sheet, located in the *Financial Section* of this report, 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 2023 are $2,856.4 billion, a 0.7 percent decrease over the previous year. Of the total assets, $2,838.6 billion relate 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. Our Investments line, which includes interest receivable and accounts for approximately 99.2 percent of our assets, decreased $21.9 billion from the previous year. This decrease is due to a reduction in OASI investments during FY 2023, as the program's obligations exceeded receipts. This increase in obligations is due primarily to an increase in beneficiaries and the 8.7 percent Cost of Living Adjustment (COLA) beneficiaries received in 2023.

Liabilities grew in FY 2023 by $20.2 billion primarily because of the growth in benefits due and payable, which is primarily due to an increase in the number of OASI beneficiaries, and the 8.7 percent COLA provided to beneficiaries in 2023. The majority of our liabilities (92.7 percent) consists of benefits that have accrued as of the end of the fiscal year, but have not been paid as of September 30, 2023. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position decreased $40.8 billion to $2,699.4 billion as a result of the decrease in assets and increase in liabilities in FY 2023.

Statement of Net Cost: The Statement of Net Cost, located in the *Financial Section* of this report, 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 2023, our total net cost of operations increased $138.9 billion to $1,433.3 billion, primarily due to a 2.5 percent increase in the number of OASI beneficiaries, and the 8.7 percent COLA provided to beneficiaries in 2023. The OASI, DI, and SSI net cost increased by 12.0 percent, 6.0 percent and 0.1 percent respectively. Operating expenses increased for the OASI, DI, and SSI programs by 5.9 percent, 1.2 percent, and 5.4 percent respectively. When evaluating our OASI, DI, and SSI Programs, our administrative operating expenses for these programs are only 0.9 percent of these programs' total benefit expenses.

In FY 2023, our total benefit payment expenses increased by $137.8 billion, a 10.8 percent increase. The following table provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2023 and FY 2022 for each of our three major programs. The decrease in SSI benefit payment expense from FY 2022 to FY 2023 is due to 12 months of benefit payments in FY 2023 versus 13 months of payments in FY 2022 resulting from the October 2022 payments being accelerated into FY 2022 as the payment date fell on a weekend. This decrease is offset by an increase in benefit payment expense in FY 2023 due to the 8.7 COLA provided to beneficiaries in 2023. Refer to Note 1, Summary of Significant Accounting Policies in the *Financial Section* of this report for additional information on benefit payments.

Benefit Changes in Our Major Programs During Fiscal Years 2023 and 2022

	FY 2023	FY 2022	% Change
OASI			
Benefit Payment Expense	$1,204,269	$1,075,126	12.0%
Average Monthly Benefit Payment	$1,759.67	$1,597.58	10.1%
Number of Beneficiaries	58.24	56.84	2.5%
DI			
Benefit Payment Expense	$155,148	$146,259	6.1%
Average Monthly Benefit Payment	$1,350.00	$1,232.11	9.6%
Number of Beneficiaries	8.60	8.95	(3.9)%
SSI			
Benefit Payment Expense	$58,374	$58,581	(0.4)%
Average Monthly Benefit Payment	$676.06	$622.76	8.6%
Number of Beneficiaries	7.45	7.57	(1.6)%

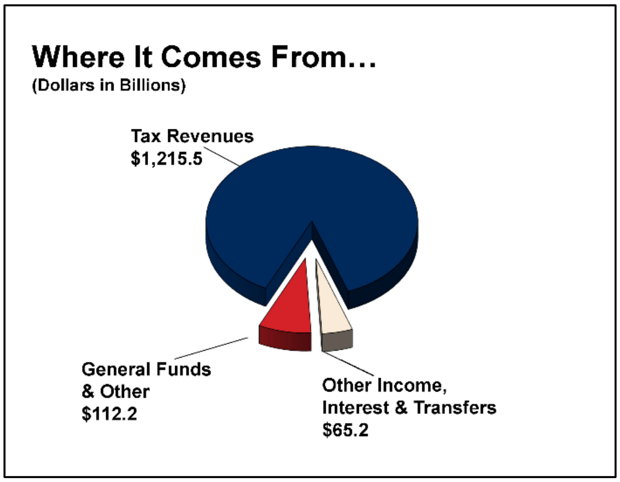
Notes:

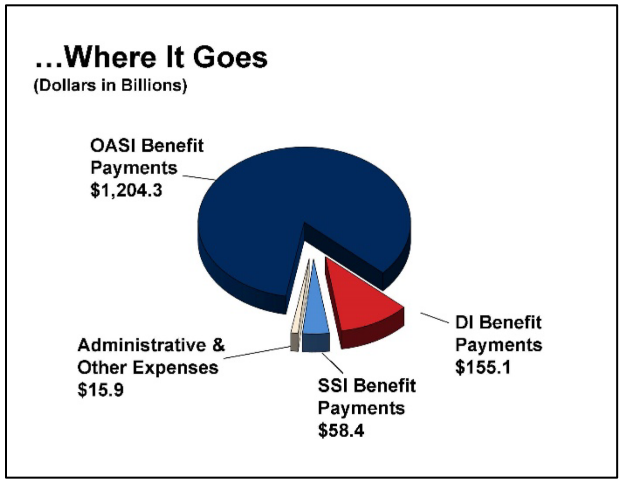
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs is presented in actual dollars.
3. The average monthly benefit payment and number of beneficiaries for OASI, DI, and SSI is as of September 30.

Statement of Changes in Net Position: The Statement of Changes in Net Position, located in the *Financial Section* of this report, 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 a decrease of $40.8 billion in the net position of our agency, which is attributable to our net cost exceeding our financing sources. OASDI financing sources are primarily made up of tax revenues and interest earned. In addition, OASDI financing sources are affected by transfers-in from our Payments to the Trust Fund accounts and transfers-out to our Limitation on Administrative Expenses accounts and the Railroad Retirement Board. We use most of the resources available to us to finance OASDI benefits and cover administrative expenses. As of September 30, 2023, OASI's FY 2023 net cost exceed financing sources, decreasing its net position. DI's FY 2023 financing sources exceed its net cost, increasing its net position.

In FY 2023, total financing sources, as shown in the Table of Key Financial Measures displayed earlier in this section, increased by $129.7 billion to $1,392.5 billion. This increase is primarily due to an increase in OASI and DI tax revenues received in FY 2023. Tax revenue increased $128.6 billion to $1,215.5 billion in FY 2023 due primarily to an increase in OASDI employment tax collections during FY 2023, as estimates and the related collections continue to increase in both programs post the COVID-19 pandemic. In addition, there was a $34.0 billion positive adjustment to tax collections processed during FY 2023 that is also contributing to the increase. This adjustment was the result of true-ups of the estimated taxable earnings to actual wage data received by Treasury. The $1,392.5 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the following "Where It Comes From…" chart. 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 that 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 2023.





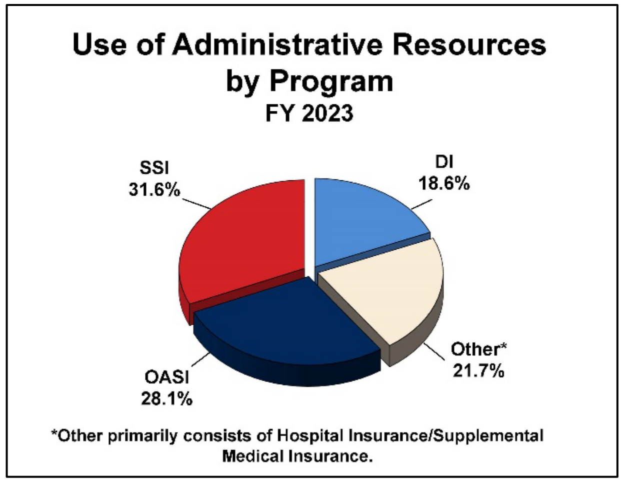
Note: The individual items included in the "Where It Comes From…" chart total $1,392.9 billion. Of this total, 0.3 billion relates to exchange revenue, which is not included on the Statement of Changes in Net Position. Please note, the $1,392.9 billion total in the chart will not tie to the sum of the Total Financing Sources and Exchange Revenue listed in the text above due to rounding.

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, located in the *Financial Section* of this report, 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 2023. The Statement shows that we had $1,511.7 billion in budgetary resources, of which $4.9 billion remained unobligated at year-end. We recorded total net outlays of $1,416.3 billion by the end of the year. Budgetary resources increased $141.2 billion, or 10.3 percent, from FY 2022, while net outlays increased $134.3 billion, or 10.5 percent. The increase in budgetary resources is primarily due to the increase in tax revenues collected by the OASDI Trust Funds in FY 2023. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries and the 8.7 percent COLA provided to beneficiaries in 2023.

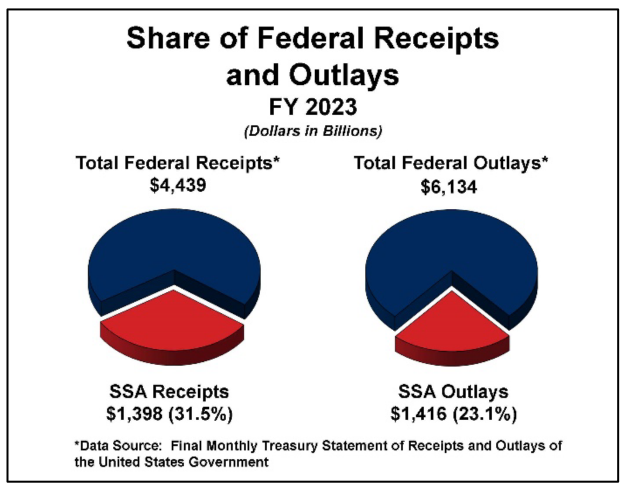
Use of Administrative Resources

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2023 in terms of the programs we administer or support. Although the DI program comprises only 10.9 percent of the total benefit payments we make, it consumes 18.6 percent of annual administrative resources. Likewise, while the SSI program comprises only 4.1 percent of the total benefit payments we make, it consumes 31.6 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 eligibility for benefits. The FY 2022 use of administrative resources by program was 28.4 percent for the OASI program, 19.8 percent for the DI program, 32.1 percent for the SSI program, and 19.7 percent for Other.



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 2023 represented 31.5 percent of the $4.4 trillion in total Federal receipts, an increase of 5.6 percent from last year. SSA Outlays increased by 2.7 percent to 23.1 percent of Federal outlays. SSA outlays increased in FY 2023 compared to FY 2022 by $134.3 billion, while Federal outlays decreased by $137.1 billion.



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 (OASDI) (calendar year basis)			
	2023	**2022**	**2021**
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	$(25,252)	$(23,301)	$(22,742)
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	$(23,301)	$(22,742)	$(19,696)
Change in present value[3]	$(1,951)	$(560)	$(3,045)

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Present values used in this presentation 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 reserves are depleted. Future net cash flows are estimated over the appropriate 75-year period.
3. We provide high-level descriptions of the reason for the change in present value from year to year in the Statement of Changes in Social Insurance Amounts subsection on the following page.

Statements of Social Insurance: The Statements of Social Insurance, located in the *Financial Section* of this report, 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 (i.e., 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 (i.e., 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 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 reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

Estimated future noninterest income shown in the bullets above 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 reserves held in the combined OASI and DI Trust Funds. The estimated future cost shown in the bullets above includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

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 -$23.3 trillion, as of January 1, 2022, to -$25.3 trillion, as of January 1, 2023. The deficit, therefore, increased in magnitude by about $2.0 trillion. Including the reserves in the combined OASI and DI Trust Funds increases this open group measure by about $2.8 trillion, to -$22.4 trillion, for the 75-year valuation period.

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 reserves in the combined OASI and DI Trust Funds as of the beginning of the period, is -$47.5 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 $25.1 trillion to the open group measure of -$22.4 trillion.

Statements of Changes in Social Insurance Amounts: The Statements of Changes in Social Insurance Amounts, located in the *Financial Section* of this report, reconcile the changes (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 significant components of the changes and provides reasons for the changes.

From January 1, 2022 to January 1, 2023: Changes in the present value of estimated future net cash flows for this valuation are due to the following factors:

- Advancing the valuation date by one year and including the additional year, 2097, by itself decreased the present value of estimated future cash flows by $0.7 trillion;
- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.8 trillion;
- Changes in programmatic data and methods decreased the present value of estimated future net cash flows by $0.3 trillion; and
- Changes in law or policy had a negligible effect on the present value of estimated future net cash flows.

Significant changes made for this valuation included:

- Updating data for the historical population, other-than-lawful permanent resident immigration, and marriage and divorce—including incorporating 2020 and 2021 data from the American Community Survey;
- Revising the levels of gross domestic product (GDP) and labor productivity down by about 3.0 percent by 2026 and for all years thereafter;
- Increasing the annual percentage change in the average OASDI covered wage, adjusted for inflation, by about 0.02 percentage point to an average of 1.14 percentage points over the last 65 years of the 75-year projection period;
- Updating the sample of retired-worker and disabled-worker beneficiaries who have become newly entitled for benefits, which is used in the long-range model to project average benefit levels; and
- Updating the post-entitlement benefit adjustment factors, which are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

From January 1, 2021 to January 1, 2022: Changes in the present value of estimated future net cash flows for this valuation are due to the following factors:

- Advancing the valuation date by one year and including the additional year, 2096, by itself decreased the present value of estimated future cash flows by $0.7 trillion;
- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.3 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.2 trillion;
- Changes in programmatic data and methods increased the present value of estimated future net cash flows by $0.6 trillion; and
- Changes in law or policy had a negligible effect on the present value of estimated future net cash flows.

Significant changes made for this valuation included:

- Increasing near-term real interest rates;
- Updating economic starting values and near-term growth assumptions to reflect the stronger-than-estimated recovery from the pandemic-induced recession;
- Increasing the level of potential GDP for years 2021 and later by roughly 1 percent, reflecting the strong recovery and the expectation of a permanent level shift in total economy labor productivity
- Lowering the ultimate disability incidence rate from 5.0 to 4.8 per thousand exposed, and changing the near-term path to reach that lower ultimate rate; and

- Increasing near-term and ultimate levels of revenue from income taxation of OASDI benefits.

OASI and DI Trust Fund Solvency

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. Some examples of sources of near-term uncertainty include the path of the recovery from the COVID-19 pandemic and unanticipated changes in inflation, earnings growth, and interest rates. Such near-term effects do not generally have significant effects on the long-term values shown in the Statements of Social Insurance. Some examples of sources of long-term uncertainty include the effects of climate change, levels of future government spending and taxation, and possible future global events and technical advances. To illustrate the uncertainty of the projections, we include sensitivity analysis on a range of long-term assumptions in the *Required Supplemental Information: Social Insurance* section of this report.

Pay-As-You-Go Financing

The OASI and DI Trust Funds are deemed solvent as long as 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 reserves. Beginning in 2021, program obligations for the OASDI program have exceeded income, including interest income on reserves held in the combined OASI and DI Trust Funds, therefore, the combined OASI and DI Trust Fund reserves have declined. The reserves are projected to continue to decline until reserves become depleted in 2034.

The following table shows that the combined OASI and DI Trust Fund reserves, expressed in terms of the number of months of program obligations that these reserves could finance, has been declining slowly. This measure indicates the ability of the OASI and DI Trust Funds to cover most short-term financial contingencies. The number of months that the reserves of the combined OASI and DI Trust Funds could finance was 31.8 months at the end of FY 2019, declining to 30.8 months at the end of FY 2020, to 28.1 months at the end of FY 2021, and to estimated values of 25.2 and 23.1 months at the end of FY 2022 and FY 2023, respectively.

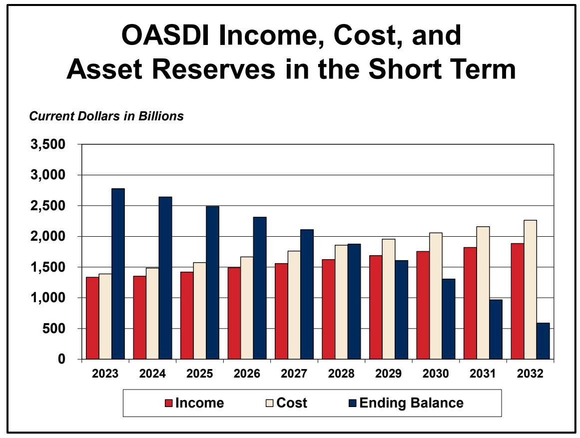
Number of Months of Cost
Fiscal-Year-End Trust Fund Reserves Can Pay[1,2]

	2023	2022	2021	2020	2019
OASI	24.6	27.2	30.8	34.0	35.5
DI	10.9	9.1	8.1	8.1	7.9
Combined	23.1	25.2	28.1	30.8	31.8

Notes:

1. Computed as 12 times the ratio of end-of-year reserves to cost in the following fiscal year.
2. Values for FY 2022 and FY 2023 are estimates based on the intermediate set of assumptions of the 2023 Trustees Report.

Short-Term Financing



Having trust fund reserves at the beginning of a year at least equal to the projected cost for that year is a good indication that a trust fund can cover most short-term contingencies. Beyond this rough indication, the annual Trustees Reports also include some formal tests to assess financial status. Projections in the 2023 Trustees Report indicate that, on a hypothetical combined basis, the OASI and DI Trust Funds fail the test of short-range financial adequacy, and are therefore not sufficiently financed over the next 10 years. Under the intermediate set of assumptions of the 2023 Trustees Report, OASDI estimated costs of $2,264 billion and income of $1,886 billion for 2032 are 82 percent and 54 percent higher than the corresponding amounts in 2022 ($1,244 billion and $1,222 billion, respectively). From the end of 2022 to the end of 2032, combined OASI and DI Trust Fund reserves are projected to decrease by 79 percent, from $2.8 trillion to $0.6 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. Under the intermediate set of assumptions of the 2023 Trustees Report, program costs will exceed income in all years of the 75-year projection period. The combined OASI and DI Trust Fund reserves are projected to become depleted in 2034. Tax revenues are projected to be sufficient to support expenditures at a level of 80 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 74 percent of scheduled benefits in 2097.

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 beginning their retirements. In present value terms, the 75-year shortfall is $22.4 trillion, which is 3.42 percent of taxable payroll and 1.2 percent of GDP 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 reserves, at least in part, in private securities.

Limitations of the Financial Statements

The financial statements beginning on page 53 are prepared to report the financial position, financial condition, and results of operations of the Social Security Administration, consistent with the requirements of 31 United States Code 3515(b). The statements are prepared from records of the Social Security Administration in accordance with Federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Assurances

Fiscal Year 2023 Acting Commissioner's Assurance Statement

SSA management is responsible for managing risks and maintaining effective internal control and financial management systems (FMS) to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). We conducted our assessment of risk and internal control in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Our assessment considered the design and operating effectiveness of our data quality controls to ensure they support *Digital Accountability and Transparency Act* reporting objectives as outlined in our *Data Quality Plan*. Based on the assessment results, we can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2023.

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 conducted our assessment 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 the assessment results, we concluded that, as of September 30, 2023, SSA's internal control over financial reporting is effective.

The *Federal Financial Management Improvement Act of 1996* (FFMIA) requires Federal agencies to implement and maintain FMSs that comply substantially with: 1) Federal FMS requirements; 2) applicable Federal accounting standards; and 3) the U.S. Standard General Ledger at the transaction level. We assessed our FMSs in accordance with the requirements of OMB Circular No. A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*. Based on the assessment results, we determined our FMSs substantially comply with FFMIA and conform to the objectives of FMFIA. In making this determination, we considered all available information, including the auditor's opinion on our fiscal year 2023 financial statements, the report on the effectiveness of internal controls over financial reporting, and the report on compliance with laws and regulations. We also considered the results of the FMS reviews and management control reviews conducted by the agency and its independent contractor.

Kilolo Kijakzi

Kilolo Kijakzi, Ph.D., M.S.W.
Acting Commissioner
November 14, 2023

Agency Federal Managers' Financial Integrity Act Program

We have a well-established, agency-wide management control and financial management systems (FMS) 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 FMSs at all organizational levels;
- Reviewing our management controls and FMS controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until completion.

We incorporate effective internal controls into our business processes and FMSs 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 FMSs. These reviews evaluate the adequacy and efficiency of our operations and systems, and provide overall assurance that our business processes are functioning as intended. The reviews also ensure management controls and FMSs comply with the standards established by FMFIA, the *Federal Financial Management Improvement Act of 1996*, and Office of Management and Budget (OMB) Circular Nos. A-123 and A-130. Throughout the fiscal year, management control issues and weaknesses are reviewed individually and in the aggregate to determine if a reportable condition exists.

Our managers are responsible for ensuring effective internal control in their areas and communicating possible reportable conditions as necessary. We require senior-level executives to submit annual statements 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. The Executive Internal Control Committee evaluates identified major control weaknesses to determine if they are material, and if the Acting Commissioner must make a final determination on whether to report them.

For more information, please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Information* section of this report.

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. 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 an FMS inventory and conducts reviews of the FMSs to ensure they meet Federal requirements. In addition to our financial systems, we include all major programmatic systems in the FMS inventory. On a three-year cycle, an independent contractor performs detailed reviews of our FMSs. During fiscal year (FY) 2023, 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 2023, we engaged an independent accounting firm to assess our 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 meets the GAO's standards.

Enterprise Risk Management

We continue to mature our Enterprise Risk Management (ERM) program in accordance with Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. We have implemented a multi-year strategy that will further integrate our existing internal control and risk management frameworks with our strategic planning and review processes. During FY 2023, we continued to work on our training series to increase awareness of ERM and risk concepts among different levels of the agency as well as explain how to apply the training content to further ERM maturity and risk awareness throughout the agency. In addition to our training series, we developed the *Risk Evaluation, Assessment, and Considerations Handbook* to provide guidance in incorporating risk assessments and analyses into agency projects, initiatives, and decision memorandums. We also updated our risk appetite statement, including risk category appetites, to reflect the agency's current risk environment along with performed inherent risk re-assessments over our program and process risks to ensure we captured the inherent risk ratings appropriately. Finally, we updated our ERM Council charter based on lessons learned to improve communications and efficiencies surrounding the Council's responsibilities.

Financial Statement Audit

The Office of the Inspector General (OIG) contracted with Ernst & Young LLP (EY) for the audit of our FY 2023 financial statements. EY opined that the Consolidated Financial Statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities.

EY also opined that the Sustainability Financial Statements, which comprise the Statement of Social Insurance as of January 1, 2023, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2022 to January 1, 2023, are presented fairly, in all material respects, in accordance with U.S. GAAP.

EY opined that we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, 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, EY cited two significant deficiencies identified in prior years. These significant deficiencies concern internal controls over certain financial information systems and internal control over accounts receivable with the public (benefit overpayments). We resolve the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our internal control environment.

For more information on the auditors' findings and our plans to correct the findings, please refer to the *Independent Auditor's Report* section of this report.

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.

For the FY 2023 FISMA audit, EY identified a number of recommendations to mature the cybersecurity posture of the agency, including process improvements associated with the integration of our enterprise and cybersecurity risk management programs, leading EY to issue an overall Not Effective rating for our program. While we agree with the auditor's high-level recommendations for continuous program improvement, we regard our program as Effective, especially when factoring in our real-world experience and performance with protecting our network and systems from multiple critical threats and vulnerabilities impacting the Federal enterprise. While the Inspector General (IG) FISMA Metrics are strongly encouraged for use as evaluation criteria, it is our understanding that they were not designed to be the sole determinant of maturity. As established in OMB's FY 2023-2024 IG FISMA Reporting Metrics, "IGs should consider both their and the agency's assessment of unique missions, resources, and challenges when determining information security program effectiveness." Additionally, it states, "Therefore, an IG has the discretion to determine that an agency's information security program is effective even if the agency does not achieve a Level 4 (managed and measurable)."

We also concur with EY's effective rating for our Incident Response program, further demonstrating our commitment to ensure incident detection and handling are in place to battle an evolving threat landscape. Our response to these evolving threats amid well publicized exploits of corporate and government entities in FY 2023 demonstrates our capabilities to protect the agency's information technology (IT) assets.

As evidenced by our improved FY 2023 scores, we continuously enhance our cybersecurity controls and elevate our maturity levels. We understand the importance of strong enterprise cyber governance and managing associated cyber risks are of upmost importance to our agency and we will continue our efforts to further improve our performance across all FISMA domains. For this reason, we strengthened and expanded our Information System Security Officer program to provide improved front line security oversight for agency components, regions, and distributed sites.

The agency will continue to prioritize our efforts based on risk-based decisions in implementing all recommended cybersecurity program improvements, however it is important to note that many of our initiatives require multi-year investments to fully meet the criteria established for an Effective program, as designated by the metrics.

Financial Management Systems Strategy

Over the years, we have worked hard to improve our financial management practices. We continue to develop 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 FMS inventory to reflect the status of our systems modernization projects. We categorize our inventory of FMSs under the broad headings of Program Benefits, Debt Management, or Financial/Administrative and continue the long-term development of our FMSs following a defined strategy.

In FY 2018, we began modernization efforts to build a new Debt Management System (DMS). This IT investment is a multi-year effort intended to build a comprehensive overpayment system enabling us to record, track, collect, and report our overpayments more efficiently.

The Debt Management Product is a modernization effort focused not only on a new DMS, but also on modernizing the way we do business and offer services to the public. This includes updating our accounting and reporting for delinquent and unproductive debts, streamlining our current manual remittance process, and providing modern platforms and electronic services for those individuals seeking to pay the agency, such as utilizing online payment methods. These actions will make it easier for our recipients to interact with us.

For the Financial/Administrative systems category, the Social Security Online Accounting and Reporting System (SSOARS) has been our accounting system of record since implementation in 2003. SSOARS is a federally certified accounting system based on Oracle Federal Financials and consists of core accounting, payables, purchasing, receivables, iStore, WebCenter, Business Intelligence (BI) Publisher, Service Oriented Architecture Suite, and single sign-on services. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems for obligations and payments.

In FY 2023, we completed the major task of upgrading the underlying SSOARS database version from 12c to 19c. We completed our Fusion Middleware patching across all environments and implemented multiple major releases to G-Invoicing to support additional functionality and apply bug fix patches from Oracle. We implemented multiple enhancements to the agency's custom accounting processes via the Oracle Sub-Ledger Accounting module and added high availability support to parts of the Social Security Electronic Remittance System (SERS) user interface that were not highly available, while also reducing the resource use of this user interface. We upgraded our single sign-on services and replaced an aging configuration reporting system from Oracle with a custom solution. Finally, we completed an analysis of SSOARS rehosting options and procured replacement on-premises hardware which arrived in September 2023.

Throughout FY 2024, we are working to execute a major project to bring up the new hardware and move SSOARS functionality to it. The move to new hardware entails a change from Solaris to LINUX operating systems. This effort changes both the hardware and the operating system. We expect additional G-Invoicing patches and releases in FY 2024. We are replacing BI Publisher with agency supported WebFOCUS reporting and retire BI Publisher as it is not supported on LINUX.

Digital Accountability and Transparency Act

We submitted and certified the required reports for the *Digital Accountability and Transparency Act* (DATA Act) for the fourth quarter of FY 2022 and the first, second, and third quarters of FY 2023. These reports were submitted monthly as required by OMB Memorandum M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)*. Additionally, we have submitted the required reports for July, August, and September 2023.

We are continuing to engage with the DATA Act community to develop improvements to the DATA Act Information Model Schema (DAIMS). We participate in workgroups to develop policy, guidance, and new reporting requirements. The DATA Act effort will continue to enhance our transparency through improved consistency. In addition, we are providing more detailed data to USASpending.gov and additional data to Treasury. For FY 2023, we implemented DAIMS 2.2.2.

In compliance with OMB Memorandum M-18-16, *Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk,* we have developed a *Data Quality Plan* to ensure we have effective internal controls over the input and validation of data submitted to USAspending.gov. We leverage our existing FMFIA program activities to identify critical risk points and corresponding mitigating controls, and assess the design and operating effectiveness of our data quality controls to ensure they support DATA Act reporting objectives. We also consider the results of our assessment in our FMFIA annual assurance statement process.

The DATA Act has provided the agency a tool to remove the silos for the various lines of business that are impacted by the DATA Act. There is a coordinated effort between finance, budget, acquisition, and financial assistance to make sure our spending data links between the various systems. This allows a link from budget formulation to award issuance to funds disbursement.

USAspending.gov displays the number of unlinked awards submitted for each period for both contracts and financial assistance. In FY 2023, we had 516 unlinked awards and 88 percent of these awards were either zero dollar or micro-purchase. These unlinked awards link internally, but due to reporting requirements, do not link externally on USAspending.gov. In FY 2022, we had 1,114 unlinked awards and 95 percent of these awards were either zero dollar or micro-purchase.

Since the first DATA Act reporting period, second quarter of FY 2017, we have reported on every Treasury Account Symbol and have not had a reporting difference in obligations.

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Financial Section

SSA.gov

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

It is an honor to join Acting Commissioner Kijakazi in presenting our fiscal year (FY) 2023 *Agency Financial Report* (AFR). Many of our FY 2023 accomplishments are highlighted in the report, which illustrates our dedication to fiscal accountability and transparency and demonstrates our commitment to ensuring equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs.

For the 30th consecutive year, we received an unmodified audit opinion on our financial statements from our independent auditors. An unmodified audit opinion confirms that our statements present our financial position fairly and are free of material misstatement. Our independent auditors also issued an unmodified opinion on the effectiveness of our internal control over financial reporting. The auditors determined that we had no material weaknesses and cited two significant deficiencies identified in prior years. The significant deficiencies concern internal controls over certain financial information systems and internal control over accounts receivable with the public (i.e., benefit overpayments).

We resolve the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment. We focus on increasing cross-component collaboration by involving subject matter experts and leaders across the agency. Our independent auditors noted areas of progress we made in remediating elements of these significant deficiencies. However, we continue to face challenges, such as the ever-changing cybersecurity landscape in which we operate and the allocation of limited resources. Many elements of our remediation plans will take time to implement. Nonetheless, we are committed to continuous improvement. We provide additional information on the auditors' findings and our corrective actions in the *Analysis of Systems, Controls, and Legal Compliance* and *Independent Auditor's Report* sections of this report.

For the 25th consecutive year, the Association of Government Accountants awarded us the Certificate of Excellence in Accountability Reporting. This streak is an unprecedented accomplishment in the Federal Government and confirms our commitment to financial reporting excellence in our FY 2022 AFR.

We look for ways to improve our business processes by modernizing our legacy systems and leveraging automation. We are focused on addressing the root causes of improper payments, improving payment accuracy, bolstering full and open competition in the acquisition and grants process, and applying sound management principles to our everyday work. These efforts – if supported with sustained, sufficient funding – will put us on the path to significantly improve our service the public in the coming years.

We are a customer-facing agency administering complex programs, which requires sufficient staff to keep up with the demand for our services. After years of tight budgets, in FY 2022 we hit our lowest staffing level in 25 years. We simply did not have enough staff to complete our growing workloads and serve all the customers who need our help. Our budget directly drives the level of customer service the public receives from us, and new hires are necessary to begin to reduce growing backlogs and improve service. In FY 2023, we received a funding increase and began rebuilding our workforce. .Our accomplishments are not possible without our dedicated and hardworking employees who are doing their part to restore and improve service while working within our current funding levels. They are essential to providing outstanding service to the public and the continued success of our financial management program. We will look for ways to increase efficiency, while supporting our valued and highly trained team. For additional information on how the Office of the Chief Financial Officer contributed to accomplishing our mission, please refer to the *Financial Management Initiatives Advancing Our Mission* section beginning on the following page.

Respectfully,

Chad Poist

Baltimore, Maryland
November 14, 2023

FINANCIAL MANAGEMENT INITIATIVES ADVANCING OUR MISSION

Our Chief Financial Officer also serves as the Performance Improvement Officer. This dual role provides oversight to the full life cycle of agency initiatives and goals – from the development of the *Agency Strategic Plan,* which drives budget decisions and annual performance plans, to the financial management of resources and performance reporting. The following are key financial management initiatives that advance this mission and the agency's mission, Strategic Goals, and Objectives:

Debt Management

Remittance Modernization to Improve Service Delivery: The Office of the Chief Financial Officer (OCFO) is leading our remittance modernization efforts. Historically, our remittance process was a largely manual paper workload handled by our Mid-Atlantic Program Service Center (MATPSC). The MATPSC remittance process requires a method of payment (check, money order, or debit or credit card) and a corresponding payment coupon necessary to update a debtor's record. In fiscal year (FY) 2021, we implemented several significant improvements to our remittance process, which are improving how people interact with us.

- **Pay.gov**: In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for Old-Age, Survivors, and Disability Insurance beneficiaries and Supplemental Security Income (SSI) recipients to repay benefit overpayments via credit or debit card and an automated clearing house (ACH) (i.e., a checking or savings account). In FY 2023, we processed 464,000 remittances and collected nearly $94 million through Pay.gov, slightly more than collected in FY 2022.
- **Lockbox Service**: Also, in January 2021, we partnered with Treasury to use U.S. Bank, a financial agent for Treasury, to implement a lockbox service to assist with our paper remittance processing efforts. In February 2021, we began routing some of our paper remittances to the lockbox for processing. In FY 2023, we expanded the lockbox service to include additional SSI remittances. In FY 2023, the lockbox service processed approximately 216,000 remittances, worth over $54 million recovered through the lockbox service.
- **Online Bill Pay**: In July 2021, we implemented Online Bill Pay (OLBP), allowing overpaid individuals to make a one-time or recurring ACH draft from a bank account using a personal computer or mobile phone. Prior to this implementation, OLBP remittances defaulted to paper checks. In FY 2023, we processed over 41,000 remittances through this service, which is over twice as many as FY 2022, and collected over $4 million through OLBP.

These remittance channels, combined with our previously implemented Social Security Electronic Remittance System, now process 65 percent of our remittances, an increase of five percent over FY 2022.

Public Service

Allocated Funding to Achieve Net Staffing Gains Amid High Attrition: In FY 2023, we received a $785 million increase over our FY 2022 funding level. With the increase, we made significant progress in rebuilding our workforce after experiencing a 25-year staffing low in FY 2022. We implemented a variety of strategies focused on recruiting and retaining employees in hard-to-fill positions, including obtaining direct hiring authority to increase the efficiency and speed of identifying, selecting, and on-boarding highly qualified candidates. Through these efforts, we increased our workforce by over 3,100 employees in FY 2023. As a result of net hiring gains and the effort of our dedicated employees, we were able to process almost 6.7 million retirement claims, nearly 2 million disability claims, handle about 30 million calls to our National 800 Number, and complete over 550,000 continuing disability reviews and 2.5 million SSI redeterminations.

Efficiency

Compassionate And REsponsive Service Plan: In FY 2023, as a result of our Compassionate And REsponsive Service plan, we reduced the hearings backlog to the lowest level in over 20 years. In FY 2023, we received $55 million in dedicated funding to reduce the hearings backlog. Over the last seven years, Congress has provided $550 million in special funding dedicated to address the hearings backlog. From budget planning, execution, and reporting, to providing ongoing medical and vocational contractual support for hearings cases, OCFO remains engaged to improve the hearings process.

Reduce Property Footprint: OCFO continues to identify opportunities to improve the use of space in our non-public facing facilities, while simultaneously reducing costs. In FY 2023, we completed our relocation of employees and equipment from our Security West leased facility onto our headquarters campus. This project, which we completed over a year ahead of schedule, will yield $17 million in annual lease cost savings. Additionally, we completed relocating approximately 90 percent of our employees from leased space in Falls Church, Virginia, to existing leased space in Washington, DC. Once we fully vacate this facility and terminate our occupancy agreement in September 2024, we will realize $10 million in annual lease cost savings. Lastly, we collaborated with the General Services Administration (GSA) and our regional staff to return space at the Columbia Center in Seattle, Washington, resulting in $3.9 million in annual lease cost savings. We continue to work with GSA and our regional staff to evaluate our space needs.

Robotic Process Automation: Over the last few years, OCFO has implemented several robotic process automations (RPA) that have resulted in significant time savings. In FY 2022, OCFO built and implemented an RPA that closes out awards made under Federal Acquisition Regulation (FAR) Part 13 with no remaining balance. Award closeout is required by FAR when the period of performance is completed. Previously, this was a labor-intensive task normally performed by contracting officers and contract specialists. The RPA performs this task without human involvement by automatically identifying awards eligible for closeout in the agency's contract writing/management system made under FAR Part 13. It ensures each award contract file contains certification that all contracted goods and/or services were received and accepted. The RPA then checks the agency's payment record system to ascertain whether the awards have a remaining balance. For awards with a zero-dollar balance, the RPA completes all required closeout actions in the contract writing/management system. In FY 2023, the RPA closed out 197 awards worth over $71 million and saved our contracting staff almost 400 work hours.

In FY 2023, OCFO developed an RPA to maintain accurate records of authorized users for the agency's contract writing/management system and purchase card application system. Each day, the RPA reviews a file that contains names and other identifying information relative to individuals who have separated from the agency effective the prior day. The RPA determines whether the separated employees had access to either system. For separated individuals with access, the RPA then takes the actions necessary to terminate their access. In doing so, the RPA maintains the integrity and security of both systems. We implemented the RPA in August 2023 and is saving our staff approximately one to two hours each day, which allows the staff to focus on workloads that require human interaction and will provide annual workload savings going forward.

Climate Change and Sustainability: In support of the Administration's goal to combat the climate crisis and further sustainability efforts, OCFO continues to implement initiatives outlined in our 2021 Climate Action Plans. Our FY 2022 CAP Progress Report detailed the agency's progress on our planned efforts and initiatives to address climate change as outlined in Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*. Specifically, our CAP Progress Report provides an update on developments from our initial 2021 CAP, which encourages employees and contractors to reduce energy consumption, water usage, and the amount of waste produced.

Central Print: The OCFO is leading the agency's Central Print of Notices (CPN) initiative, an agency priority that decreases notices printed and mailed by front-line employees in our offices nationwide. CPN is a multi-year effort that supports the agency's future business delivery model and improves our stewardship of taxpayer funds. Specifically, CPN decreases front-line employee task time spent on handling notices, enabling these employees to focus on other mission critical services that support the public. In FY 2023, we released the Lump Sum Death Payment and Abbreviated Lump Sum Death notices to CPN, resulting in approximately 500,000 notices moved to a Government Publishing Office print vendor annually and yielding an estimated savings of $1.5 million that the agency can reinvest towards other priorities that support our front lines.

Internal Controls

Enterprise Risk Management: We continue to mature our Enterprise Risk Management (ERM) program in accordance with Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. We have implemented a multi-year strategy that will further integrate our existing internal control and risk management frameworks with our strategic planning and review processes. During FY 2023, we continued to work on our training series to increase awareness of ERM and risk concepts among different levels of the agency as well as explain how to apply the training content to further ERM maturity and risk awareness throughout the agency. In addition to our training series, we developed the *Risk Evaluation, Assessment, and Considerations Handbook* to provide guidance in incorporating risk assessments and analyses into agency projects, initiatives, and decision memorandums. We also updated our risk appetite statement, including risk category appetites, to reflect the agency's current risk environment along with performed inherent risk re-assessments over our program and process risks to ensure we captured the inherent risk ratings appropriately. Finally, we updated our ERM Council charter based on lessons learned to improve communications and efficiencies surrounding the Council's responsibilities.

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FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Our financial statements and additional information for fiscal years (FY) 2023 and 2022 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2023 and 2022, 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 *Other Information*.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2023 and 2022. 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 *Other Information*.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2023 and 2022. Changes to the two components of net position, Unexpended Appropriations and Cumulative Results of Operations, 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 *Other 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, 2023 and 2022. 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 reserves at the beginning of the period. We present this information 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 for the 75-year projection period of the estimated OASI and DI 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, 2022 to the period beginning on January 1, 2023; and (2) change from the period beginning on January 1, 2021 to the period beginning on January 1, 2022. The Statements identify several categories of changes and provide reasons for significant changes in the accompanying notes.
- 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 for the 75-year projection period of the OASI and DI programs. The financial and actuarial disclosures include a narrative describing the program. This narrative includes a description of program financing, details about how benefits are calculated, and an analysis of relevant trends.

Consolidated Balance Sheets as of September 30, 2023 and 2022
(Dollars in Millions)

Assets	2023	2022
Intragovernmental Assets:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 7,625**	$ 7,944
Investments (Note 5)	**2,832,322**	2,854,202
Accounts Receivable, Net (Note 6)	**1,955**	1,226
Advances and Prepayments (Note 8)	**116**	119
Total Intragovernmental Assets	**2,842,018**	2,863,491
Assets With the Public:		
Accounts Receivable, Net (Notes 3 and 6)	**9,342**	8,682
Property, Plant, and Equipment, Net (Note 7)	**4,996**	4,830
Total Assets with the Public	**14,338**	13,512
Total Assets	**$ 2,856,356**	$ 2,877,003
Liabilities (Note 9)		
Intragovernmental Liabilities:		
Accounts Payable	**$ 5,643**	$ 5,486
Advances from Others and Deferred Revenue	**1**	0
Other Liabilities	**4,677**	4,073
Total Intragovernmental Liabilities	**10,321**	9,559
Liabilities With the Public:		
Accounts Payable	**335**	267
Federal Employee and Veteran Benefits Payable	**673**	675
Benefits Due and Payable	**145,520**	126,202
Advances from Others and Deferred Revenue	**10**	13
Other Liabilities	**132**	124
Total Liabilities with the Public	**146,670**	127,281
Total Liabilities	**$ 156,991**	$ 136,840
Commitments and Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - Funds from other than Dedicated Collections	**$ 4,012**	$ 4,862
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	**2,690,297**	2,729,650
Cumulative Results of Operations - Funds from other than Dedicated Collections	**5,056**	5,651
Total Cumulative Results of Operations	**2,695,353**	2,735,301
Total Net Position	**$ 2,699,365**	$ 2,740,163
Total Liabilities and Net Position	**$ 2,856,356**	$ 2,877,003

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2023 and 2022
(Dollars in Millions)

	2023	2022
OASI Program		
Benefit Payment Expense	**$ 1,204,269**	$ 1,075,126
Operating Expenses (Note 11)	**4,457**	4,209
Total Cost of OASI Program	**1,208,726**	1,079,335
Less: Exchange Revenues (Note 12)	**(17)**	(16)
Net Cost of OASI Program	**$ 1,208,709**	$ 1,079,319
DI Program		
Benefit Payment Expense	**$ 155,148**	$ 146,259
Operating Expenses (Note 11)	**2,959**	2,923
Total Cost of DI Program	**158,107**	149,182
Less: Exchange Revenues (Note 12)	**(32)**	(31)
Net Cost of DI Program	**$ 158,075**	$ 149,151
SSI Program		
Benefit Payment Expense	**$ 58,374**	$ 58,581
Operating Expenses (Note 11)	**5,015**	4,758
Total Cost of SSI Program	**63,389**	63,339
Less: Exchange Revenues (Note 12)	**(260)**	(261)
Net Cost of SSI Program	**$ 63,129**	$ 63,078
Other		
Operating Expenses (Note 11)	**$ 3,441**	$ 2,911
Less: Exchange Revenues (Note 12)	**(15)**	(12)
Net Cost of Other Program	**$ 3,426**	$ 2,899
Total Net Cost		
Benefit Payment Expense	**$ 1,417,791**	$ 1,279,966
Operating Expenses (Note 11)	**15,872**	14,801
Total Cost	**1,433,663**	1,294,767
Less: Exchange Revenues (Note 12)	**(324)**	(320)
Total Net Cost	**$ 1,433,339**	$ 1,294,447

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2023 and 2022
(Dollars in Millions)

	2023			2022		
	Funds from Dedicated Collections	**Funds from other than Dedicated Collections**	**Total**	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:						
Beginning Balances	**$ 0**	**$ 4,862**	**$ 4,862**	$ 0	$ 4,889	$ 4,889
Appropriations Received	**50,786**	**64,262**	**115,048**	48,502	65,580	114,082
Other Adjustments	**0**	**(11)**	**(11)**	0	(11)	(11)
Appropriations Used	**(50,786)**	**(65,101)**	**(115,887)**	(48,502)	(65,596)	(114,098)
Net Change in Unexpended Appropriations	**0**	**(850)**	**(850)**	0	(27)	(27)
Total Unexpended Appropriations - Ending	**0**	**4,012**	**4,012**	0	4,862	4,862
Cumulative Results of Operations:						
Beginning Balances	**$ 2,729,650**	**$ 5,651**	**$ 2,735,301**	$ 2,761,448	$ 5,454	$ 2,766,902
Appropriations Used	**50,786**	**65,101**	**115,887**	48,502	65,596	114,098
Non-Exchange Revenue						
Tax Revenues (Note 13)	**1,215,470**	**0**	**1,215,470**	1,086,858	0	1,086,858
Interest Revenues	**66,257**	**0**	**66,257**	66,853	0	66,853
Other	**2**	**0**	**2**	1	0	1
Total Non-Exchange Revenue	**1,281,729**	**0**	**1,281,729**	1,153,712	0	1,153,712
Transfers-In/Out - Without Reimbursement	**(11,529)**	**9,702**	**(1,827)**	(11,857)	8,969	(2,888)
Imputed Financing Sources (Note 14)	**0**	**794**	**794**	0	609	609
Other	**(86)**	**(3,106)**	**(3,192)**	0	(2,685)	(2,685)
Net Cost of Operations	**1,360,253**	**73,086**	**1,433,339**	1,222,155	72,292	1,294,447
Net Change in Cumulative Results of Operations	**(39,353)**	**(595)**	**(39,948)**	(31,798)	197	(31,601)
Cumulative Results of Operations - Ending	**$ 2,690,297**	**$ 5,056**	**$ 2,695,353**	$ 2,729,650	$ 5,651	$ 2,735,301
Net Position	**$ 2,690,297**	**$ 9,068**	**$ 2,699,365**	$ 2,729,650	$ 10,513	$ 2,740,163

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2023 and 2022
(Dollars in Millions)

	2023	2022
Budgetary Resources (Note 15)		
Unobligated balance from prior year budget authority, net	**$ 6,629**	$ 6,420
Appropriations (discretionary and mandatory)	**1,487,756**	1,347,799
Spending authority from offsetting collections (discretionary and mandatory)	**17,311**	16,313
Total Budgetary Resources	**$ 1,511,696**	$ 1,370,532
Status of Budgetary Resources		
New obligations and upward adjustments		
Direct	**$ 1,503,644**	$ 1,361,894
Reimbursable	**3,198**	3,093
New obligations and upward adjustments (total)	**1,506,842**	1,364,987
Unobligated balance, End of Year		
Apportioned, unexpired accounts	**3,965**	4,986
Unapportioned, unexpired accounts	**377**	133
Unexpired unobligated balance, end of year	**4,342**	5,119
Expired unobligated balance, end of year	**512**	426
Unobligated balance, end of year (total)	**4,854**	5,545
Total Budgetary Resources	**$ 1,511,696**	$ 1,370,532
Outlays, Net		
Outlays, net (discretionary and mandatory)	**$ 1,470,079**	$ 1,333,079
Distributed offsetting receipts	**(53,751)**	(51,024)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,416,328**	$ 1,282,055

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, 2023
(Dollars in Billions)

		Estimates Reported in Prior Years			
	2023	**2022**	**2021**	**2020**	**2019**
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	**$ 2,169**	$ 1,998	$ 1,766	$ 1,720	$ 1,552
Cost for scheduled future benefits	**23,489**	21,591	19,785	18,269	16,895
Future noninterest income less future cost	**(21,321)**	(19,593)	(18,019)	(16,549)	(15,344)
Participants who have not yet attained retirement eligibility age (ages 15–61):					
Noninterest income	**42,195**	40,365	37,465	35,215	33,602
Cost for scheduled future benefits	**71,234**	68,471	64,932	59,784	55,826
Future noninterest income less future cost	**(29,039)**	(28,105)	(27,467)	(24,569)	(22,224)
Present value of future noninterest income less future cost for current participants (closed group measure)	**(50,360)**	(47,699)	(45,486)	(41,118)	(37,568)
Combined OASI and DI Trust Fund reserves at start of period	**2,830**	2,852	2,908	2,897	2,895
Closed group - Present value of future noninterest income less future cost for current participants plus combined OASI and DI Trust Fund reserves at start of period	**$ (47,530)**	$ (44,847)	$ (42,578)	$ (38,220)	$ (34,673)
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Future participants (those under age 15, and to be born during period):					
Noninterest income	**$ 43,045**	$ 41,808	$ 39,349	$ 36,964	$ 35,311
Cost for scheduled future benefits	**17,937**	17,411	16,604	15,542	14,508
Future noninterest income less future cost	**25,108**	24,397	22,745	21,421	20,804
Present value of future noninterest income less future cost for current and future participants (open group` measure)	**(25,252)**	(23,301)	(22,742)	(19,696)	(16,764)
Combined OASI and DI Trust Fund reserves at start of period	**2,830**	2,852	2,908	2,897	2,895
Open group - Present value of future noninterest income less future cost for current and future participants plus combined OASI and DI Trust Fund reserves at start of period	**$ (22,422)**	$ (20,449)	$ (19,833)	$ (16,799)	$ (13,869)

Notes:

1. The accompanying notes are an integral part of these financial statements.
2. Components may not sum to totals because of rounding.
3. Present values used in this presentation 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 reserves are depleted.
4. 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, 2022 to January 1, 2023
(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 reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2022	$ (23,301)	2,852	$ (20,449)
Reasons for changes between January 1, 2022 and January 1, 2023 (Note 17)			
Change in the valuation period	(699)	(47)	(746)
Changes in demographic data, assumptions, and methods	(128)	0	(128)
Changes in economic data, assumptions, and methods	(845)	0	(845)
Changes in programmatic data and methods	(279)	25	(254)
Changes in law or policy	0	0	0
Net change between January 1, 2022 and January 1, 2023	$ (1,951)	$ (22)	$ (1,973)
As of January 1, 2023	**$ (25,252)**	**$ 2,830**	**$ (22,422)**

January 1, 2021 to January 1, 2022
(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 reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2021	$ (22,742)	$ 2,908	$ (19,833)
Reasons for changes between January 1, 2021 and January 1, 2022 (Note 17)			
Change in the valuation period	(676)	(77)	(753)
Changes in demographic data, assumptions, and methods	(335)	0	(335)
Changes in economic data, assumptions, and methods	(190)	0	(190)
Changes in programmatic data and methods	641	21	663
Changes in law or policy	0	0	0
Net change between January 1, 2021 and January 1, 2022	$ (560)	$ (56)	$ (616)
As of January 1, 2022	**$ (23,301)**	**$ 2,852**	**$ (20,449)**

Notes:

1. The accompanying notes are an integral part of these financial statements.
2. Components may not sum to totals because of rounding.
3. Present values used in this presentation 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 reserves are depleted.
4. Future noninterest income and future cost are estimated over the appropriate 75-year period.
5. We provide high-level descriptions of the reason for the change in present value from year to year in Note 17, Social Insurance Disclosures.

Notes to the Basic Financial Statements for the Years Ended September 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States (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. 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 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. The OASI and DI Trust Funds consist of earmarked receipts used to fund benefit payment and other related expenditures. General fund appropriations represent activities that receive appropriation authority from the Department of the Treasury's (Treasury) General Fund based on law. SSA's receipt accounts contain funds from collections that are not identified by law for another account for a specific purpose; whereas special fund accounts contain funds collected that are identified by law for a specific purpose.

LAE is a mechanism 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 Treasury.

SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations activity, but also contains SSI Overpayment Collections and other non-material activities.

Accounting Policies

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

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 U.S. or in obligations guaranteed as to both principal and interest by the U.S. 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 represents amounts to be paid from the Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds to the LAE Appropriation. Accounts Receivable, Net With the Public consists 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. Intragovernmental Accounts Receivable, Net includes amounts related to Section 4003 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments of up to $500 billion to eligible businesses, States, and municipalities impacted by the Coronavirus Disease 2019 (COVID-19) pandemic. This legislation designates the OASI Trust Fund as the recipient of any interest and other proceeds associated with the loans, loan guarantees, and other investments after repayments of any amounts provided are made to Treasury.

SSA has an automated process to evaluate programmatic debt and write-off certain delinquent debts deemed uncollectible. While this debt is being written-off, it remains available for future collection, which we can pursue if the debtor becomes entitled to OASDI or SSI benefits. At that point, we would re-establish the accounts receivable, and pursue collections. In addition, if eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action. We did not refer any delinquent debts to the Treasury Offset Program during FY 2023.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and program analysis. For programmatic accounts receivable with the public, SSA allows for all delinquent debt two years and older. SSA annually recalculates a ratio of allowance for doubtful accounts and applies the allowance ratios against any remaining debt that is not delinquent two years or more. This is calculated by applying a moving five-year average of uncollectible receivable ratios and by comparing each program's collections to new debt while considering turnover rates against outstanding receivables. Our total allowance for doubtful accounts includes the age-specific delinquent debt two years and older plus the uncollectible portion of our remaining accounts receivable, not delinquent two years or more, based on the allowance rates. Refer to Note 6, Accounts Receivable, Net.

General Property, Plant, and Equipment

SSA records property, plant, and equipment (PP&E) in the LAE program, but the PP&E represents the capital assets purchased by its funding sources. 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 include fixtures and telephone replacement/upgrade projects, are capitalized with no threshold and $100 thousand, respectively. Site preparation for Automated Data Processing (ADP) and Telecommunications, Buildings and Other Structures, Internal Use Software, excluding commercial off-the-shelf software are capitalized with no threshold. Leasehold Improvements have a capitalization threshold of $1 million. Refer to Note 7, General 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.

Administrative Expenses and Obligations

SSA administrative expenses are incurred in 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 allocates administrative expenses during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts on the Statements of Net Cost based on percentages developed by SSA's Cost Analysis System (CAS). CAS uses agency workload data to develop annual percentages that are used to allocate the expenses. 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 it records LAE's authority. The Centers for Medicare and Medicaid Services 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, it records 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 OASI and DI 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 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 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 17, 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 the General Services Administration (GSA) leased or have been constructed using Public Building Funds. These financial statements reflect our 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. FERS automatically covers employees hired after December 31, 1983. Employees hired prior to that date could elect to either join FERS or remain in CSRS. Refer to Note 14, Imputed Financing, for additional information.

SSA contributed $9 and $12 million for the years ended September 30, 2023 and 2022 to CSRS. SSA contributed $941 and $897 million for the years ended September 30, 2023 and 2022 to the basic FERS plan. 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 contributed $235 and $223 million for the years ended September 30, 2023 and 2022 to the FERS savings plan. 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; (2) fees collected to administer Title VIII State Supplementation; and (3) certain miscellaneous receipts that have been invested in OASI.

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

	2023			2022		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supplemental Fees	$ 3	$ 0	$ 3	$ 3	$ 0	$ 3
OASI Miscellaneous Receipts	86	0	86	0	0	0
Total Intragovernmental	89	0	89	3	0	3
SSI Fed/State Accounts Receivable, Net	4,738	(549)	4,189	4,199	(504)	3,695
Total	$ 4,827	$ (549)	$ 4,278	$ 4,202	$ (504)	$ 3,698

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 an SSI budgetary resource to pay SSI benefits or administrative costs. Prior to their collection, these SSI Federal benefit overpayments are recorded as SSI Accounts Receivable from the beneficiaries. SSA recognizes this receivable due from the beneficiary as a non-entity asset since the amount owed is due to Treasury's General Fund. When a beneficiary does not receive a 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.

SSA collects fees for administering Title VIII Supplementation benefit payments on behalf of the State of California. These funds, upon deposit, are assets of Treasury's General Fund and are a non-entity asset. Amounts collected during the fiscal year are classified as exchange revenue and are included in the Fund Balance with Treasury as of September 30, 2023 and 2022.

Historically, we have deposited certain miscellaneous receipts into OASI. These receipts consist of refunds related to cancelled LAE appropriations and interest and penalties associated with LAE administrative debt. Since OASI is a funding source of our LAE account, we have always applied these collections to OASI. However, in researching this activity in FY 2023, it is probable that these collections belong to the General Fund of Treasury. Therefore, in FY 2023, we recorded a liability to the General Fund for collections recorded in FY 2023 and prior years and related interest earned on these collections while deposited in OASI totaling $86 million as of September 30, 2023. We have categorized these OASI assets as non-entity assets in Chart 3a. Given the immateriality of this non-entity asset, we did not adjust the prior year balances in Chart 3a to account for the portion of this activity that was attributable to years prior to FY 2023.

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)

	2023	2022
Non-Entity Assets	$ 4,278	$ 3,698
Entity Assets	2,852,078	2,873,305
Total Assets	$ 2,856,356	$ 2,877,003

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. Fund Balance with Treasury is an asset to SSA, but not to the Government as a whole, because SSA’s asset is offset by a liability of the General Fund. When disbursements are made, Treasury finances those disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Chart 4, Status of Fund Balances, presents SSA’s Fund Balance with Treasury through the status of budgetary resources. The amounts in Chart 4, Status of Funds Unobligated (Available, Unavailable) and Obligated Balance Not Yet Disbursed represent budgetary authority for SSI and Other program general fund budgetary sources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4 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 4 will not match corresponding activity on the Combined Statements of Budgetary Resources.

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

	2023	2022
Unobligated Balance		
Available	$ 3,472	$ 4,554
Unavailable	402	156
Obligated Balance Not Yet Disbursed	3,573	3,120
OASI, DI, and LAE	136	82
Non-Budgetary Fund Balance with Treasury	42	32
Total Status of Fund Balances	$ 7,625	$ 7,944

The Unobligated Balance, Available in Chart 4 contains Category C funding which is an amount apportioned by OMB, for multi-year or no-year accounts, that is available for use in a future fiscal year. SSA Category C funding is $86 and $132 million as of September 30, 2023 and 2022. These funds are related to the SSI State Supplemental advances for the October 1st benefit payments, SSI Beneficiary Services, and SSI Research & Demonstration activity.

The fund balance reported in Chart 4 for the total OASI, DI, and LAE Trust Funds as of September 30, 2023 and 2022 can be positive or negative as 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 a negative balance as a liability on the Consolidated Balance Sheets.

5. Investments

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. The Secretary of the Treasury directly issues Treasury special securities to the OASI and DI Trust Funds. The securities 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, and the corresponding interest receivable, reported as Intragovernmental Investments on the Consolidated Balance Sheets, in Chart 5.

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

	2023			2022		
	Special Issue Securities	Interest Receivable	Total Investments	Special Issue Securities	Interest Receivable	Total Investments
OASI	$ 2,673,749	$ 14,707	$ 2,688,456	$ 2,723,601	$ 15,236	$ 2,738,837
DI	142,906	960	143,866	114,679	686	115,365
Total	$ 2,816,655	$ 15,667	$ 2,832,322	$ 2,838,280	$ 15,922	$ 2,854,202

The interest rates on these investments range from 0.750 to 4.250 percent. 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 2024 to the year 2038.

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. Treasury uses the cash received from the OASI and DI Trust Funds for investment in these securities 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 $1,955 and $1,226 million as of September 30, 2023 and 2022 primarily represents amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $3,129 and $2,955 million as of September 30, 2023 and 2022 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. Intragovernmental Accounts Receivable, Net also includes amounts related to the Section 4003 of the CARES Act, Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments to eligible businesses, States, and municipalities impacted by the COVID-19 pandemic. This legislation designates the OASI Trust Fund as the recipient of any interest and other proceeds associated with the loans, loan guarantees, and other investments after repayments of any amounts provided are made to Treasury. We have recorded $1,081 and $371 million as of September 30, 2023 and 2022 in Intragovernmental Accounts Receivable, Net for this activity based on Treasury's estimate of their liability owed to OASI.

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 program analysis.

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. 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 consist 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. Section 215 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (Banking Bill) requires SSA to provide a "permitted entity" a confirmation (or non-confirmation) of fraud protection data (i.e., Social Security number verification) based on the number holder's written consent, including by electronic signature. The Banking Bill requires SSA to fully recover all costs from the users of the verification process by way of advances, reimbursements, user fees, or other recoveries as determined by the Commissioner. To comply with the Banking Bill, SSA used its LAE account to cover non-mission costs with the expectation that these costs will be fully recovered from the users of the verification process as required by law. To account for these costs SSA has recorded a non-budgetary accounts receivable of $36 and $39 million as of September 30, 2023 and 2022, which is included in the LAE Gross and Net Receivable amounts in Chart 6a. Since the agency expects to fully recover these costs, SSA has not applied an allowance for doubtful accounts against this accounts receivable.

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

	2023			2022		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 3,501	$ (1,197)	$ 2,304	$ 3,137	$ (1,073)	$ 2,064
DI	5,989	(3,174)	2,815	5,856	(2,959)	2,897
SSI[1]	13,626	(8,888)	4,738	12,537	(8,338)	4,199
LAE	38	0	38	41	0	41
Subtotal	23,154	(13,259)	9,895	21,571	(12,370)	9,201
Less: Eliminations[2]	(553)	0	(553)	(519)	0	(519)
Total	$ 22,601	$ (13,259)	$ 9,342	$ 21,052	$ (12,370)	$ 8,682

Notes:

1. See discussion in Note 3, Non-Entity Assets
2. Intra-Agency Eliminations

Chart 6a shows that in FY 2023 and FY 2022, SSA reduced gross accounts receivable by $553 and $519 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 has an automated process to evaluate programmatic debt and write-off certain delinquent debts deemed uncollectible. While this debt is being written-off, it remains available for future collection, which SSA can pursue if the debtor becomes entitled to OASDI or SSI benefits. At that point, we would re-establish the accounts receivable, and pursue collections. In addition, if eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action. We did not refer any delinquent debts to the Treasury Offset Program during FY 2023.

As part of our Allowance for Doubtful Accounts methodology, SSA allows all delinquent debt two years and older as we estimate this debt is uncollectible based on the age of the debt. For our remaining debt, 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 uncollectible receivable ratios, based on comparing each program's collections to new debt while considering turnover rates, against outstanding receivables that are not delinquent two years and older. We add this calculated uncollectible ratio-based value to the allowed delinquent debt two years and older value to compute the total amount of allowance for doubtful accounts.

2049 System Limitation

A design limitation in SSA's Title II system, which is used to support debt management and the reporting of accounts receivable, prevents us from capturing and tracking long-term withholding agreements for debts owed by the public scheduled for collection beyond the year 2049. Current policy allows for repayment periods based on the ability of beneficiaries to repay on a periodic basis. This allows for the establishment of payment terms, which may exceed the expected life span of the beneficiary.

When the projected collection extends beyond December 31, 2049, we perform a manual action to establish withholding through December 31, 2049, causing the system to delete the remaining debts owed by the public balance from the record. Current policy requires us to post a manual overpayment diary to control for follow-up of the remaining balance in December 2049. However, because our records do not reflect the post 2049 balance, subsequent correspondence to the debtor presents only the pre-2049 balance of the debts owed by the public established for withholding.

We do not include these balances in the Chart 6a gross receivable amounts as they are not material to the consolidated financial statements. We estimate that the total gross value of the post year 2049 amount not captured in our gross receivables, is approximately $761 and $751 million as of September 30, 2023 and 2022.

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 7a.

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

	2023			2022		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings and Other Structures	$ 47	$ (23)	$ 24	$ 47	$ (23)	$ 24
Equipment (incl. ADP Hardware)	1,803	(1,416)	387	1,675	(1,262)	413
Internal Use Software	10,662	(6,934)	3,728	9,735	(6,391)	3,344
Leasehold Improvements	1,769	(1,154)	615	1,684	(866)	818
Deferred Charges[1]	1,066	(824)	242	1,210	(979)	231
Total	$ 15,347	$ (10,351)	$ 4,996	$ 14,351	$ (9,521)	$ 4,830

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	$0-100 thousand
Leasehold Improvements	5-10 years	Straight Line	$1 million
Deferred Charges[1]	12 years	Straight Line	$0-100 thousand

Note: Deferred Charges include fixtures (no threshold) and telephone replacement/upgrade projects ($100 thousand).

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

	2023	2022
Balance beginning of year	$ 4,830	$ 4,372
Capitalized acquisitions	1,183	1,199
Depreciation expense	(1,017)	(741)
Balance at end of year	$ 4,996	$ 4,830

As part of SSA's ongoing review of our asset accounting policies and procedures, we've updated our Leasehold Improvement (LHI) process during FY 2023. Specifically, SSA changed the useful life for Trust Fund Building LHI activity from 33 years to 10 years and Non-Trust Fund Building LHI activity from 6 years to 5 years. Additionally, SSA reviewed the history of our former capitalization threshold. Over time, project costs have increased significantly. Therefore, to ensure we are only capturing substantial projects, we increased our capitalization threshold on all LHI activity to $1 million. According to SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, changes in useful lives are to be handled prospectively, and that the change should be accounted for during the period of the change and future periods. Therefore, at the beginning of FY 2023, our changes in LHI useful lives resulted in the immediate recognition of depreciation expense for LHI assets that were older than the new useful lives (10 years for Trust Funding Building LHI and 5 years for Non-Trust Fund Building LHI). The related depreciation expense of $73 million is included in Charts 7a and 7b above. Additionally, SSA reviewed and analyzed capitalized Deferred Charges furniture and partition assets during FY 2023 and removed $185 million of cost and accumulated depreciation for all assets exceeding the 12-year estimated useful life as of September 30, 2023.

8. Advances and Prepayments

Intragovernmental Advances and Prepayments

Intragovernmental Advances and Prepayments amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Advances and Prepayments are $116 and $119 million as of September 30, 2023 and 2022.

9. Liabilities

Liabilities of Federal agencies are classified as liabilities Covered by, Not Covered by, or Not Requiring budgetary resources and are recognized when incurred. Charts 9a and 9b disclose SSA's liabilities Covered by budgetary resources, Not Covered by budgetary resources, and Not Requiring 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; these liabilities will be funded in future periods. Liabilities Not Requiring budgetary resources represent cash or receivables due to the General Fund and States, which do not require budgetary authority.

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

	2023			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental Liabilities:				
Accounts Payable	$ 5,643	$ 0	$ 0	$ 5,643
Advances from Others and Deferred Revenue	1	0	0	1
Other Liabilities	40	48	4,589	4,677
Total Intragovernmental Liabilities	5,684	48	4,589	10,321
Liabilities with the Public				
Accounts Payable	97	66	172	335
Federal Employee and Veteran Benefits Payable	4	669	0	673
Benefits Due and Payable	142,385	3,135	0	145,520
Advances from Others and Deferred Revenue	10	0	0	10
Other Liabilities	113	0	19	132
Total Liabilities with the Public	142,609	3,870	191	146,670
Total Liabilities	$148,293	$ 3,918	$ 4,780	$ 156,991

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

	2022			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental Liabilities:				
Accounts Payable	$ 5,486	$ 0	$ 0	$ 5,486
Other Liabilities	36	48	3,989	4,073
Total Intragovernmental Liabilities	5,522	48	3,989	9,559
Liabilities with the Public				
Accounts Payable	54	58	155	267
Federal Employee and Veteran Benefits Payable	5	670	0	675
Benefits Due and Payable	124,026	2,176	0	126,202
Advances from Others and Deferred Revenue	13	0	0	13
Other Liabilities	103	0	21	124
Total Liabilities with the Public	124,201	2,904	176	127,281
Total Liabilities	$129,723	$ 2,952	$ 4,165	$ 136,840

Intragovernmental Liabilities

Accounts Payable

Intragovernmental Accounts Payable Covered by budgetary resources primarily includes an accrued liability for amounts 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. SSA's Railroad Retirement Interchange liability is $5,621 and $5,464 as of September 30, 2023 and 2022.

Other Liabilities

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for payroll taxes. Intragovernmental Other Liabilities Covered, shown in Charts 9a and 9b, are current liabilities. Intragovernmental Other Liabilities Not Covered by budgetary resources includes amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to the DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portions of FECA liability are $48 million as of September 30, 2023 and 2022. Intragovernmental Other Liabilities Not Requiring budgetary resources includes amounts due to Treasury's General Fund, which primarily consists of a payable for SSI Federal benefit overpayments. 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 Not Requiring budgetary resources are current and non-current depending on when the benefit overpayment collections are received. Chart 9c displays a breakout of Intragovernmental Other Liabilities as of September 30, 2023 and 2022.

Chart 9c - Intragovernmental Other Liabilities as of September 30:
(Dollars in Millions)

	2023	2022
Employer Contributions and Payroll Taxes Payable	$ 38	$ 35
Unemployment Compensation Liability	1	1
Unfunded FECA Liability	48	48
Liability to the General Fund for Non-Entity Assets	4,589	3,989
Other Liabilities w/o related budgetary obligations	1	0
Total Other Liabilities	$ 4,677	$ 4,073

Liabilities with the Public

Accounts Payable

Accounts Payable Not Requiring 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. Accounts Payable Not Covered by budgetary resources consist of SSI State Supplemental underpayments due to the SSI recipients. These amounts are set up as an accounts payable until payment is made.

Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable Not Covered by budgetary resources includes amounts for leave earned but not taken and the non-current portion of FECA, which is an actuarial liability. Leave earned but not taken of $407 and $402 million as of September 30, 2023 and 2022 represents annual and compensatory leave earned by SSA employees but not used as of the reporting date. The non-current FECA portion of $262 and $268 million as of September 30, 2023 and 2022 represents the expected liability from FECA claims for the next 23-year period. DOL calculated this actuarial liability using historical payment data to project future costs.

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 9d shows the amounts for SSA's major programs as of September 30, 2023 and 2022. 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. The increase in Total Benefits Due and Payable from FY 2022 to FY 2023 is primarily due to an increase in OASI beneficiaries, as well as the 8.7 percent Cost-of-Living Adjustment beneficiaries received in 2023.

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

	2023	2022
OASI	$ 111,018	$ 98,634
DI	29,841	24,219
SSI	5,214	3,868
Subtotal	146,073	126,721
Less: Intra-agency eliminations	(553)	(519)
Total Benefits Due and Payable	$ 145,520	$ 126,202

Chart 9d also shows that as of FY 2023 and FY 2022, SSA reduced gross Benefits Due and Payable by $553 and $519 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.

Advances from Others and Deferred Revenue

SSA's Advances from Others and Deferred Revenue Covered by budgetary resources is primarily comprised of SSI State Supplemental amounts collected in advance of future SSI benefit payments made by SSA on the State's behalf.

Other Liabilities

SSA's Other Liabilities consist of liabilities Covered by and Not Requiring budgetary resources. Other Liabilities Covered by budgetary resources is primarily comprised of accrued payroll. Other liabilities Not Requiring budgetary resources consists of unapplied deposit funds. Other Liabilities are current in nature with the exception of $18 million of Not Requiring unapplied deposit funds as of September 30, 2023 and 2022. Chart 9e displays a breakout of Other Liabilities with the Public as of September 30, 2023 and 2022.

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

	2023	2022
Accrued Funded Payroll and Leave	113	103
Other Liabilities w/o related budgetary obligations	19	21
Total Other Liabilities	$ 132	$ 124

Federal 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 9f 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. We do not have the lease information needed as of September 30, 2023, so we are including the data reported as of June 30, 2023.

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

Fiscal Year	GSA OAs
2024	$ 139
2025	123
2026	117
2027	106
2028	82
2029 and Thereafter (In total)[1]	326
Total Future Lease Payments	$ 893

Note: OAs go through the year 2037.

Contingent Liabilities

SSA's Contingent Liabilities include pending claims that are deemed reasonably possible of having an adverse outcome. According to SFFAS 5, *Accounting for Liabilities of the Federal Government*, for legal contingencies deemed reasonably possible of having an adverse outcome, no liability is recognized; however, disclosure of the contingency is required. See disclosure of Contingent Liabilities described below:

- A case contests the interim final rule related to SSA's implementation of a streamlined waiver process for certain overpayment debts that accrued during a defined COVID-19 pandemic period. Due to uncertainty regarding the potential final outcome, the agency is unable to provide an estimate of the contingent liability at this time.

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. 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.

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 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds, and Note 5, Investments and Interest Receivable, for a discussion on interest.

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

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. Thus, 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 Charts 10a and 10b for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2023 and 2022. The Other Dedicated Funds column in Charts 10a and 10b consist of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

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

	2023					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental Assets:						
Fund Balance with Treasury	$ 37	$ 11	$ 21	$ 69	$ 0	$ 69
Investments	2,688,456	143,866	0	2,832,322	0	2,832,322
Accounts Receivable, Net	1,083	1	0	1,084	0	1,084
Total Intragovernmental Assets	2,689,576	143,878	21	2,833,475	0	2,833,475
Assets with the Public:						
Accounts Receivable, Net	2,304	2,815	0	5,119	(4)	5,115
Total Assets	$ 2,691,880	$ 146,693	$ 21	$ 2,838,594	$ (4)	$ 2,838,590
Liabilities and Net Position						
Intragovernmental Liabilities:						
Accounts Payable	$ 6,569	$ 777	$ 0	$ 7,346	$ 0	$ 7,346
Other Liabilities	86	0	0	86	0	86
Total Intragovernmental Liabilities	6,655	777	0	7,432	0	7,432
Liabilities with the Public:						
Accounts Payable	1	5	0	6	0	6
Benefits Due and Payable	111,018	29,841	0	140,859	(4)	140,855
Total Liabilities with the Public	111,019	29,846	0	140,865	(4)	140,861
Total Liabilities	117,674	30,623	0	148,297	(4)	148,293
Cumulative Results of Operations	2,574,206	116,070	21	2,690,297	0	2,690,297
Total Liabilities and Net Position	$ 2,691,880	$ 146,693	$ 21	$ 2,838,594	$ (4)	$ 2,838,590
Statement of Net Cost						
Program Costs	$ 1,204,269	$ 155,148	$ 0	$ 1,359,417	$ 0	$ 1,359,417
Operating Expenses	674	336	0	1,010	0	1,010
Less Earned Revenue	(1)	(21)	(152)	(174)	0	(174)
Net Cost of Operations	$ 1,204,942	$ 155,463	$ (152)	$ 1,360,253	$ 0	$ 1,360,253
Statement of Changes in Net Position						
Net Position Beginning of Period	$ 2,636,348	$ 93,293	$ 9	$ 2,729,650	$ 0	$ 2,729,650
Non-Exchange Revenue						
Tax Revenue - Intragovernmental	1,039,005	176,465	0	1,215,470	0	1,215,470
Interest Revenue - Intragovernmental	62,745	3,512	0	66,257	0	66,257
Other - With the Public	2	0	0	2	0	2
Total Non-Exchange Revenue	1,101,752	179,977	0	1,281,729	0	1,281,729
Net Transfers In/Out	41,134	(1,737)	(50,926)	(11,529)	0	(11,529)
Other	(86)	0	50,786	50,700	0	50,700
Net Cost of Operations	1,204,942	155,463	(152)	1,360,253	0	1,360,253
Net Change	(62,142)	22,777	12	(39,353)	0	(39,353)
Net Position End of Period	$ 2,574,206	$ 116,070	$ 21	$ 2,690,297	$ 0	$ 2,690,297

Chart 10a for FY 2023 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,276 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2023 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), 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 10a.

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

(Dollars in Millions)

	2022					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental:						
Fund Balance with Treasury	$ 29	$ 12	$ 9	$ 50	$ 0	$ 50
Investments	2,738,837	115,365	0	2,854,202	0	2,854,202
Accounts Receivable, Federal	371	0	0	371	0	371
Total Intragovernmental Assets	2,739,237	115,377	9	2,854,623	0	2,854,623
With the Public:						
Accounts Receivable, Non-Federal	2,064	2,897	0	4,961	(4)	4,957
Total Assets	$ 2,741,301	$ 118,274	$ 9	$ 2,859,584	$ (4)	$ 2,859,580
Liabilities and Net Position						
Intragovernmental:						
Accounts Payable, Federal	$ 6,319	$ 758	$ 0	$ 7,077	$ 0	$ 7,077
With the Public:						
Accounts Payable, Non-Federal	0	4	0	4	0	4
Benefits Due and Payable	98,634	24,219	0	122,853	(4)	122,849
Total with the Public	98,634	24,223	0	122,857	(4)	122,853
Total Liabilities	104,953	24,981	0	129,934	(4)	129,930
Cumulative Results of Operations	2,636,348	93,293	9	2,729,650	0	2,729,650
Total Liabilities and Net Position	$ 2,741,301	$ 118,274	$ 9	$ 2,859,584	$ (4)	$ 2,859,580
Statement of Net Cost						
Program Costs	$ 1,075,126	$ 146,259	$ 0	$ 1,221,385	$ 0	$ 1,221,385
Operating Expenses	625	313	0	938	0	938
Less Earned Revenue	(1)	(20)	(147)	(168)	0	(168)
Net Cost of Operations	$ 1,075,750	$ 146,552	$ (147)	$ 1,222,155	$ 0	$ 1,222,155
Statement of Changes in Net Position						
Net Position Beginning of Period	$ 2,680,969	$ 80,479	$ 0	$ 2,761,448	$ 0	$ 2,761,448
Non-Exchange Revenue						
Tax Revenue -Intragovernmental	929,042	157,816	0	1,086,858	0	1,086,858
Interest Revenue - Intragovernmental	64,137	2,716	0	66,853	0	66,853
Other - With the Public	1	0	0	1	0	1
Total-Non Exchange Revenue	993,180	160,532	0	1,153,712	0	1,153,712
Net Transfers In/Out	37,949	(1,166)	(48,640)	(11,857)	0	(11,857)
Other	0	0	48,502	48,502	0	48,502
Net Cost of Operations	1,075,750	146,552	(147)	1,222,155	0	1,222,155
Net Change	(44,621)	12,814	9	(31,798)	0	(31,798)
Net Position End of Period	$ 2,636,348	$ 93,293	$ 9	$ 2,729,650	$ 0	$ 2,729,650

Chart 10b for FY 2022 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,129 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2022 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), 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 10b.

11. Operating Expenses

Classification of Operating Expenses by Major Program

Charts 11a and 11b display 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. 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)

	2023				
	LAE		OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
	SSA	OIG			
OASI	$ 3,729	$ 54	$ 650	$ 24	$ 4,457
DI	2,585	38	112	224	2,959
SSI	4,769	0	0	246	5,015
Other	3,405	36	0	0	3,441
Total	$ 14,488	$ 128	$ 762	$ 494	$ 15,872

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

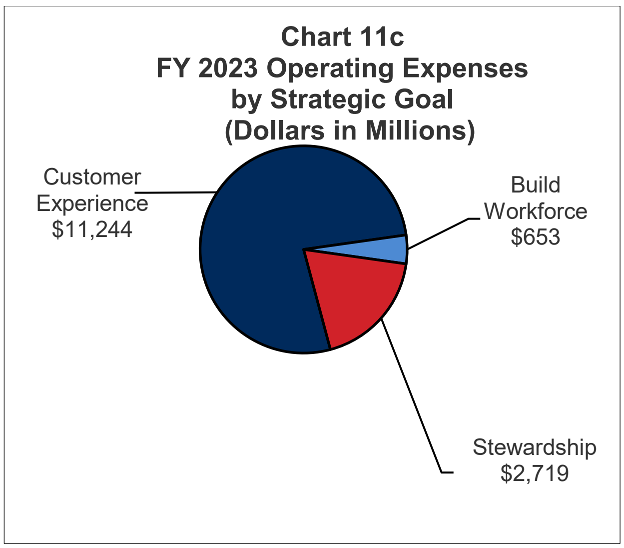
	2022				
	LAE		OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
	SSA	OIG			
OASI	$ 3,537	$ 47	$ 604	$ 21	$ 4,209
DI	2,576	34	105	208	2,923
SSI	4,512	0	0	246	4,758
Other	2,879	32	0	0	2,911
Total	$ 13,504	$ 113	$ 709	$ 475	$ 14,801

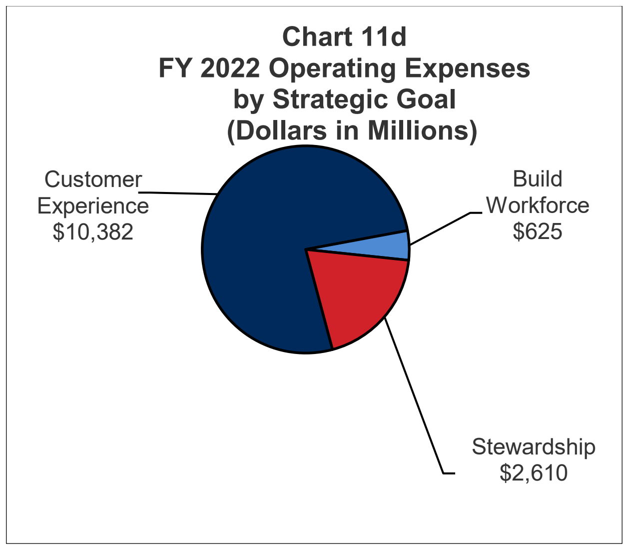
Classification of Operating Expenses by Strategic Goal

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 agency-wide broad-based Strategic Goals. The three Strategic Goals are:

- Optimize the Experience of SSA Customers (Customer Experience);
- Build an Inclusive, Engaged, and Empowered Workforce (Build Workforce); and
- Ensure Stewardship of SSA Programs (Stewardship).

Charts 11c and 11d exhibit the distribution of FY 2023 and FY 2022 SSA and OIG LAE operating expenses to the three APP Strategic Goals, which agree to the agency's LAE budget appropriation.





For Charts 11c and 11d, we do 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 SSI and are not directly linked to the budget authority. For Chart 11d, we included $6 million of LAE operating expenses related to the *American Recovery and Reinvestment Act of 2009* and the CARES Act that had previously been excluded in FY 2022.

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 $324 and $320 million for the years ended September 30, 2023 and 2022. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the States are $14.35 and $13.16, per payment, for the years ended September 30, 2023 and 2022. 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)

	2023		2022	
SSI State Supplementation Fees	$	233	$	236
SSI Attorney Fees		6		6
DI Attorney Fees		21		20
OASI Attorney Fees		1		1
Other Exchange Revenue		63		57
Total Exchange Revenue	$	324	$	320

SSI administrative fees are split between fees that SSA can use and fees that belong to Treasury's General Fund. The General Fund's portion of these administrative fees are $87 and $95 million for the years ended September 30, 2023 and 2022. Of these amounts, $81 and $89 million were collected to administer SSI State Supplementation for the years ended September 30, 2023 and 2022. SSA maintains the remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amounts of $152 and $147 million for the years ended September 30, 2023 and 2022, to defray expenses in carrying out the SSI program.

13. Tax Revenues

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

As required by current law, the 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 13 displays SSA's Tax Revenue, as reported on the Consolidated Statements of Changes in Net Position, by major program. The $128,612 million increase from FY 2022 to FY 2023 is due to an increase in OASDI employment tax collections in FY 2023, as estimates and the related collections continue to increase in both programs post the COVID-19 pandemic. There were also OASDI adjustments for actual wage data processed in June 2023, which increased tax revenues by $34,000 million in FY 2023.

Chart 13 - Tax Revenue as of September 30:
(Dollars in Millions)

	2023	2022
OASI	$ 1,039,005	$ 929,042
DI	176,465	157,816
Total Tax Revenue	$ 1,215,470	$ 1,086,858

14. Imputed Financing

SSA recognizes the full cost of goods and services it receives 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 total service costs for SSA employee pensions, life, and health insurance are financed by contributions of SSA, participating employees, and OPM. The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,722 and $1,491 million for the years ended September 30, 2023 and 2022, as a portion of operating expenses. The expense represents the current and estimated future costs of SSA and OPM 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 OPM covers the remaining costs. 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 most 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 14 discloses SSA's imputed financing sources by activity.

Chart 14 - Imputed Financing Sources as of September 30:
(Dollars in Millions)

	2023	2022
Employee Benefits (OPM)		
CSRS	$ 47	$ 52
FERS	147	10
FEHBP	578	521
FEGLI	1	1
Total Employee Benefits	773	584
SSI Benefit Payments (Treasury)	17	17
Judgment Fund (Treasury)	1	1
CDM Program (DHS)	3	7
Total Imputed Financing Sources	$ 794	$ 609

15. Budgetary Resources

Reconciliation of Unobligated Balance from Prior Year Budget Authority, Net

SSA conducted a reconciliation of prior year's unobligated balance, end of year for the year ended September 30, 2022, to the current year's unobligated balance from prior year budget authority, net for the year ended September 30, 2023. The adjustments shown in the following chart include recoveries, cancelled authority, and CAS percentage adjustments. Recoveries represent downward adjustments to prior year obligations that result in increased unobligated balances from prior year budget authority. Any expired authority remaining at the end of an appropriation's budget life (6 years) becomes cancelled and is returned to any funding sources that originally provided the authority. Each year SSA's Office of Budget determines the obligations for the Trust Funds in relation to LAE's New Budget Authority. In the following year, the CAS percentages are used to determine if the obligations established for each funding source using the New Budget Authority were under or over stated and adjustments are made accordingly.

Chart 15a presents a reconciliation of prior year's unobligated balance, end of year for the year ended September 30, 2022, to the current year's unobligated balance from prior year budget authority, net for the year ended September 30, 2023.

Chart 15a - Reconciliation of Unobligated Balance from Prior Year Budget Authority, Net as of September 30:
(Dollars in Millions)

	2023
PY Unobligated balance, end of year	$5,545
Recoveries	825
Cancelled Authority	(33)
CAS % Adjustments	292
CY Unobligated balance from PY budget authority, net	$6,629

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $1,487,756 and $1,347,799 million for the years ended September 30, 2023 and 2022. Appropriations Received on the Consolidated Statements of Changes in Net Position are $115,048 and $114,082 million for the same years. The differences of $1,372,708 and $1,233,717 million primarily represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflect 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.

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 U.S. Prior to the passage of Public Law 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

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 15b 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 15b - OASI and DI Trust Fund Activities as of September 30:
(Dollars in Millions)

	2023			2022		
	OASI	DI	Total	OASI	DI	Total
Receipts	$1,152,231	$180,750	$1,332,981	$1,041,099	$ 162,029	$1,203,128
Less: Obligations	1,214,722	158,210	1,372,932	1,084,655	149,087	1,233,742
Excess of Receipts Over Obligations	$ (62,491)	$ 22,540	$ (39,951)	$ (43,556)	$ 12,942	$ (30,614)

The overall Net Position of the OASI and DI Trust Funds included in Net Position, on the Consolidated Statements of Changes in Net Position, are $2,574,206 and $116,070 million for the year ended September 30, 2023, compared to $2,636,348 and $93,293 million for the year ended September 30, 2022.

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. The total undelivered orders contain unpaid undelivered orders and advances, with unpaid orders making up the majority of the total. Chart 15c provides the undelivered orders amount by Federal, non-Federal, paid, and unpaid.

Chart 15c - Undelivered Orders as of September 30:
(Dollars in Millions)

	2023			2022		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 696	$ 2,238	$ 2,934	$ 728	$ 2,164	$ 2,892
Paid Undelivered Orders	116	0	116	119	0	119
Total Undelivered Orders	$ 812	$ 2,238	$ 3,050	$ 847	$ 2,164	$ 3,011

Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the U.S. Government

SSA conducted a reconciliation of budgetary resources, new obligations and upward adjustments, 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, 2022. All differences shown in the following chart are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government. Distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 15d presents a reconciliation of budgetary resources, new obligations and upward adjustments, 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, 2022.

Chart 15d - Explanation of Differences Between Combined Statement of Budgetary Resources and the Budget of the U.S. Government for FY 2022:
(Dollars in Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$1,370,532	$ 1,364,987	$ 51,024	$ 1,282,055
Expired activity not in President's Budget	(559)	0	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	51,024
Other	2	0	2	1
Budget of the U.S. Government	$1,369,975	$ 1,364,987	$ 51,026	$ 1,333,080

A reconciliation has not been conducted for the year ended September 30, 2023 since the actual budget data for FY 2023 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.

16. Reconciliation of Net Cost to Net Outlays

Chart 16 presents a reconciliation between SSA's budgetary and financial accounting. Budgetary accounting is used for planning and spending control purposes. The net outlays portion of budgetary accounting focuses on the receipt and use of cash. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The net costs portion of financial accounting focuses on expenses and revenue.

The following reconciliation shows the relationship between SSA's net outlays, presented on a budgetary cash basis and derived from the Combined Statements of Budgetary Resources, and net costs, presented on an accrual basis and derived from the Consolidated Statements of Net Cost, by identifying and explaining key items that affect one statement but not the other. Examples of this include transfers of authority, which affect net outlays but not net cost, or depreciation of capitalized assets that affect net cost, but not net outlays.

Chart 16 - Reconciliation of Net Cost to Net Outlays for the Years Ended September 30, 2023 and 2022
(Dollars in Millions)

	2023			2022		
	Intra-governmental	**With the Public**	**Total**	Intra-governmental	With the Public	Total
Net Cost	**$ 5,079**	**$ 1,428,260**	**$ 1,433,339**	$ 4,726	$ 1,289,721	$ 1,294,447
Components of Net Cost That Are Not Part of Net Outlays:						
Property, plant, and equipment depreciation	**0**	**(1,017)**	**(1,017)**	0	(741)	(741)
Increase/(decrease) in assets:						
Accounts receivable	**11**	**693**	**704**	(110)	75	(35)
Other assets	**(2)**	**0**	**(2)**	10	0	10
(Increase)/decrease in liabilities:						
Accounts payable	**1**	**(68)**	**(67)**	25	37	62
Benefits Due and Payable	**0**	**(19,352)**	**(19,352)**	0	(15,379)	(15,379)
Federal Employee and Veteran Benefits Payable	**0**	**2**	**2**	0	40	40
Other liabilities	**(518)**	**(7)**	**(525)**	(278)	375	97
Financing sources						
Imputed Costs	**(794)**	**0**	**(794)**	(609)	0	(609)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ (1,302)**	**$ (19,749)**	**$ (21,051)**	$ (962)	$ (15,593)	$ (16,555)
Components of Net Outlays That Are Not Part of Net Cost:						
Acquisition of capital assets	**0**	**1,183**	**1,183**	0	1,199	1,199
Financing Sources						
Transfers out(in) without reimbursement	**(171)**	**0**	**(171)**	123	0	123
Expenditure Transfers Collected/Disbursed	**2,551**	**0**	**2,551**	2,557	0	2,557
Total Components of Net Outlays That Are Not Part of Net Cost	**$ 2,380**	**$ 1,183**	**$ 3,563**	$ 2,680	$ 1,199	$ 3,879
Miscellaneous Items						
Custodial/Non-Exchange Revenue	**(34)**	**(90)**	**(124)**	(54)	(96)	(150)
Non-Entity Activity	**601**	**0**	**601**	434	0	434
Total Other Reconciling Items	**567**	**(90)**	**477**	380	(96)	284
Net Outlays	**$ 6,724**	**$ 1,409,604**	**$ 1,416,328**	$ 6,824	$ 1,275,231	$ 1,282,055

The $19,352 million increase in Benefits Due and Payable for the year ended September 30, 2023, is primarily related to amounts owed to program recipients that have not yet been paid as of the balance sheet date. The increased Benefits Due and Payable when comparing FY 2023 to FY 2022 is due primarily to an 8.7 percent Cost of Living Adjustment beneficiaries received in 2023 and an increase in the number of OASI beneficiaries during FY 2023. The $1,183 million in Acquisition of Capital Assets for the year ended September 30, 2023 primarily consists of capitalized costs associated with Internal Use Software. For additional information, refer to Note 7, Property, Plant, and Equipment, Net. The purchase of assets are part of net outlays, but not part of net cost. The $2,551 million in Expenditure Transfers Disbursed for the year ended September 30, 2023, is primarily related to disbursements from OASI/DI Trust Funds to cover SSA's costs of the Railroad Retirement Interchange. The disbursements are part of net outlays, but not part of net cost. Refer to Note 9, Liabilities, for additional information on the Railroad Retirement Interchange.

For FY 2022, the $15,379 million increase in Benefits Due and Payable is primarily related to amounts owed to program recipients that have not yet been paid as of the balance sheet date. This accrued payable is included in net cost, but not included in net outlays. The $1,199 million in Acquisition of Capital Assets for the year ended September 30, 2022 primarily consists of capitalized costs associated with Internal Use Software. The purchase of assets are part of net outlays, but not part of net cost. The $2,557 million in Expenditure Transfers Disbursed for the year ended September 30, 2022, is primarily related to disbursements from OASI/DI Trust Funds to cover SSA's costs of the Railroad Retirement Interchange. The disbursements are part of net outlays, but not part of net cost.

17. Social Insurance Disclosures

Statements of Social Insurance

The Statements of Social Insurance show 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 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2023 Trustees Report) for the 75-year projection period beginning January 1, 2023. 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 on 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 reserves held in the combined OASI and DI Trust Funds, because the present value calculation discounts all cash flows at the effective yield on OASI and DI Trust Fund reserves. 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 have attained age 15 or older in the starting year of the projection period. This closed group is further divided into those who have attained retirement eligibility age (i.e., age 62 and over) 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 reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund reserves, over all past expenditures for the OASDI program. The combined OASI and DI Trust Fund reserves as of January 1, 2023 totaled $2,830 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 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 OASDI 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 reserves in the combined OASI and DI Trust Funds become depleted. Thus, if the reserves in the combined OASI and DI Trust Funds 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 (2023) 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 reserves are depleted. Estimates are also based on various economic and demographic assumptions, including those in the following chart:

Chart 17a: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2023

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3] Male	Period Life Expectancy At Birth[3] Female	Net Annual Immigration (persons per year)[4]	Annual Percentage Change In: Average Annual Wage in Covered Employment (nominal)[5]	Average Annual Wage in Covered Employment (real)[5]	CPI[6]	Total Employment[7]	Real GDP[8]	Average Annual Interest Rate[9]
2023	1.70	798.0	76.1	81.2	2,030,000	4.15	0.15	4.00	0.2	0.7	3.5%
2030	1.86	738.4	77.1	82.1	1,348,000	4.01	1.57	2.40	0.4	2.0	4.6%
2040	1.97	679.9	78.1	83.0	1,291,000	3.63	1.20	2.40	0.3	1.9	4.7%
2050	2.00	627.3	79.2	83.8	1,258,000	3.53	1.10	2.40	0.4	2.0	4.7%
2060	2.00	580.7	80.2	84.7	1,241,000	3.55	1.12	2.40	0.4	2.0	4.7%
2070	2.00	539.4	81.1	85.4	1,228,000	3.57	1.14	2.40	0.3	1.9	4.7%
2080	2.00	502.7	82.0	86.1	1,220,000	3.56	1.13	2.40	0.4	2.0	4.7%
2090	2.00	469.9	82.9	86.8	1,216,000	3.55	1.12	2.40	0.5	2.1	4.7%
2100[10]	2.00	440.6	83.6	87.4	1,214,000	3.55	1.12	2.40	0.4	2.0	4.7%

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman 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 birth for a given year is the average number of years expected prior to death for a person born on January 1 in that year, 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 as lawful permanent residents 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 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. The nominal percentage change values reflect the dollar levels of wages and salaries projected for each year in that year's dollars; the real percentage change values do not include the effect of price inflation (CPI). The nominal percentage change in the average annual wage in covered employment is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
6. The CPI is CPI-W.
7. Total employment is the sum of average weekly U.S. civilian employment and U.S. Armed Forces. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
8. Real GDP is the value of the total output of goods and services in 2012 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
9. The average annual interest rate is the average of the nominal interest rates, compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. After trust fund depletion, there would continue to be immediate investments of income in short-term certificates of indebtedness. The average annual interest rate is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
10. The valuation period used for the 2023 Statement of Social Insurance extends to 2097.

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 Chart 17b. Detailed information, similar to that denoted within Chart 17a, is available on our *Agency Financial Report* (AFR) website for the prior four years.

Chart 17b: Significant Long-Range 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]	Real Wage Growth[4]	Average Annual Percentage Change In: Average Annual Wage in Covered Employment (nominal)[5]	CPI[6]	Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2023	1.99	0.74	1,245,000	1.14	3.56	2.40	0.4	2.3
FY 2022	1.99	0.74	1,246,000	1.15	3.55	2.40	0.5	2.3
FY 2021	1.99	0.74	1,248,000	1.15	3.55	2.40	0.5	2.3
FY 2020	1.95	0.76	1,261,000	1.14	3.54	2.40	0.4	2.3
FY 2019	2.00	0.77	1,265,000	1.21	3.81	2.60	0.5	2.5

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman 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 Statements prior to 2021, the value presented is the ultimate total fertility rate. For the 2021 through 2023 Statements, the value presented is the average annual total fertility rate for the last 65 years of the 75-year 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 each of the listed Statements, the standard date was April 1, 2010. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to 2021, the value presented is the average annual percentage reduction for the entire 75-year projection period. For the 2021 through 2023 Statements, the value presented is the average annual percentage reduction for the last 65 years of the 75-year projection period.
3. Net annual immigration is the number of persons who enter during the year (both as lawful permanent residents and otherwise) minus the number of persons who leave during the year. The value in the chart is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to 2021, the value presented is the average net immigration level for the entire 75-year projection period. For the 2021 through 2023 Statements, the value presented is the average net immigration level for the last 65 years of the 75-year projection period.
4. For the Statements prior to 2023, the value presented is the average annual real wage differential (in percentage points) for the last 65 years of the 75-year projection period; the annual real wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in CPI. For the 2023 Statement, the value presented is the average annual real (i.e., inflation adjusted) percentage change in the average annual wage in covered employment for the last 65 years of the 75-year projection period; 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.
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 for the last 65 years of the 75-year projection period.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is the sum of average weekly U.S. civilian employment and U.S. Armed Forces. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to 2023, the value presented is the average annual percentage change for the entire 75-year projection period. For the 2023 Statement, the value presented is the average annual percentage change for the last 65 years of the 75-year projection period.
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 11 years of the projection period.

These assumptions and the other values on which Chart 17b is based reflect the intermediate assumptions of the 2019–2023 Trustees Reports. The values shown in the FY 2023 row of Chart 17b are consistent with the data shown in Chart 17a. Estimates made prior to this year may 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 changes to actuarial assumptions and methodology in future reports. Due to continuing uncertainty about the lasting effects of the COVID-19 pandemic, the individual long-range ultimate assumptions do not reflect any net effects due to the pandemic.

The *Required Supplementary Information: Social Insurance* section of this report contains additional information on social insurance.

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 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 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, 2022 to the period beginning on January 1, 2023; and (2) change from the period beginning on January 1, 2021 to the period beginning on January 1, 2022. 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, 2022 to the period beginning on January 1, 2023

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2022–2096) to the current valuation period (2023–2097) 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 estimated net cash flow for 2022, replaces it with a much larger negative estimated net cash flow for 2097, and measures the present values as of January 1, 2023, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2022–2096 to 2023–2097. In addition, the effect on the level of 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 2022 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.7 trillion.

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2021–2095) to the current valuation period (2022–2096) 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 estimated net cash flow for 2021, replaces it with a much larger negative estimated net cash flow for 2096, and measures the present values as of January 1, 2022, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2021–2095 to 2022–2096. In addition, the effect on the level of 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 2021 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.7 trillion.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2023) 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.

- Projected birth rates through 2055, during the period of transition to the ultimate level, were slightly lower than in the prior valuation.

- Updates to near-term mortality assumptions to better reflect the effects of the COVID-19 pandemic led to an increase in death rates through 2024 compared to the prior valuation.
- Historical population data, other-than-lawful permanent resident (LPR) immigration data, and marriage and divorce data were updated since the prior valuation.

The revised birth rate assumptions and the updates to historical population, other-than-LPR immigration, and marriage and divorce data decreased the present value of the estimated future net cash flows. The increase in assumed near-term death rates increased the present value of the estimated future net cash flows.

There was one notable change in demographic methodology. The method for projecting the age distributions of LPR new arrival and adjustment-of-status immigrants was updated reflecting recent data showing a slightly older population at the time of attaining LPR status than had previously been estimated. This change decreased the present value of the estimated future net cash flows.

Overall, changes in demographic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.1 trillion.

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2022) 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 calendar year 2020 indicated slightly lower birth rates than were assumed in the prior valuation.
- Near-term LPR immigration data were updated since the prior valuation; near-term LPR immigration assumptions were also updated to better reflect the expected effects of the recovery from the pandemic.
- Historical population data and other-than-LPR immigration data were updated since the prior valuation.

Incorporating new birth rate data, changes to near-term LPR immigration data and assumptions, and changes to historical population and other-than-LPR immigration assumptions all decreased the present value of the estimated future net cash flows.

There was one notable change in demographic methodology. An improvement was made to put more emphasis on recent mortality data by increasing the weights for the most recent years in the regressions used to calculate the starting rates of improvement and starting death rates. This change decreased the present value of the estimated future net cash flows.

Overall, changes in demographic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.3 trillion.

Changes in Economic Data, Assumptions, and Methods

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

For the current valuation (beginning on January 1, 2023), there was one change to the ultimate economic assumptions.

- The annual percentage change in the average OASDI covered wage, adjusted for inflation, is assumed to average 1.14 percentage points over the last 65 years of the 75-year projection period. This is 0.02 percentage point higher than the value assumed for the prior valuation.

This change to the wage growth assumption increased the present value of estimated future net cash flows. In addition to this change to the ultimate economic assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- The levels of GDP and labor productivity are assumed to be about 3.0 percent lower by 2026 and for all years thereafter relative to the prior valuation.
- The assumed real interest rates over the first 10 years of the projection period are generally higher than those assumed for the prior valuation.

The changes to the GDP and productivity levels decreased the present value of the estimated future net cash flows, while the change to near-term real interest rates increased the present value of the estimated future net cash flows.

There was one notable change in economic methodology. The method for estimating the level of OASDI taxable wages for historical years 2000-21 was improved by adopting a more consistent approach for estimating completed values across various types of wages. This change increased the present value of the estimated future net cash flows.

Overall, changes to economic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.8 trillion.

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The ultimate economic assumptions for the current valuation (beginning on January 1, 2022) 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 significant changes are identified below.

- Near-term real interest rates are assumed to be slightly higher on average than those for the prior valuation reflecting the strong recovery from the pandemic-induced recession.
- Economic starting values and near-term growth assumptions were updated to reflect the recovery from the pandemic-induced recession that was stronger than had been expected for the prior valuation.

- The level of potential GDP for years 2021 and later is assumed to be about 1.1 percent higher than the level in the prior valuation, reflecting the strong recovery and the expectation of a permanent level shift in total economy labor productivity.

The changes to near-term real interest rates and the resulting effects on present value calculations decreased the present value of the estimated future net cash flows, while changes to starting values and near-term economic growth assumptions and the level shift in the assumptions for potential GDP increased the present value of the estimated future net cash flows.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.2 trillion.

Changes in Programmatic Data and Methods

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2023). The most significant are identified below.

- Actual disability data for 2022 and slightly lower near-term disability incidence rate assumptions were incorporated.
- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2019, one year later than the 2018 sample used for the prior valuation.
- Updates were made to the post-entitlement benefit adjustment factors. These factors are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

Incorporating the new disability data and near-term disability incidence assumptions increased the present value of estimated cash flows, while the updated sample year and the updated post-entitlement factors decreased the present value of estimated cash flows.

Overall, changes to programmatic data and methods caused the present value of the estimated future net cash flows to decrease by $0.3 trillion.

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2022). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 5.0 per thousand exposed in the prior valuation to 4.8 in the current valuation. In addition, recent disability data and changes to the near-term disability incidence assumptions were incorporated.

- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2018, one year later than the 2017 sample used for the prior valuation.
- Updated data and estimates provided by the Office of Tax Analysis at Treasury indicate higher near-term and ultimate levels of revenue from taxation of OASDI benefits than projected in the prior valuation.
- Updates were made to the post-entitlement benefit adjustment factors. These factors are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

Lowering the disability incidence rate, the updated sample year, and the higher revenue from taxation of benefits increased the present value of estimated cash flows, while the updated post-entitlement factors decreased the present value of estimated cash flows. Overall, changes to programmatic data and methods caused the present value of the estimated future net cash flows to increase by $0.6 trillion.

Changes in Law or Policy

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

Between the prior valuation (the period beginning on January 1, 2022) and the current valuation (the period beginning on January 1, 2023), no notable changes in law or policy are expected to have a significant effect on the long-range cost of the OASDI program.

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

Between the prior valuation (the period beginning on January 1, 2021) and the current valuation (the period beginning on January 1, 2022), no notable changes in law or policy are expected to have a significant effect on the long-range cost of the OASDI program.

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. Chart 17a summarizes these assumptions for the current year. Our AFR website provides tabulated assumptions for the prior year in a similar manner.

Period Beginning on January 1, 2022 and Ending January 1, 2023

Present values as of January 1, 2022 are calculated using interest rates from the intermediate assumptions of the 2022 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2023. 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 2022 Trustees Report. Because interest rates are an economic estimate and all estimates in the chart 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 2023 Trustees Report.

Period Beginning on January 1, 2021 and Ending January 1, 2022

Present values as of January 1, 2021 are calculated using interest rates from the intermediate assumptions of the 2021 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2022. 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 2021 Trustees Report. Because interest rates are an economic estimate and all estimates in the chart 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 2022 Trustees Report.

18. Reclassification of the Statement of Net Cost and Statement of Changes in Net Position for the Federal Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (FR), Treasury requires agencies to submit in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) an adjusted trial balance, which lists the amounts by U.S. Standard General Ledger accounts that appear in the agency financial statements. Treasury uses the trial balance reported in GTAS to develop a reclassified Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for each agency. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to compile to the FR statements. SSA presents the Consolidated Balance Sheets, and Note 10, Funds from Dedicated Collections in compliance with the required format in OMB's Circular No. A-136. Therefore, per OMB's guidance, SSA is not required to compile a reclassified Balance Sheet. This note includes the Statement of Net Cost and Statement of Changes in Net Position line items and the reclassified statement line items prior to Treasury's elimination of intragovernmental differences and aggregation of FR lines. The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments. A copy of the FY 2022 FR is available on Treasury's website (unaudited) and a copy of the FY 2023 FR will be posted to this site as soon as it is released.

SSA's FY 2023 reconciliation of agency Statement of Net Cost and Statement of Changes in Net Position amounts to Treasury's reclassified statements are included in Charts 18a and 18b. The Reclassified Net Position in Chart 18b includes intradepartmental eliminations processed by Treasury to present the Net Position at a consolidated level. The Net Position is presented at a combined level in Agency Financial Reports.

Chart 18a - Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ended September 30, 2023
(Dollars in Millions)

FY 2023 Statement of Net Cost		Line Items Used to Prepare FY 2023 Government-wide Statement of Net Cost			
Financial Statement Line	**Amount**	**Dedicated Collections**	**Other than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Benefit Payment Expense	**$ 1,417,791**				
Operating Expenses (Note 11)	**15,872**				
		$ 1,359,665	**$ 68,874**	**$ 1,428,539**	Non-Federal Costs
					Intragovernmental Costs
		0	**1,538**	**1,538**	Benefit Program Costs
		0	**794**	**794**	Imputed Costs
		762	**1,627**	**2,389**	Buy/Sell Costs
		0	**403**	**403**	Other Expenses (without Reciprocals)
		762	**4,362**	**5,124**	Total Intragovernmental Costs
Total Cost	**1,433,663**	**1,360,427**	**73,236**	**1,433,663**	Total Reclassified Gross Costs
		(174)	**(104)**	**(278)**	Non-Federal Earned Revenue
		0	**(46)**	**(46)**	Buy/Sell Revenue
Less: Exchange Revenues (Note 12)	**(324)**	**(174)**	**(150)**	**(324)**	Total Reclassified Earned Revenue
Total Net Cost	**$ 1,433,339**	**$ 1,360,253**	**$ 73,086**	**$ 1,433,339**	**Net Cost**

Note: The chart above does not contain any columns for eliminations as SSA does not have eliminations within our Statement of Net Cost.

Chart 18b - Reclassification of Statement of Changes in Net Position to Line Items Used for the Government-wide Statement of Changes in Net Position for the Year Ended September 30, 2023

(Dollars in Millions)

FY 2023 Statement of Changes in Net Position		Line Items Used to Prepare FY 2023 Government-wide Statement of Changes in Net Position					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations between Dedicated and All Other**	**Total**	**Reclassified Financial Statement Line**
Unexpended Appropriations:							**Unexpended Appropriations:**
Beginning Balances	**$ 4,862**	**$ 0**	**$ 0**	**$ 4,862**	**$ 0**	**$ 4,862**	Net Position, Beginning of Period - Adjusted
							Financing Sources
Appropriations Received	**115,048**	**50,786**		**64,262**		**115,048**	Appropriations Received as Adjusted (Recissions and Other Adjustments)
Other Adjustments	**(11)**	**-**		**(11)**		**(11)**	Appropriations Received as Adjusted (Recissions and Other Adjustments)
Appropriations Used	**(115,887)**	**(50,786)**		**(65,101)**		**(115,887)**	Appropriations Used
Net Change in Unexpended Appropriations	**(850)**	**0**	**0**	**(850)**	**0**	**(850)**	**Total Financing Sources**
Total Unexpended Appropriations - Ending	**4,012**	**0**	**0**	**4,012**	**0**	**4,012**	**Total Unexpended Appropriations - Ending**
Cumulative Results of Operations:							**Cumulative Results:**
Beginning Balances	**$ 2,735,301**	**$ 2,729,650**	**$ 0**	**$ 5,651**	**$ 0**	**$ 2,735,301**	Net Position, Beginning of Period - Adjusted
							Financing Sources
Appropriations Used	**115,887**	**50,786**		**65,101**		**115,887**	Appropriation Expended
Non-Exchange Revenue							**Federal Non-Exchange Revenue**
Tax Revenues (Note 13)	**1,215,470**	**1,215,470**				**1,215,470**	Other Taxes and Receipts
Interest Revenues	**66,257**	**66,257**				**66,257**	Federal Securities Interest Revenue Including Associated Gains and Losses (Non-Exchange)
							Non-Federal Non-Exchange Revenue
Other	**2**	**2**				**2**	Other Taxes and Receipts
Total Non-Exchange Revenue	**1,281,729**	**1,281,729**	**0**	**0**	**0**	**1,281,729**	**Total Non-Exchange Revenue**
Transfers-In/Out - Without Reimbursement	**(1,827)**						**Transfers-In and Out Without Reimbursement**
				140	**(140)**	**0**	Appropriation of Unavailable Special or Trust Fund Receipt Transfers-In
		(140)			**140**	**0**	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		1,359,821	**(1,359,821)**			**0**	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(1,359,821)	**1,359,821**			**0**	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		50,800	**(50,786)**	**9,570**	**(6,512)**	**3,072**	Expenditure Transfers-In of Financing Sources
		(63,083)	**50,786**	**(8)**	**6,512**	**(5,793)**	Expenditure Transfers-Out of Financing Sources
		894	**0**	**0**	**0**	**894**	Transfers-In Without Reimbursement
Total Transfers-In/Out –Without Reimbursement	**(1,827)**	**(11,529)**	**0**	**9,702**	**0**	**(1,827)**	**Total Reclassified Transfers In/Out - Without Reimbursement**
Imputed Financing (Note 14)	**794**			**794**		**794**	Imputed Financing Sources
Other	**(3,192)**						**Non-Entity Financing Sources**
				(2,592)		**(2,592)**	Non-entity collections transferred to the General Fund of the U.S. Government
		(86)		**(514)**		**(600)**	Accrual for non-entity amounts to be collected/transferred to the General Fund of the U.S. Government
Total Other	**(3,192)**	**(86)**	0	**(3,106)**	**0**	**(3,192)**	**Total Reclassified Non-Entity Financing Sources and Non-Federal Non-Exchange Revenue**
Net Cost of Operations	**1,433,339**	**1,360,253**	**0**	**73,086**	**0**	**1,433,339**	**Net Cost of Operations**
Net Change in Cumulative Results of Operations	**(39,948)**	**(39,353)**	**0**	**(595)**	**0**	**(39,948)**	**Net Change**
Cumulative Results of Operations - Ending	**$ 2,695,353**	**$ 2,690,297**	**$ 0**	**$ 5,056**	**$ 0**	**$ 2,695,353**	**Reclassified Cumulative Results of Operations - Ending**
Net Position	**$ 2,699,365**	**$ 2,690,297**	**$ 0**	**$ 9,068**	**$ 0**	**$ 2,699,365**	**Total Reclassified Net Position**

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2023

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources (Note 15)						
Unobligated balance from prior year budget authority, net	$ 359	$ 5	$ 5,014	$ 59	$ 1,192	$ 6,629
Appropriations (discretionary and mandatory)	1,214,363	158,205	64,349	50,807	32	1,487,756
Spending authority from offsetting collections (discretionary and mandatory)	0	0	3,118	0	14,193	17,311
Total Budgetary Resources	$ 1,214,722	$ 158,210	$ 72,481	$ 50,866	$ 15,417	$ 1,511,696
Status of Budgetary Resources						
New obligations and upward adjustments						
Direct	$ 1,214,722	$ 158,210	$ 65,548	$ 50,802	$ 14,362	$ 1,503,644
Reimbursable	0	0	3,123	0	75	3,198
New obligations and upward adjustments (total)	1,214,722	158,210	68,671	50,802	14,437	1,506,842
Unobligated Balance, End of Year						
Apportioned, unexpired accounts	0	0	3,437	35	493	3,965
Unapportioned, unexpired accounts	0	0	371	0	6	377
Unexpired unobligated balance, end of year	0	0	3,808	35	499	4,342
Expired unobligated balance, end of year	0	0	2	29	481	512
Unobligated balance, end of year (total)	0	0	3,810	64	980	4,854
Total Budgetary Resources	$ 1,214,722	$ 158,210	$ 72,481	$ 50,866	$ 15,417	$ 1,511,696
Outlays, Net						
Outlays, net (discretionary and mandatory)	$ 1,202,046	$ 152,519	$ 64,728	$ 50,802	$ (16)	$ 1,470,079
Distributed offsetting receipts	(49,961)	(1,046)	(239)	(2,505)	0	(53,751)
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,152,085	$ 151,473	$ 64,489	$ 48,297	$ (16)	$ 1,416,328

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 2022, the Social Security Administration paid OASDI benefits to about 66 million beneficiaries. The laws applicable for the period determine eligibility and benefit amounts. Current law provides that monthly benefit payments for workers and their eligible dependents or survivors are based on 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 replace 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, "Benefits Due and Payable" on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date includes a liability of approximately $140 billion as of September 30, 2023 ($122 billion as of September 30, 2022). We paid virtually all of this amount in October 2023. Also, the "investments in Treasury securities" recognizes an asset of $2,817 billion as of September 30, 2023 ($2,838 billion as of September 30, 2022). These investments are the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Fund asset reserves, and 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, 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, 2023 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 there is no liability on the balance sheet for future obligations beyond those due at the reporting date, we present actuarial estimates of the long-range financial status of the OASDI program. 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 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 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**: 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 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2023 Trustees Report) (see Note 17 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. The information provided in this section 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.

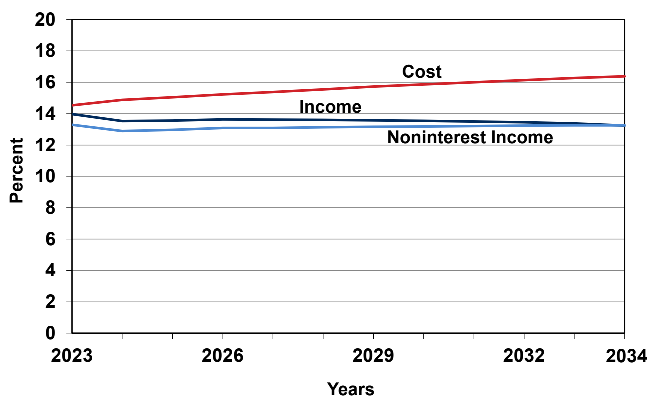
Sustainable Solvency - Based on the estimates of income and cost presented in the Statements of Social Insurance, the OASDI program does not meet the criteria for sustainable solvency. To meet the criteria for sustainable solvency, the program must be able to pay all scheduled benefits in full on a timely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

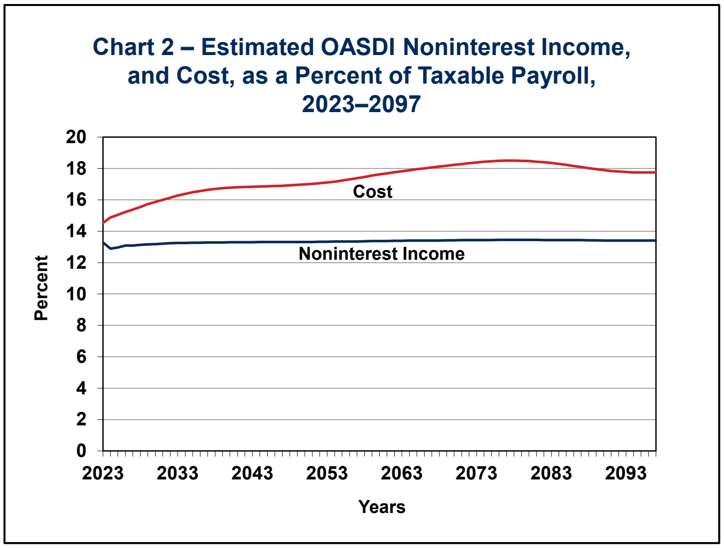
Cash Flow Projections - OASDI noninterest income and cost are estimated for each year from 2023 through 2097. Charts 1 through 4 show annual cash flow projections for the OASDI program. However, income including interest is only estimated through 2034, the year that the reserves in the combined OASI and DI Trust Funds are projected to become depleted. After the point of 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 (including interest) 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 the cost of scheduled benefits 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 2097 expressed as percentages of taxable payroll.

Chart 1 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of Taxable Payroll, 2023–2034





As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent) and the 12.4 percent that is paid on taxable self-employment income. Prior to 2021, income including interest exceeded cost in every year since 1983. Beginning in 2021, cost exceeded income including interest. As Chart 1 shows, estimated cost continues to exceed estimated income excluding interest in years 2023 through 2034. As Chart 2 shows, estimated cost, expressed as a percentage of taxable payroll, increases through 2078, declines slowly in years 2079-2096, and then increases slightly in 2097 (the last year of the 75-year projection period). The estimated income at the end of the 75-year period is sufficient to cover 74 percent of the estimated cost.

The increase in estimated cost through 2078 occurs because of a variety of factors, including the ongoing 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. The decrease in estimated cost after 2078 occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

Estimated annual cost is projected to exceed 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 some 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 as needed.

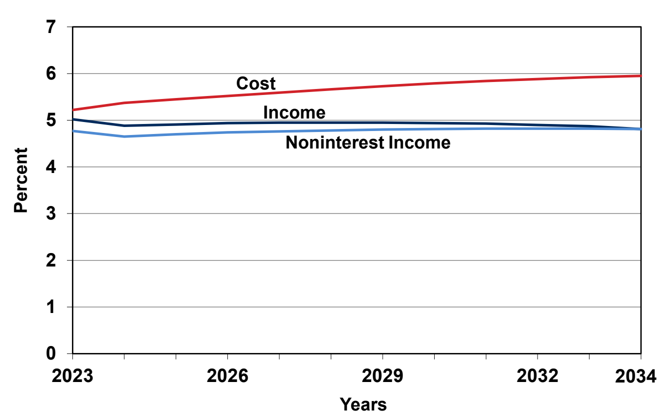
Actuarial Balance - The Statements of Social Insurance show that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$25,252 billion. If augmented by the combined OASI and DI Trust Fund reserves at the start of the period (January 1, 2023), it is -$22,422 billion. This excess does not correspond to the actuarial balance in the 2023 Trustees Report of -3.61 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.

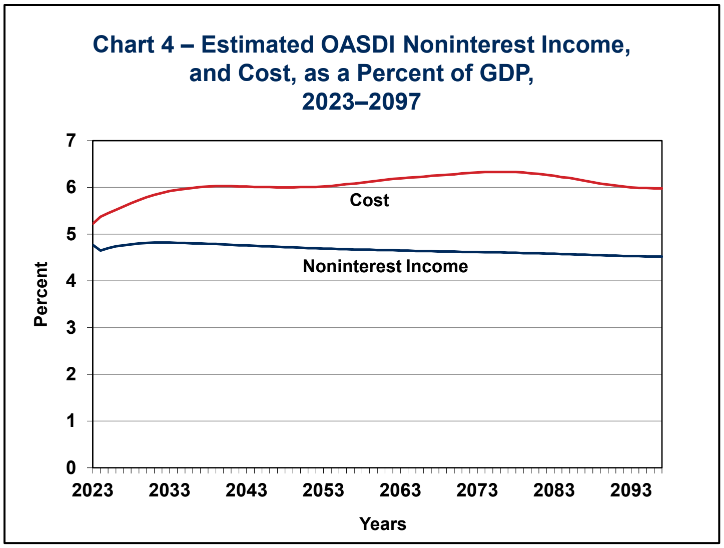
For the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period, revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax increase of 3.44 percentage points (from its current level of 12.40 percent to 15.84 percent). One interpretation of the actuarial balance is that its magnitude, 3.61 percent, should equal the necessary increase. However, the increase is different primarily because the necessary tax rate is the rate required to maintain solvency throughout the period that results in no reserves in the OASI and DI Trust Funds at the end of the period, whereas the actuarial balance incorporates an ending reserve in the OASI and DI Trust Funds equal to one year's cost. While such an increase in the payroll tax rate would cause some behavioral changes in earnings and ensuing changes in benefit levels, such changes are not included in this calculation because they are assumed to have roughly offsetting effects on OASDI actuarial status over the 75-year long-range period as a whole.

Alternatively, solvency could be achieved by reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of about 21 percent applied to all current and future beneficiaries, or about 25 percent if the reductions were applied only to newly entitled beneficiaries. Finally, some combination of 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 2097 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.

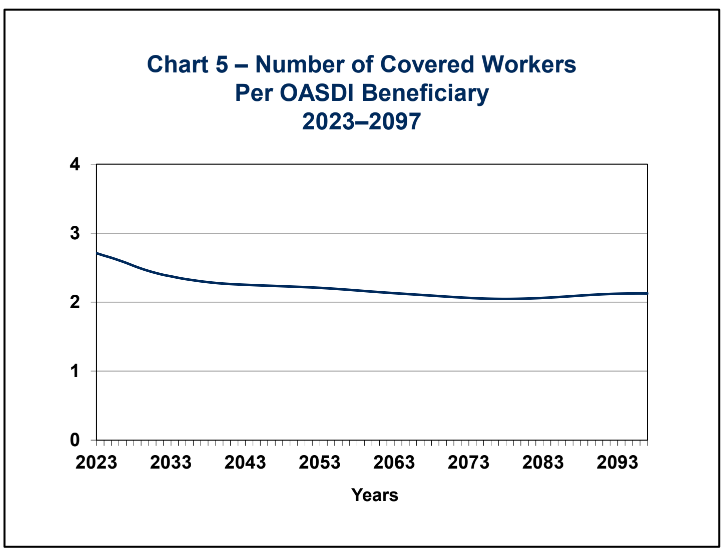
Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2023–2034





In calendar year 2022, OASDI cost was about $1,244 billion, which was about 4.9 percent of GDP. The cost of the program (based on current law) rises to a peak of 6.3 percent of GDP in 2076, then declines to 6.0 percent by 2097. The increase from 2022 to about 2040 will occur as baby boomers continue to become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer. The decrease near the end of the 75-year projection period occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

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 2022 to 2.1 in 2097.



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 actual experience is likely to differ from the estimated or assumed values of these factors, we include this section 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 growth, Consumer Price Index (CPI), and real interest rate. The range of values chosen for the sensitivity analysis presents a reasonable range within which we expect future experience to fall, on average, over long time periods. We do not intend the range of values to represent any particular probability interval around the intermediate assumptions, nor are the endpoints of the range intended to represent the absolute best or worst scenario.

For this analysis, we use the intermediate assumptions in the 2023 Trustees Report as the reference point. Each selected assumption is varied individually. We note that due to the interactions between assumptions, changes in any single assumption may have additional effects on other assumptions. We calculate all present values as of January 1, 2023 and base them on estimates of income and cost during the 75-year projection period 2023–2097. In this section, for brevity, "income" means "noninterest income."

We present one table and one chart for each assumption we analyzed. 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. If the excess is negative, we refer to it as a shortfall. The middle values provided correspond to the intermediate assumption of the Trustees. The other two values correspond to the low-cost and high-cost alternative values for that individual assumption. 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 2023 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 the uncertainty and variability in assumptions, income, and cost.

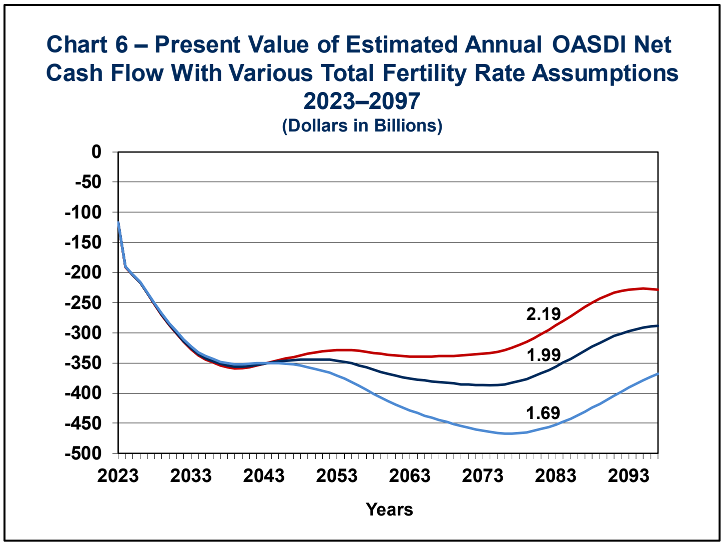
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the three sets of assumptions about the total fertility rate. The average annual total fertility rates for the period 2033 through 2097 are 1.69, 1.99, and 2.19 children per woman, where 1.99 is the intermediate summary value for the 2023 Trustees Report. The total fertility rate under all three sets of total fertility rate assumptions changes gradually from its current low level and will reach the ultimate value of 1.70, 2.00, and 2.20, respectively in 2056.

Table 1 demonstrates that if the average annual total fertility rate were changed from 1.99 children per woman, consistent with the Trustees' intermediate assumption, to 1.69, the shortfall for the period of estimated OASDI income relative to cost would increase to $28,599 billion from $25,252 billion; if the average annual total fertility rate changed to 2.19, the shortfall would decrease to $22,884 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Total Fertility Rate Assumptions Valuation Period: 2023–2097

Average Total Fertility Rate (for 2033 through 2097)	1.69	1.99	2.19
Present Value of Estimated Excess (Dollars in Billions)	$(28,599)	$(25,252)	$(22,884)

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 flows.



The three patterns of the present values shown in Chart 6 are similar. Under all three sets of assumptions, the present values are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of fertility rate assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) in 2041. The net cash flow estimates corresponding to the average total fertility rate of 1.69 increase in 2041-2044, decrease in years 2045–2077, and then increase through 2097. The net cash flow estimates corresponding to the average total fertility rate of 1.99 increase in years 2041–2051, decrease in years 2052–2074, and then increase through 2097. The net cash flow estimates corresponding to the average total fertility rate of 2.19 increase in years 2041-2054, decrease in years 2055-2065, and increase in years 2066–2095 before a slight decrease through 2097.

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. We developed the analysis by varying the reduction assumed to occur in future 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 from 2032 to 2097, are 0.28, 0.74, and 1.24 percent per year. The intermediate assumption in the 2023 Trustees Report is 0.74 percent. The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.6 in 2022 to 81.0, 85.3, and 89.7 in 2097 for average annual reductions in the age-sex-adjusted death rate of 0.28, 0.74, and 1.24 percent, respectively.

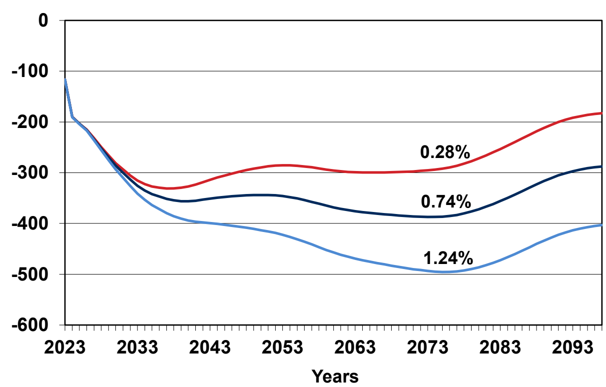
Table 2 demonstrates that if the annual reduction in death rates were changed from 0.74 percent, the Trustees' intermediate assumption, to 0.28 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $20,460 billion from $25,252 billion; if the annual reduction were changed to 1.24 percent, meaning that people live longer, the shortfall would increase to $30,914 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2023–2097

Average Annual Reduction in Death Rates (from 2032 to 2097)	0.28 Percent	0.74 Percent	1.24 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(20,460)	$(25,252)	$(30,914)

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 flows.

Chart 7 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Death Rate Assumptions 2023–2097 (Dollars in Billions)



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 net cash flow estimates corresponding to all three sets of assumptions decrease rapidly into the 2030s. The net cash flow estimates corresponding to a 1.24 percent average annual reduction in the age-sex-adjusted death rate continue decreasing at a slower pace through 2075 before increasing (becoming less negative) through 2097. The net cash flow estimates corresponding to a 0.74 percent average annual reduction increase in years 2041–2051, decrease in years 2052–2074, and then increase through 2097. The net cash flow estimates corresponding to a 0.28 percent average annual reduction increase in years 2038–2054, briefly decrease in years 2055–2065, and then increase through 2097.

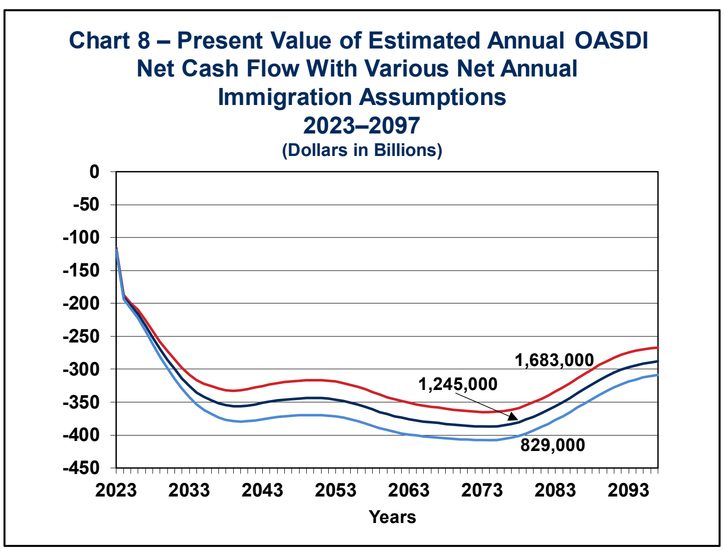
Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. The immigration assumptions include the levels of lawful permanent resident (LPR) immigration, legal emigration, other-than-LPR immigration, and other-than-LPR emigration. Based on these levels, projected net annual immigration (LPR and other-than-LPR) will average 829,000 persons, 1,245,000 persons, and 1,683,000 persons for the period 2033 through 2097. The average value based on the intermediate assumptions in the 2023 Trustees Report is 1,245,000 persons.

Table 3 demonstrates that if the Trustees' intermediate immigration assumptions were changed so that the average level for the period 2033 through 2097 decreased from 1,245,000 persons to 829,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $26,808 billion from $25,252 billion. If, instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,683,000 persons, the present value of the shortfall would decrease to $23,624 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2023–2097

Average Net Annual Immigration (for 2033 through 2097)	829,000 Persons	1,245,000 Persons	1,683,000 Persons
Present Value of Estimated Excess (Dollars in Billions)	$(26,808)	$(25,252)	$(23,624)

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 flows.



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 sets of assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) around 2040. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. Under all three sets of assumptions, net cash flows have another period of decreasing present values in years 2052–2074 before again increasing through 2097.

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 of the projection period, the present values, year by year, are generally higher (i.e., less negative in later years) for higher net annual immigration. However, benefits paid in a given year to earlier immigrant cohorts of the projection period eventually offset the increased payroll taxes for that year. 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 Growth - The annual real wage growth is the average annual real growth rate in the average wage in OASDI covered employment from 2032 to 2097. Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about real wage growth. These assumptions are that the average annual real growth rate will be 0.54, 1.14, and 1.74 percent. The intermediate assumption in the 2023 Trustees Report is 1.14 percent.

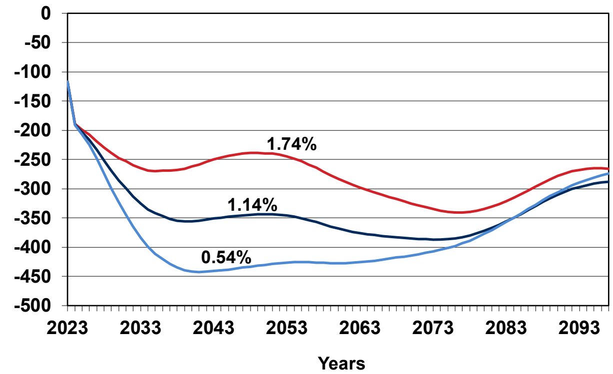
Table 4 demonstrates that if the average real wage growth were changed from 1.14 percent, the Trustees' intermediate assumption, to 0.54 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $28,173 billion from $25,252 billion; if the average real wage growth were changed from 1.14 to 1.74 percent, the shortfall would decrease to $20,708 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Real Wage Growth Assumptions Valuation Period: 2023–2097

Average Annual Real Wage Growth (from 2032 to 2097)	0.54 Percent	1.14 Percent	1.74 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(28,173)	$(25,252)	$(20,708)

Using the same assumptions about the real growth rate in the average wage in OASDI covered employment used for the estimates in Table 4, Chart 9 shows the present value of the estimated annual OASDI net cash flows.

Chart 9 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Real-Wage Growth Assumptions 2023–2097
(Dollars in Billions)



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 sets of assumptions decrease rapidly into the 2030s and then begin to increase (i.e., become less negative) by 2042. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. For the assumed real growth rate of 0.54 percent, the present values generally increase from 2042 through the remainder of the projection period. The net cash flow estimates corresponding to an assumed real growth rate of 1.14 percent increase in years 2041–2051, decrease in years 2052–2074, and then increase through 2097. The net cash flow estimates corresponding to an assumed real growth rate of 1.74 percent increase in years 2036–2049, decrease in years 2050–2077, increase in years 2078–2096, and then decrease slightly in 2097.

Differences among the estimates of annual net cash flow based on the three assumptions about the real wage growth become apparent early in the projection period. Higher real growth rates 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 growth. 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 growth rates. 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.

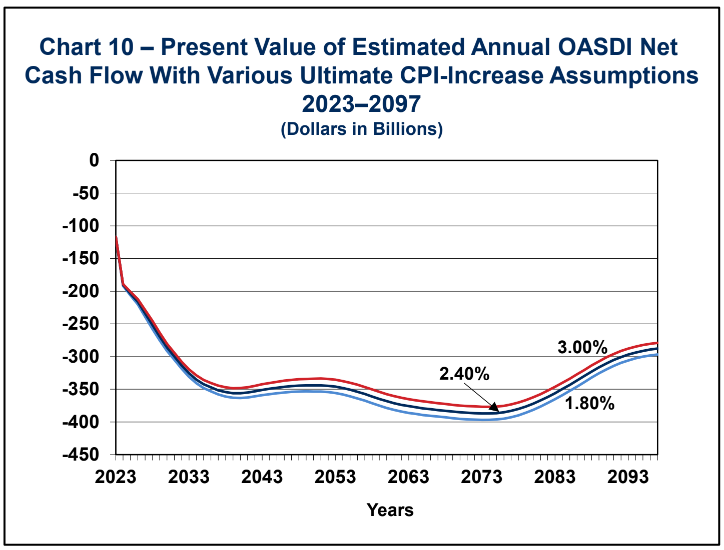
Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.80, 2.40, and 3.00 percent. All three ultimate assumptions are reached by year 2026. The intermediate assumption in the 2023 Trustees Report is 2.40 percent.

Table 5 demonstrates that if the ultimate annual increase in the CPI were changed from 2.40 percent, the Trustees' intermediate assumption, to 1.80 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $25,882 billion from $25,252 billion; if the ultimate annual increase in the CPI were changed to 3.00 percent, the shortfall would decrease to $24,592 billion. The seemingly counterintuitive 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 CPI-Increase Assumptions Valuation Period: 2023–2097

Ultimate Annual Increase in CPI	1.80 Percent	2.40 Percent	3.00 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(25,882)	$(25,252)	$(24,592)

Using the same assumptions about the 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 flows.



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 CPI-increase assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) around 2040. The net cash flow estimates corresponding to an ultimate 1.8 percent CPI increase in years 2041–2049, decrease in years 2050–2074, and then increase through 2097. The net cash flow estimates corresponding to an ultimate 2.4 percent CPI increase in years 2041–2051, decrease in years 2052–2074, and then increase through 2097. The net cash flow estimates corresponding to an ultimate 3.0 percent CPI increase in years 2040–2051, decrease in years 2052–2074, and then increase through 2097.

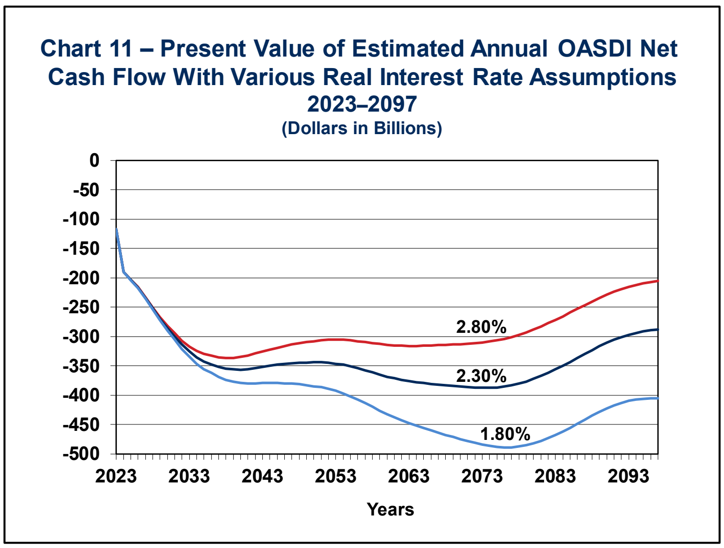
Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 1.8, 2.3, and 2.8 percent. All three ultimate rates are reached by 2033. The intermediate assumption in the 2023 Trustees Report is 2.3 percent. Changes in real interest rates change the present value of cash flows, even though the cash flows do not change.

Table 6 demonstrates that if the ultimate real interest rate were changed from 2.3 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms would increase to $29,966 billion from $25,252 billion; if the ultimate annual real interest rate were changed to 2.8 percent, the present-value shortfall would decrease to $21,503 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost With Various Real Interest Assumptions Valuation Period: 2023–2097

Ultimate Annual Real Interest Rate	1.8 Percent	2.3 Percent	2.8 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(29,966)	$(25,252)	$(21,503)

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



The three patterns of the present values shown in Chart 11 are similar. The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period and decrease rapidly into the 2030s. The net cash flow estimates corresponding to an ultimate real interest rate of 1.8 generally decrease through 2076, before increasing (becoming less negative) through 2097. The net cash flow estimates corresponding to an ultimate real interest rate of 2.3 increase in years 2041–2051, decrease in years 2052–2074, and then increase through 2097. The net cash flow estimates corresponding to an ultimate real interest rate of 2.8 increase in years 2039–2053, decrease in years 2054-2063, and then increase through 2097.

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INDEPENDENT AUDITOR'S REPORT

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 14, 2023

The Honorable Kilolo Kijakazi
Acting Commissioner of Social Security

The Office of the Inspector General contracted with the independent certified public accounting firm Ernst & Young LLP to audit: (1) the Social Security Administration's (SSA) consolidated financial statements as of September 30, 2023 and the related notes to the consolidated financial statements; (2) the sustainability financial statements, including the statements of social insurance as of January 1, 2023 and the related notes to the sustainability financial statements; and (3) the statements of changes in social insurance amounts for the periods January 1, 2022 to January 1, 2023. The OIG also contracted with Ernst & Young to provide an opinion on internal control over financial reporting and report on compliance with laws, regulations, contracts, grant agreements, and other matters and to report on whether SSA's financial management systems did not comply substantially with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA). The contract requires that the audit be conducted in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Those Standards and Bulletin require that Ernst & Young 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.

This letter transmits Ernst & Young's *Independent Auditor's Report*. Ernst & Young found the following.

- The consolidated and sustainability financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

- SSA management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established under the *Federal Managers' Financial Integrity Act* (FMFIA), OMB Circular No. A-123 *Management's Responsibility for Enterprise Risk Management and Internal Control,* and in *Standards for Internal Control in the Federal Government* (Green Book), issued by the Comptroller General of the United States. However, Ernst & Young identified two significant deficiencies in internal control over financial reporting related to: (1) Internal Controls over Certain Financial Information Systems and, (2) Internal Control over Accounts Receivable with the Public (Benefit Overpayments).
- No instances in which SSA's financial management system did not comply substantially with the requirements of FFMIA.
- No reportable instances of noncompliance with provisions of applicable laws, regulations, contracts, grant agreements, and other matters tested.

Grant Thornton, LLP audited SSA's consolidated financial statements, including the related notes as of September 30, 2022 and the sustainability financial statements, including the statements of social insurance and changes in social insurance amounts as of January 1, 2018 through January 1, 2022, and issued an unmodified opinion on those financial statements. Grant Thornton, LLP also reported that SSA maintained effective internal control over financial reporting as of September 30, 2022 based on criteria established under FMFIA and in *Standards for Internal Control in the Federal Government,* issued by the Comptroller General of the United States. Grant Thornton, LLP identified three significant deficiencies in internal control over financial reporting: (1) Certain Financial Information Systems Controls, (2) Information Systems Risk Management, and (3) Accounts Receivable with the Public (Benefit Overpayments).

Office of the Inspector General Evaluation of Ernst & Young's 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 Ernst & Young's audit of SSA's consolidated and sustainability financial statements by:

- evaluating the auditors' and specialists' independence, objectivity, and qualifications;
- reviewing Ernst & Young's audit approach and planning;
- monitoring the audit's progress at key points;
- examining Ernst & Young's documentation related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Ernst & Young's audit report to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 24-01;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Ernst & Young is responsible for the attached auditor's report, dated November 14, 2023, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Ernst & Young'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; internal control over financial reporting; or conclusions on whether SSA's financial management systems complied substantially with FFMIA; or compliance with provisions of certain laws, regulations, contracts and grant agreements. However, our monitoring review, as qualified above, disclosed no instances where Ernst & Young did not comply, in all material respects, with applicable auditing 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.

Gail S. Ennis

Gail S. Ennis
Inspector General

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Independent Auditor's Report

Kilolo Kijakazi, Acting Commissioner
Social Security Administration

Gail S. Ennis, Inspector General
Social Security Administration

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

- The consolidated balance sheet of SSA as of September 30, 2023, the related consolidated statement of net cost, consolidated statement of changes in net position, and the combined statement of budgetary resources for the year then ended, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- The sustainability financial statements which comprise the statement of social insurance as of January 1, 2023, and the statement of changes in social insurance amounts for the period January 1, 2022, to January 1, 2023, are presented fairly, in all material respects in accordance with U.S. generally accepted accounting principles;
- Although internal controls could be improved, SSA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023; and
- No reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, required supplementary information and other information included with the financial statements, (2) our report on compliance with laws, regulations, contracts, and grant agreements, and (3) the Agency's response to findings. Our report also includes an emphasis of matter paragraph related to the Sustainability Financial Statements and an other matter paragraph to acknowledge that the Agency's fiscal year 2022 financial statements were audited by another auditor.

Report on the Financial Statements and on Internal Control over Financial Reporting

Opinions on the financial statements

We have audited the financial statements of the Social Security Administration, which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statement of net cost, consolidated statement of changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "Consolidated Financial Statements"), and we have audited the sustainability financial statements which comprise the statement of social insurance as of January 1, 2023, and the statement of changes in social insurance amounts for the period

January 1, 2022, to January 1, 2023, and the related notes to the sustainability financial statements (collectively referred to as the "Sustainability Financial Statements").

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Agency as of September 30, 2023, and its net cost of operations, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Also, in our opinion, the accompanying Sustainability Financial Statements present fairly, in all material respects, the Agency's statement of social insurance as of January 1, 2023, and its statement of changes in social insurance amounts from January 1, 2022, to January 1, 2023, in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the Agency's internal control over financial reporting as of September 30, 2023 based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA) as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government,* issued by the United States Government Accountability Office (the Green Book).

In our opinion, although certain internal controls could be improved, the Agency maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on the criteria established under FMFIA, OMB Circular No. A-123, and the Green Book. As discussed below in more detail, our 2023 audit identified deficiencies in the Agency's controls over Certain Financial Information Systems and Accounts Receivable with the Public (Benefit Overpayments), described in the accompanying Appendix *Significant Deficiencies in Internal Control Over Financial Reporting*, that represent significant deficiencies in the Agency's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Agency's 2023 Consolidated Financial Statements.

Although the significant deficiencies in internal control did not affect our opinions on the Agency's 2023 Consolidated Financial Statements and Sustainability Financial Statements, misstatements may occur in unaudited financial information reported internally and externally by the Agency because of these significant deficiencies.

In addition to the significant deficiencies in internal control over Certain Financial Information Systems and Accounts Receivable with the Public (Benefit Overpayments), we also identified deficiencies in the Agency's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant SSA management's attention. We have communicated these matters to SSA management and, where appropriate, will report on them separately.

Basis for Opinions

We conducted our audits in accordance with GAAS, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, and in accordance with the provisions of OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and the provisions of OMB Bulletin No. 24-01 are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting* section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 17 to the Sustainability Financial Statements, the Sustainability Financial Statements are based on management's assumptions. These Sustainability Financial Statements present the actuarial present value of the Agency'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. 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.

Report of Other Auditors on the Agency's FY 2022 Consolidated Financial Statements and Sustainability Financial Statements

The Consolidated Financial Statements and related notes to the Consolidated Financial Statements of the Agency as of and for the year ended September 30, 2022, and the Sustainability Financial Statements as of January 1, 2022, 2021, 2020, 2019 and 2018 and the changes in social insurance amounts for the periods January 1, 2022 to January 1, 2021 and January 1, 2020 to January 1, 2021 were audited by Grant Thornton LLP who expressed unmodified opinions on the Consolidated Financial Statements and Sustainability Financial Statements on November 10, 2022. Grant Thornton LLP's Report of Independent Certified Public Accountants dated November 10, 2022, included: i) an Emphasis of matter paragraph regarding the Sustainability Financial Statements and ii) an Appendix titled *Significant Deficiencies in Internal Control Over Financial Reporting*, that represent the significant deficiencies in the Agency's internal control over financial reporting as of September 30, 2022.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Sustainability Financial Statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Management is responsible for assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA, OMB Circular No. A-123, and the Green Book, and its assessment about the effectiveness of internal control over financial reporting as of September 30, 2023, included in the accompanying Acting Commissioner's Assurance Statement.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to (1) obtain reasonable assurance about whether the Consolidated Financial Statements and Sustainability Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting, conducted in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01, will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Consolidated Financial Statements or Sustainability Financial Statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and Sustainability Financial Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements and Sustainability Financial Statements.

- Obtain an understanding of internal control relevant to our audit of the Consolidated Financial Statements and Sustainability Financial Statements in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, OMB Circular No. A-123, and the Green Book, such as those controls relevant to preparing performance information and ensuring efficient operations.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Consolidated Financial Statements and the Sustainability Financial Statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

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; (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; and (4) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which 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 due to fraud or error. 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.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in Management's Discussion and Analysis from pages 7 to 44 and the combining schedule of budgetary resources, and the required supplementary social insurance information from pages 107 to 122 be presented to supplement the financial statements (collectively the Required Supplementary Information or RSI). Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB and OMB Circular A-136, *Financial Reporting Requirements*, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiries of management about the methods of preparing the Required Supplementary Information and (2) comparing the Required Supplementary Information for consistency with management's responses to our inquiries, the Consolidated Financial Statements and Sustainability Financial Statements, and other knowledge we obtained during our audit of the Consolidated Financial Statements and Sustainability Financial Statements, in order to report omissions or material departures from FASAB and OMB Circular A-136 guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Agency's other information contains a wide range of information, some of which is not directly related to the Consolidated Financial Statements or Sustainability Financial Statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the Agency's Financial Report. The other information comprises the Acting Commissioner's Message on pages 1 and 2 and the other information on pages 3 through 6, 45 through 54, 143 through 212 but does not include the Consolidated Financial Statements, Sustainability Financial Statements and our auditor's report thereon. Our opinions on the Consolidated Financial Statements and the Sustainability Financial Statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Consolidated Financial Statements and Sustainability Financial Statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

As part of obtaining reasonable assurance about whether the Agency's Consolidated Financial Statements and Sustainability Financial Statements are free of 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 financial statements, consistent with our auditor's responsibility discussed below, in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with certain provisions of applicable laws, regulations, contracts and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Agency. Accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act (FFMIA), we are required to report whether the Agency's financial management systems substantially comply with federal financial management system requirements, applicable federal accounting standards, and the *United States Standard General Ledger* at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a). The results of our tests disclosed no instances in which the Agency's financial management systems did not comply with the requirements of FFMIA Section 803(a).

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards; *Government Auditing Standards;* and OMB Bulletin No. 24-01.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Agency that have a direct effect on the determination of material amounts and disclosures in the Agency's Consolidated Financial Statements and Sustainability Financial Statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to the Agency. We caution that noncompliance may occur and not be detected by these tests.

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Intended Purpose of Report on Compliance with Laws, Regulations, Contracts and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described on page 142 of this Agency Financial Report. The Agency's response was not subjected to the other auditing procedures applied in the audit of the Consolidated Financial Statements and Sustainability Financial Statements, and accordingly, we express no opinion on the Agency's response.

Ernst & Young LLP

November 14, 2023

Appendix – Significant Deficiencies in Internal Control Over Financial Reporting

Significant Deficiency in Internal Controls over Certain Financial Information Systems

Information systems controls are a critical component of the Federal government's operations to manage the integrity, confidentiality and reliability of its programs and activities and assist with reducing the risk of errors, fraud, or other illegal acts. SSA has a complex set of technology, systems, and IT infrastructure in place to administer its programs and activities. As SSA continues its efforts to enhance its information system internal controls over financial reporting, the items identified in the current year audit merit continued focus on their information systems controls and processes.

Due to the complex nature of the IT environment, SSA continues to have pervasive deficiencies in its implementation of controls. While SSA has made improvements in the remediation of IT deficiencies, we noted that several control deficiencies identified this year have been recurring issues in previous financial statement audits. Therefore, we deemed the aggregation of these control deficiencies to be a significant deficiency in information system internal controls over financial reporting.

Access Controls and Segregation of Duties

SSA has a large number of users requiring access to these IT systems in order to administer its programs in a timely and effective manner. Accordingly, properly implemented system access controls, including user and system account management, segregation of duties, and monitoring of system access, are critical to preventing and detecting unauthorized usage of SSA information resources, program, and data files. Without maintaining an appropriate level of access controls within SSA systems, the integrity, confidentiality, and availability of SSA's information resources could be compromised.

The following control deficiencies were identified:

- The accounts of terminated users were not disabled or deprovisioned in accordance with the SSA defined timeframe.
- SSA procedural documentation to support its account management processes did not include the timeliness attribute or the segregation of duties requirements to execute the controls.
- For one financially significant application, account review of the database accounts and user responsibilities was not performed in accordance with the SSA defined timeframe.
- The monitoring and review of privileged user activities were not consistently followed in accordance with SSA procedures.

Configuration Management Controls

Configuration management involves the identification and management of security features for all hardware and software components of an information system at a given point and systematically controls changes to that configuration during the system's life cycle. By implementing configuration management controls, SSA can ensure that only authorized software programs and infrastructure configurations are placed into production through establishing and maintaining baseline configurations and monitoring changes to these configurations. Weaknesses in such controls can compromise the integrity and availability of sensitive data and increase the risk that such data may be inappropriately used and disclosed.

The following control deficiencies were identified:

- SSA has not yet completed its review of use cases to establish a monitoring and remediation process using an automated tool for additional monitoring of its security configuration settings.
- For a selection of IT infrastructure components that support the financially relevant applications, not all security settings were in compliance with the SSA defined security configuration settings.
- For a selection of IT infrastructure components that support the financially relevant applications, documentation to support the remediation of SSA identified non-compliance with its defined security configuration settings were not available.

IT Operations Controls

Effective IT operations controls support the reliability of various aspects of operating the IT environment related to the complete and accurate processing of transactions and the protection of information used in that processing. IT operations involves computer job management tasks related to scheduling and running jobs (programs), monitoring the successful completion of those jobs, and detecting and addressing job failures timely. In addition, it includes the effective identification and timely remediation of vulnerabilities and weaknesses identified by SSA through its risk management process. Ineffective controls around IT operations increases the risk that issues with programs that are not scheduled correctly or don't process to completion, may not be addressed, or may be addressed inappropriately, and hardware or software issues will result in the loss of financially relevant data or the ability to accurately process that data. Further, not timely remediating known vulnerabilities or weaknesses may impact the integrity and security of the data.

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The following control deficiencies were identified:

- Vulnerabilities identified were not remediated within the timeframe set forth by SSA policy and were not appropriately tracked via an associated plan of action and milestones (POA&M) or waiver noting the compliance deviation.
- For a selection of systems, identified control weaknesses/deficiencies noted as a result of annual security assessments were not appropriately tracked in accordance with SSA policy.
- For one financially significant application, interface/job monitoring procedures were not defined and not consistently implemented.

Recommendations

SSA should continue to improve the operating effectiveness of information security controls to address deficiencies in access controls and segregation of duties, configuration management, and IT operations to include:

Access Controls and Segregation of Duties Controls

1. Follow defined guidance for account management processes related to execution of access controls.
2. Restrict access for key applications and the underlying IT infrastructure in accordance with the principle of least privilege, monitored to detect and correct unauthorized access or activities. Additionally, evidence of such monitoring activities should be retained.
3. Routinely monitor and revalidate access needs for business users, privileged users, and terminated and inactive users.

Configuration Management Controls

1. Define the process to fully integrate the automated tool to monitor security baselines.
2. Monitor security configuration processes to validate compliance with defined configuration requirements and retain remediation documentation in support of SSA Identified non-compliance with defined security configuration settings.

IT Operations Controls

1. Document risks and controls in place, identify gaps, and complete corrective actions to strengthen the internal control environment. Improve documentation, test and validate controls, and remediate findings.

2. Monitor vulnerabilities for non-compliance with policy requirements and track remediation actions appropriately.

3. Follow defined guidance related to interface/job monitoring procedures.

Significant Deficiency in Internal Control over Accounts Receivable with the Public (Benefit Overpayments)

Overview

A benefit overpayment exists when beneficiaries receive payments beyond their entitled amount. When SSA detects a benefit overpayment, it records an accounts receivable with the public to reflect the amount due SSA from the beneficiary. Because of the nature of the benefit-payment programs, SSA has extensive operations geographically dispersed nationwide. Overpayment detection, calculation, and documentation occur in various places throughout SSA, including approximately 1,200 field offices, 8 processing centers, and various functional areas within SSA's central office. Therefore, SSA has specific policies, procedures, and internal controls in place to consistently detect, calculate, and document overpayments and the related accounts receivable balances. Since the benefit overpayment process can be complex for some cases and relies on manual input, lack of adherence to its internal controls could lead to inaccuracies in recording, documenting, and tracking overpayment balances. Management also relies on its IT infrastructure, interfaces, and controls to record and prevent erroneous payments.

Deficiencies in Benefit Overpayment Documentation and Calculations

The predecessor auditor, Grant Thornton LLP, in its combined audit report dated November 10, 2022, included in the 2022 SSA Agency Financial Report, noted that their prior audits identified significant deficiencies in internal controls related to SSA adhering to *Program Operations Manual System* criteria regarding maintaining sufficient evidence to support benefit overpayment balances. The *Program Operations Manual System* provides important policies, procedures, and internal controls over processing and documenting overpayments. Our inquiries of management in the current year regarding remediation efforts of the predecessor auditor's findings revealed that improvements in the operating effectiveness of this internal control process had not been remediated in fiscal year 2023.

Professional standards dictate that, when an auditor deems a control to have been ineffective in the prior year, and management indicates there has been no improvement, the auditor need not test it in the current year. Therefore, we did not test internal controls related to overpayments.

To test the recorded amount of accounts receivable with the public, we selected a statistical sample of outstanding Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) (referred to as OASDI when discussing them in combination) and Supplemental Security Income (SSI) overpayment balances and noted overpayment calculation errors in 6 (29 percent) of 21 sampled OASDI items and 6 (27 percent) of 22 sampled SSI items. Although the statistically projected impact of these calculation errors was not material to the financial statements, these errors further evidence control weaknesses in the accounts receivable with the public processes, including inappropriate overpayment tracking that could lead to misstatements in the financial statements.

Reconciliation of the Supplemental Security Income Accounts Receivable Ledger

OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance* (OMB Circular A-123), requires that the United States Government Standard General Ledger be applied at the transaction level. For its OASDI and SSI programs, SSA tracks individual debtor overpayment transactions and accounts receivable balances in subsidiary ledger systems and adjusts the general ledger according to the balances reported from the subsidiary ledgers. As in prior years, our current-year testing revealed the detail-level beneficiary information in the SSI accounts receivable subsidiary ledger did not agree with the summary-level reports from the SSI subsidiary ledger.

SSA relies on these summary-level reports to update the general ledger; therefore, the SSI accounts receivable program balances reported in the general ledger and subsequently the financial statements, differ from the supporting detail-level beneficiary data in the SSI subsidiary ledger system.

System limitations prevent SSA from reconciling the SSI differences between the detail and summary-level information in the subsidiary ledger. This could lead to misstatements in the financial statements; however, the unreconciled differences are immaterial to the financial statements and the accounts receivable with the public line item shown on the consolidated balance sheet and the related disclosures in footnote 6 Accounts Receivable, Net.

Deficiencies in Overpayment Records and Tracking of Long-term Installment Payments

Beneficiaries can request to repay overpayment balances in monthly installments as withholdings from monthly benefit payments. Depending on the amount of the overpayment balance and the amount of each installment payment, repayment periods can extend beyond December 2049.

According to Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, a receivable should be recognized when a Federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (for example, taxes not received by the date they are due), or goods or services provided. Further, SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* states that accounts receivable should be recognized when a collecting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets through its established assessment processes to the extent the amount is measurable.

We noted that SSA identified a system design process limitation concerning long-term withholding agreements that extend past December 2049 where the system cannot capture, and track debt scheduled for collection beyond December 2049. Therefore, the accounts receivable balances related to these overpayments are understated in the amount of the installment payments expected to be collected beyond December 2049. The projected understatements are immaterial to the financial statements and the accounts receivable with the public balance. While the Agency is enhancing system capabilities to properly account for these receivables and updating policies to avoid longer-term repayment programs, failure to resolve the system design process limitation will continue understating accounts receivable balances. In addition, the impact of this issue will continue growing as December 2049 approaches if other factors remain constant.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

Deficiencies in Benefit Overpayment Documentation and Calculations

1. Continue exploring opportunities to improve overpayment accuracy and document retention through engaging field office and payment center employees in trainings related to common weaknesses and more complex overpayment cases.

2. Enhance overpayment processing management information to consider risk-based factors such as current overpayment balances, manual intervention required, and age.

3. Consider implementing new overpayment documentation tools to ensure overpayments are documented completely, accurately, and timely by field offices or processing centers within the appropriate systems of record.

4. Consider implementing a secondary review of overpayment calculations for cases that are more prone to manual intervention.

Reconciliation of the Supplemental Security Income Accounts Receivable Ledger

1. Continue implementing and executing SSI reconciliation internal controls between subsidiary ledgers at the detail level and the general ledger through summary reports. Investigate and document reconciling differences on a periodic and timely manner.

2. Investigate potential system reporting enhancements to reduce unreconciled differences between summary and detail level data produced by subsidiary ledgers.

Deficiencies in Overpayment Records and Tracking of Long-term Installment Payments

1. Continue working toward updated debt management systems without the technical limitations over the length of time repayment installments can be recorded.

2. Continue pursuing changes in repayment policy to minimize future extended repayment plans.

3. Continue analyzing and tracking the impact of the December 2049 system design process limitation on the financial statements.

SOCIAL SECURITY

The Commissioner

November 14, 2023

Ernst & Young LLP
1775 Tysons Boulevard
Tysons, VA 22102

Dear Sir or Madam:

We have reviewed the Independent Auditor's Report concerning our fiscal year (FY) 2023 financial statements. We are pleased we received our 30th 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 cited two significant deficiencies identified in prior years. The significant deficiencies concern internal controls over certain financial information systems and internal control over accounts receivable with the public (benefit overpayments).

As noted in your report, we continue to make progress in remediating elements of these significant deficiencies; however, we face challenges such as the ever-changing cybersecurity landscape in which we operate. We will consider your benefit overpayment findings and recommendations as part of our agency-level review of overpayments. We remain committed to resolving the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment.

We view our relationship as a partnership and appreciate both your efforts and the efforts of the Office of the Inspector General. The independent audit process continues to provide us with valuable recommendations, and we remain committed to excellence in financial management.

If members of your staff have any questions, they may contact Christian Hellie, Associate Commissioner for the Office of Financial Policy and Operations, at 410-965-9511.

Sincerely,

Kilolo Kijakazi

Kilolo Kijakazi, Ph.D., M.S.W.
Acting Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Other Information

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

First, we provide a summary of our financial statement audit and management assurances, and other financial information.

Next, in accordance with the *Reports Consolidation Act of 2000*, *The Social Security Administration's Major Management and Performance Challenges During Fiscal Year 2023* 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). This section also describes the steps we have taken to address each of these challenges.

Finally, in *Other Reporting Requirements*, we provide information on our payment integrity, entitlement reviews and OIG anti-fraud activities, civil monetary penalties, biennial review of user fee charges, grants programs, climate-related financial risk, and debt collection and management activities.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit

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

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
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Federal 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 Section 803(a) of the Federal Financial Management Improvement Act		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. United States Standard General Ledger at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

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OTHER FINANCIAL INFORMATION

Other Financial Information: Balance Sheet by Major Program as of September 30, 2023

(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental Assets:							
Fund Balance with Treasury	$ 37	$ 11	$ 7,387	$ 102	$ 88	$ 0	$ 7,625
Investments	2,688,456	143,866	0	0	0	0	2,832,322
Accounts Receivable, Net	1,083	1	0	0	4,000	(3,129)	1,955
Advances and Prepayments	0	0	53	0	63	0	116
Total Intragovernmental Assets	2,689,576	143,878	7,440	102	4,151	(3,129)	2,842,018
Assets with the Public:							
Accounts Receivable, Net	2,304	2,815	4,738	0	38	(553)	9,342
Property, Plant, and Equipment, Net	0	0	0	0	4,996	0	4,996
Total Assets with the Public	2,304	2,815	4,738	0	5,034	(553)	14,338
Total Assets	$2,691,880	$ 146,693	$ 12,178	$ 102	$ 9,185	$ (3,682)	$ 2,856,356
Liabilities							
Intragovernmental Liabilities:							
Accounts Payable	$ 6,569	$ 777	$ 1,370	$ 35	$ 21	$ (3,129)	$ 5,643
Advances from Others and Deferred Revenue	0	0	0	0	1	0	1
Other Liabilities	86	0	4,499	3	89	0	4,677
Total Intragovernmental Liabilities	6,655	777	5,869	38	111	(3,129)	10,321
Liabilities with the Public:							
Accounts Payable	1	5	241	0	88	0	335
Federal Employee and Veteran Benefits Payable	0	0	0	0	673	0	673
Benefits Due and Payable	111,018	29,841	5,214	0	0	(553)	145,520
Advances from Others and Deferred Revenue	0	0	6	0	4	0	10
Other Liabilities	0	0	18	1	113	0	132
Total Liabilities with the Public	111,019	29,846	5,479	1	878	(553)	146,670
Total Liabilities	$ 117,674	$ 30,623	$ 11,348	$ 39	$ 989	$ (3,682)	$ 156,991
Commitments and Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - Funds from other than Dedicated Collections	$ 0	$ 0	$ 3,944	$ 63	$ 5	$ 0	$ 4,012
Cumulative Results of Operations - Funds from Dedicated Collections	2,574,206	116,070	21	0	0	0	2,690,297
Cumulative Results of Operations - Funds from other than Dedicated Collections	0	0	(3,135)	0	8,191	0	5,056
Total Cumulative Results of Operations	2,574,206	116,070	(3,114)	0	8,191	0	2,695,353
Total Net Position	$2,574,206	$ 116,070	$ 830	$ 63	$ 8,196	$ 0	$ 2,699,365
Total Liabilities and Net Position	$2,691,880	$ 146,693	$ 12,178	$ 102	$ 9,185	$ (3,682)	$ 2,856,356

Other Financial Information: Schedule of Net Cost for the Year Ended September 30, 2023

(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 1,204,269	$ 0	$ 1,204,269
Operating Expenses	674	3,783	4,457
Total Cost of OASI Program	1,204,943	3,783	1,208,726
Less: Exchange Revenues	(1)	(16)	(17)
Net Cost of OASI Program	$ 1,204,942	$ 3,767	$ 1,208,709
DI Program			
Benefit Payment Expense	$ 155,148	$ 0	$ 155,148
Operating Expenses	336	2,623	2,959
Total Cost of DI Program	155,484	2,623	158,107
Less: Exchange Revenues	(21)	(11)	(32)
Net Cost of DI Program	$ 155,463	$ 2,612	$ 158,075
SSI Program			
Benefit Payment Expense	$ 58,374	$ 0	$ 58,374
Operating Expenses	246	4,769	5,015
Total Cost of SSI Program	58,620	4,769	63,389
Less: Exchange Revenues	(239)	(21)	(260)
Net Cost of SSI Program	$ 58,381	$ 4,748	$ 63,129
Other			
Operating Expenses	$ 0	$ 3,441	$ 3,441
Less: Exchange Revenues	0	(15)	(15)
Net Cost of Other Program	$ 0	$ 3,426	$ 3,426
Total Net Cost			
Benefit Payment Expense	$ 1,417,791	$ 0	$ 1,417,791
Operating Expenses	1,256	14,616	15,872
Total Cost	1,419,047	14,616	1,433,663
Less: Exchange Revenues	(261)	(63)	(324)
Total Net Cost	$ 1,418,786	$ 14,553	$ 1,433,339

Other Financial Information: Schedule of Changes in Net Position for the Year Ended September 30, 2023

(Dollars in Millions)

	OASI	DI	SSI		Other	
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 4,791	$ 0	$ 66
Appropriations Received	0	0	0	64,209	50,786	21
Other Adjustments	0	0	0	(3)	0	(8)
Appropriations Used	0	0	0	(65,053)	(50,786)	(16)
Net Change in Unexpended Appropriations	0	0	0	(847)	0	(3)
Total Unexpended Appropriations - Ending	0	0	0	3,944	0	63
Cumulative Results of Operations:						
Beginning Balances	$ 2,636,348	$ 93,293	$ 9	$ (2,176)	$ 0	$ 0
Appropriations Used	0	0	0	65,053	50,786	16
Non-Exchange Revenue						
Tax Revenues	1,039,005	176,465	0	0	0	0
Interest Revenues	62,745	3,512	0	0	0	0
Other	2	0	0	0	0	0
Total Non-Exchange Revenue	1,101,752	179,977	0	0	0	0
Transfers In/Out - Without Reimbursement	41,134	(1,737)	(140)	(6,895)	(50,786)	2,489
Imputed Financing Sources	0	0	0	17	0	0
Other	(86)	0	0	(601)	0	(2,505)
Net Cost of Operations	1,204,942	155,463	(152)	58,533	0	0
Net Change	(62,142)	22,777	12	(959)	0	0
Cumulative Results of Operations - Ending	$ 2,574,206	$ 116,070	$ 21	$ (3,135)	$ 0	$ 0
Net Position	$ 2,574,206	$ 116,070	$ 21	$ 809	$ 0	$ 63

Other Financial Information: Schedule of Changes in Net Position for the Year Ended September 30, 2023 (Continued)
(Dollars in Millions)

	LAE	Consolidated		Consolidated
	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:				
Beginning Balances	$ 5	$ 0	$ 4,862	$ 4,862
Appropriations Received	32	50,786	64,262	115,048
Other Adjustments	0	0	(11)	(11)
Appropriations Used	(32)	(50,786)	(65,101)	(115,887)
Net Change in Unexpended Appropriations	0	0	(850)	(850)
Total Unexpended Appropriations - Ending	5	0	4,012	4,012
Cumulative Results of Operations:				
Beginning Balances	$ 7,827	$ 2,729,650	$ 5,651	$ 2,735,301
Appropriations Used	32	50,786	65,101	115,887
Non-Exchange Revenue				
Tax Revenues	0	1,215,470	0	1,215,470
Interest Revenues	0	66,257	0	66,257
Other	0	2	0	2
Total Non-Exchange Revenue	0	1,281,729	0	1,281,729
Transfers In/Out Without Reimbursement	14,108	(11,529)	9,702	(1,827)
Imputed Financing Sources	777	0	794	794
Other	0	(86)	(3,106)	(3,192)
Net Cost of Operations	14,553	1,360,253	73,086	1,433,339
Net Change	364	(39,353)	(595)	(39,948)
Cumulative Results of Operations - Ending	$ 8,191	$ 2,690,297	$ 5,056	$ 2,695,353
Net Position	$ 8,196	$ 2,690,297	$ 9,068	$ 2,699,365

THE SOCIAL SECURITY ADMINISTRATION'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES DURING FISCAL YEAR 2023

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 3, 2023

Kilolo Kijakazi
Acting Commissioner

Dear Ms. Kijakazi:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Federal Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. 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

For Fiscal Year 2023, we identified the following challenges:

- Manage Human Capital
- Improve Service Delivery
- Protect the Confidentiality, Integrity, and Availability of SSA's Information Systems and Data
- Modernize Information Technology
- Improve the Administration of the Disability Programs
- Improve the Prevention, Detection, and Recovery of Improper Payments

In the attached document, we define each challenge, outline steps SSA has taken to address each challenge, and detail the actions SSA needs to take to fully mitigate each challenge. As some of the challenges are inter-related, progress made in one area could lead to progress in another. For example, improved human capital resource management and further modernization of SSA's information technology would both affect service delivery.

In Fiscal Year 2024, the Office of Audit will continue focusing on these issues and assessing the environment in which SSA operates. I look forward to working with you to continue improving SSA's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gail S. Ennis

Gail S. Ennis
Inspector General

Enclosure

The Social Security Administration's Major Management and Performance Challenges During Fiscal Year 2023

November 2023

Manage Human Capital

The Social Security Administration (SSA) must design and implement adequate plans to hire, develop, and retain the employees it needs to meet its mission, address its workloads, and provide the high level of customer service the public expects and deserves.

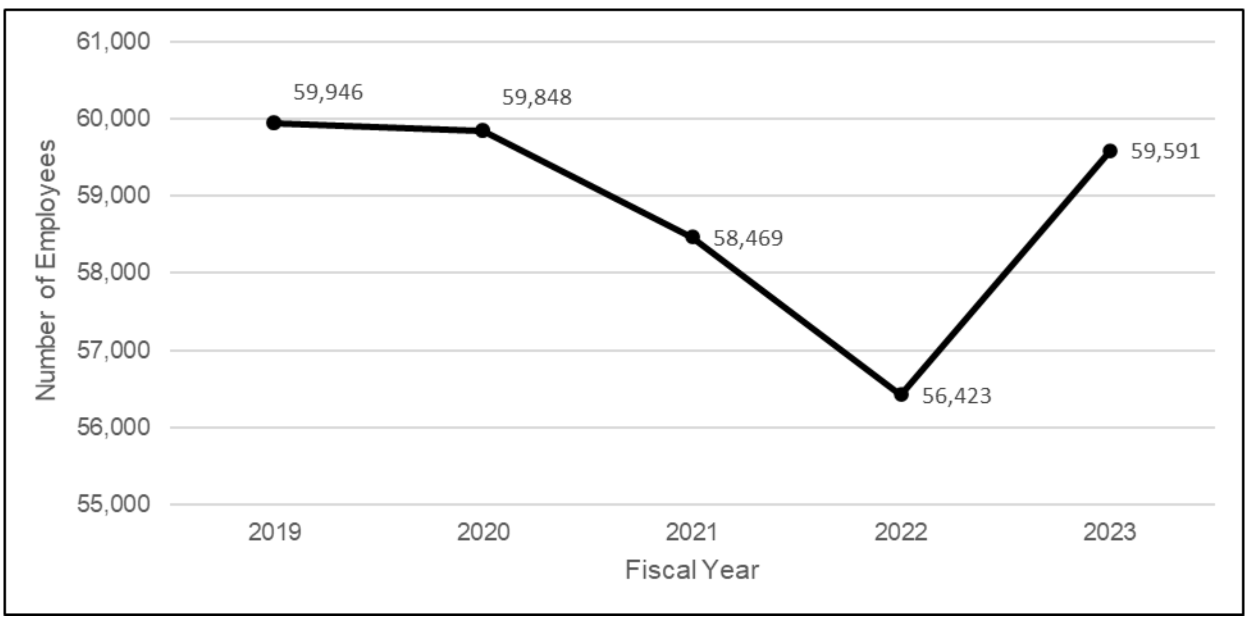
Why This is a Challenge

While SSA has been able to hire more employees in Fiscal Year (FY) 2023 than in previous years, it still has a number of human capital-related risks including having sufficient funding for future hiring; successfully developing and retaining new employees; and a large, expected retirement wave. However, SSA does not have a clear human capital plan in place that addresses these human capital risks and ensures it has the workforce its needs to eliminate backlogged workloads and continue meeting the needs of its many customers.

Hiring and Retention

As of September 23, 2023, SSA had increased its staff size from 56,423 full-time permanent staff in FY 2022 to 59,591 in FY 2023. FY 2023 hiring helped SSA reverse the recent trend of declining employees in more recent years (see Figure 1).

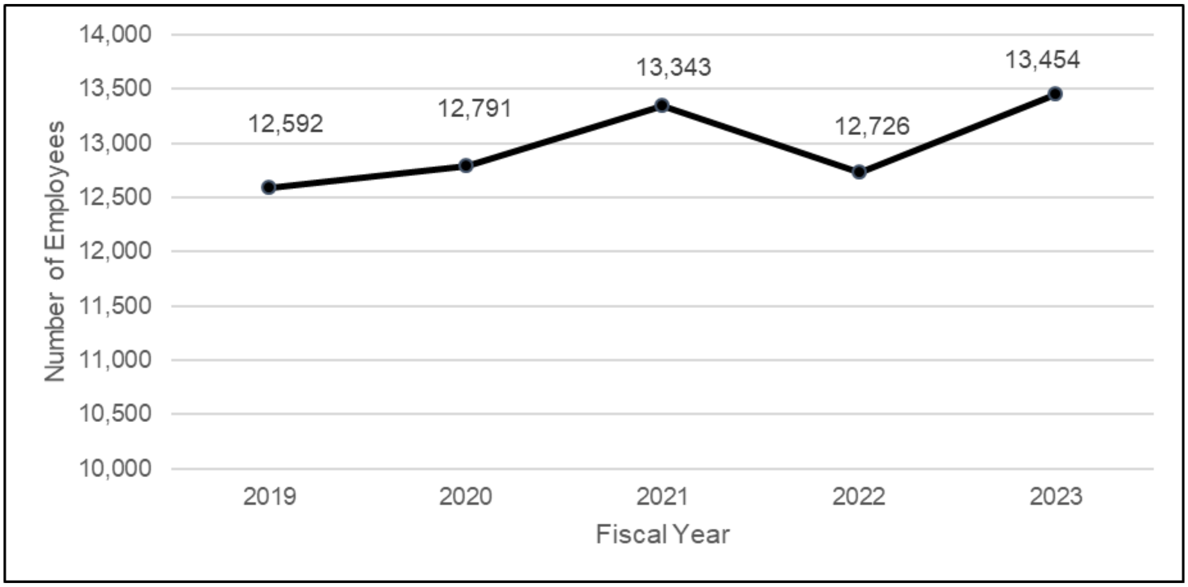
Figure 1: SSA Staffing



Note: Number of employees as reported by SSA. Staffing numbers include Office of the Inspector General employees, but do not include disability determination services (DDS) employees. FY 2023 employee numbers are as of September 23, 2023. We requested final FY 2023 employee numbers from SSA; it responded that the numbers would not be available until after the release of this report.

Similarly, State DDSs hired many new employees in FY 2023, closing FY 2023 with more employees than it had the year before (see Figure 2).

Figure 2: DDS Staffing



Note: Number of employees as reported by SSA.

SSA curtailed additional anticipated hiring in June 2023 in response to the passing of the *Fiscal Responsibility Act of 2023* (Pub. L. No. 118-5). SSA lowered each of its component's allocation of employees because it did not want to hire employees whose salaries future budgets may not support given that the Act limits non-Defense funding in FY 2024. Multiple senior regional managers reported they were hiring additional employees, they indicated were needed to meet workloads, when SSA paused hiring in June 2023 by reducing their component's employee allocation.

While it hired many new employees, SSA reported it still had challenges recruiting and retaining employees because its positions are complex and require more training compared to similar positions in private industry. SSA's Office of Operations acknowledged its self-online-training model is less engaging than in-person training and does not work well with all new hires. Also, SSA cannot offer its frontline employees some workplace flexibilities other agencies can, such as full-time remote work. Employees who separate from SSA reported they were leaving to take higher-paying jobs or because they felt overworked at SSA.

SSA needs to continue hiring, training, and retaining employees, in part, to ensure it has employees to replace those who leave the Agency. Per SSA, many SSA employees are eligible to retire; 13 percent are currently eligible to voluntarily retire and 12 percent are eligible for early retirement. In 3 years, 20 percent of SSA's employees will be eligible to voluntarily retire, and 15 percent will be eligible for early retirement. SSA recognizes the loss of technical and institutional knowledge through employee attrition is one of its greatest challenges and may impair succession management and knowledge transfer.

Human Capital Planning

Federal regulation (5 C.F.R. § 250.203) requires that Federal agencies ensure their human capital management strategies, plans, and practices are integrated with their strategic plans, performance plans, and goals in those plans. Our 2022 report on *SSA's Human Capital Planning* stated the SSA's *Agency Strategic Plan* and *Annual Performance Plans* include limited discussions of the human-capital strategies needed to ensure it successfully meets its strategic goals and initiatives.

Our 2022 report also stated the human capital management strategies in SSA's FY 2018-2022 *Human Capital Operating Plan* (HCOP) align with some *Agency Strategic Plan* strategic objectives but not others. For example, the HCOP does not include human capital management strategies for key *Agency Strategic Plan* strategic objectives, including SSA's initiatives to improve service delivery and accelerate information technology (IT) modernization.

More critical, while SSA has multiple human capital risks, it did not release its HCOP for FY 2023 and beyond until the end of FY 2023. This left SSA without a defined human capital management strategy throughout FY 2023, a year with increased hiring and employee onboarding.

Progress the Social Security Administration Has Made

Hiring and Retention

In FY 2023, SSA received direct-hiring authority from the Office of Personnel Management for its frontline, direct-service positions. This authority allows SSA to hire, after public notice, any qualified applicant without regard to multiple-hiring rules and procedures. SSA increased its outreach to colleges and universities to identify candidates. It also expanded its participation in job fairs and continued partnering with such sources as the Military Spouse Employment Partnership. To assist in state DDS hiring, SSA created a DDS recruitment and retention workgroup. The workgroup collaborated with state DDS administrators nationwide to implement recruitment and retention strategies, including increasing competitiveness of DDS pay, streamlining training, and reducing the time it took to onboard new hires.

SSA reported the direct-hiring authority allowed it to double its hiring pace in FY 2023, hiring more than 600 employees per month compared to about 300 per month in FY 2022, with some peak hiring months in FY 2023 of over 900 hires. In total, SSA hired over 7,800 employees through September 2023, even with SSA effectively pausing hiring in June 2023 over concerns with FY 2024 budget projections. SSA also reported its attrition had slowed, from 500 employees per month in FY 2022 to about 390.5 employees per month in FY 2023. Per SSA, hiring more employees and better distributing employee workloads helped address overwork as a cause of attrition.

SSA has taken steps to supplement its self-online training through more inclusive virtual and in-person training opportunities, bringing new employees together through virtual classrooms and in-person gatherings. Senior regional managers have reported that these sessions have led to higher levels of engagement and a better sense of inclusion amongst the new employees.

Human Capital Planning

SSA's released its FYs 2023-2026 HCOP on September 29, 2023. The Plan contains three goals: (1) transform the Agency into an employer of choice; (2) improve workplace conditions to drive engagement; and (3) invest in learning and development. The Plan also notes SSA is creating a new strategic workforce planning business process to establish a more mature Agency-wide workforce planning process.

What the Social Security Administration Needs to Do

- Strategically review its new-employee training program to ensure (1) it provides a cohesive learning opportunity that builds technical knowledge and promotes employee engagement and (2) any local or regional variations in training method or technique are in line with an overall strategic approach.

- Ensure each HCOP is released timely to prevent future instances of SSA not having a HCOP in place throughout an entire FY. Also, SSA should look to further improve future versions of the HCOP to ensure they more clearly align with all of SSA's strategic objectives and outline its human-capital risks and the strategies it will use to mitigate them, including the steps SSA will take to address known hiring and retention challenges.

Key Related Links

- Office of Personnel Management Website – FY 2022 Federal Workforce Priorities Report

- SSA, Office of Inspector General (OIG) Website – Reports related to managing human capital

- SSA Website – FYs 2022-2026 Agency Strategic Plan

- SSA Website – FYs 2022-2024 Annual Performance Plan and Report

Improve Service Delivery

SSA needs to address and improve in-office visits and other service methods, such as telephone and online services.

Why This is a Challenge

Following the Coronavirus Disease 2019 (COVID-19) pandemic, SSA reopened its field offices to walk-in and in-person service in April 2022. However, SSA is working to return its performance and services to pre-pandemic levels. SSA will need to continue increasing, improving, and ensuring the continuity of its other services, including its national 800-number and online services, to meet its customers' demand for them. Online services that lessen the need for staff are particularly important as SSA faces staffing challenges, and many of its employees are becoming eligible to retire.

Telephone Service

At the start of the pandemic, SSA had separate telephone systems for its national 800-number, field offices, and Headquarters operations. To accommodate remote operations in response to the pandemic, SSA augmented its legacy telephone systems, which modified functionality and capacity. In May 2021, SSA began implementing a unified telephone system to replace the three legacy systems via its Next Generation Telephony Project (NGTP). When fully implemented, NGTP is expected to improve telephone customer service by merging the three legacy systems into a single platform that will be more efficient, stable, and functional.

As of end of FY 2023, SSA had not implemented the NGTP. SSA stated it has worked steadily to improve the stability of its temporary solution and plans to implement the NGTP platform for the national 800-number by the end of November 2023. Until NGTP is implemented, SSA is relying on its augmented legacy telephone systems, which has resulted in reduced stability and functionality. Heavy call volumes overwhelmed the platform on numerous occasions and caused service disruptions that included dropped call queues, dead-air calls, misdirected calls, and disconnections.

Online Service

SSA acknowledges advancements in technology provide opportunities to do business differently and often more efficiently and conveniently. SSA continues exploring ways to enhance the customer service experience by providing online self-service options, many of which individuals access through their *my* Social Security accounts. In FY 2023, SSA registered over 9.8 million users for *my* Social Security accounts. To date, SSA has registered over 80 million users.

Online services provide a valuable resource for individuals to conduct business with SSA by saving time and by not having to visit a local field office or call the national 800-number. As SSA adds more services behind the *my* Social Security portal, it will become even more important that SSA safeguard the information and ensure only the correct individual can access the information. While SSA provides the public additional digital services, such as online, remote, and self-service options, it must do so in a way that maintains a strong commitment to protect its customers from current and emerging threats including identity theft and scams to steal money or personal information. SSA must continue strengthening the identity-verification process for new *my* Social Security account registrations to protect the public's personal information and improve customers' experiences.

SSA also needs to ensure its online services do not lead to additional staff processing. For example, while SSA created an electronic Supplemental Security Income (SSI) protective filing tool in March 2022 to allow individuals to submit a request, individuals applying for SSI still cannot do so online. SSA senior staff also noted the online tool did not effectively screen out individuals who were likely not eligible for the SSI program and did not prevent some individuals from using the tool to create multiple appointments to file for SSI. As such, the tool created more work for field office staff to screen out the duplicate appointments. Also, the duplicate appointments decreased available appointment slots, resulting in other people having to wait longer for appointments.

Progress the Social Security Administration Has Made

Telephone Service

In FY 2022, SSA recognized unstable telephone services as one if its enterprise risks. In response, it has worked to implement the NGTP, now anticipating implementation in November 2023. In FY 2024, SSA plans to increase production among newly hired agents, continue evaluating the stability of NGTP, and explore options for testing new NGTP features. SSA also plans to implement Call Back Assist in FY 2024, which will provide 800-number callers the option to be called back rather than wait on hold. Further, SSA plans to increase the concurrent call maximum to 18,000 sessions to minimize or eliminate bottlenecks and increase the maximum queue limit to provide the ability to handle higher call demand periods and spikes. The average 800-number wait time in FY 2023 was 36 minutes, 1 minute longer than SSA's FY 2023 goal and greater than the 33 minutes in FY 2022 and 14 minutes in FY 2021.

Online Service

In FY 2023, SSA expanded online options for replacement Social Security number (SSN) cards, adding the name change due to marriage data exchanges to nine states. SSA also plans to integrate the Electronic Verification of Vital Events data exchange into the Internet SSN Replacement Card application to verify birth information, and is exploring additional avenues to increase access and enhance security. As of September 2023, the Internet SSN Replacement Card was available in 48 jurisdictions, including Washington, DC.

SSA allows applicants to submit online SSN card requests and identify the evidence needed for in-office transactions via its Online Social Security Number Application Process. As of September 2023, over 2.9 million applications had been submitted via the Online Social Security Number Application Process. Of these, approximately 1.6 million customers visited a field office to complete their enumeration application.

SSA also plans to enhance online appeals by creating a single-entry point for medical, non-medical, and Office of Appellate Operations online appeal applications to make it easier for customers to file appeal requests. Specifically, SSA is improving the iAppeals online application process for people who appeal an Agency decision for such non-medical issues as overpayments or Medicare premium rates. The enhancements will integrate the Medical and Non-medical iAppeals via an authenticated claimant and appointed representative portal.

SSA is exploring ways to improve the experience for claimants, their representatives, and its technicians by developing the Appeals and Appointed Representative Processing Services (AARPS). AARPS will be an online portal with self-service options for customers and appointed representatives to electronically accept appointments as well as complete fee agreements, appeals, registration, and other related workloads. While SSA planned to develop and implement online services under AARPS initially in FY 2023, it now reports planning to do so in the FYs 2024 through 2025 timeframe.

SSA updated the electronic SSI protective filing tool on October 1, 2022 to prevent ineligible individuals from making appointments to apply for SSI. Although SSA made some additional updates to the tool in FY 2023, if the tool determines individuals are ineligible, they receive the following message: "We cannot process your request at this time. Please try again later, or if you need immediate help to schedule an appointment, please contact us." While the update prevents ineligible individuals from making appointments, the message may be misinterpreted by ineligible individuals, giving them the false impression they may be eligible, and therefore should pursue the matter further. This could cause the individuals to make unnecessary calls to, and increase customer traffic to, SSA's 800-number or make unnecessary visits to field offices, which take up employee resources.

What the Social Security Administration Needs to Do

- Continue developing and implementing strategies that will provide quality services to the public that can be implemented now and in the future.
- Ensure a successful transition to a stable telephone service that meets its customers' needs.
- Ensure the continuity of in-person services via online methods offered through *my* Social Security.
- Safeguard the information available through *my* Social Security and ensure only the correct individual can access the information.

Key Related Links

- SSA, OIG Website – Reports related to improving service delivery
- SSA Website – Agency Strategic Plan FYs 2022-2026
- SSA Website – Annual Performance Plan and Report for FYs 2022-2024
- SSA Website – SSA's FY 2024 President's Budget

Protect the Confidentiality, Integrity, and Availability of Information Systems and Data

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

Why This is a Challenge

IT supports every aspect of SSA's mission, whether it is serving the public during in-person interviews or online, routing millions of telephone calls to its 800-number, or posting millions of earner wage reports annually. Disruptions to the integrity or availability of SSA's information systems would dramatically affect its ability to serve the public and meet its mission. Also, SSA's systems contain personally identifiable information, such as SSNs, which, if not protected, could be misused by identity thieves.

Information Security

SSA continues expanding its online services and developing systems to improve customer service. SSA must have a robust information security program. In the most recent report on the *Federal Information Security Modernization Act of 2014* (Pub. L. No. 113-283), our contractor determined SSA's overall security program was "Not Effective." The contractor identified a number of deficiencies that could limit SSA's ability to protect its information systems and data.

To address the weaknesses, the contractor recommended SSA continue refining its enterprise architecture system inventory, software, and hardware asset inventories; implementing its cyber-security risk management strategy; and improving its process for integrating and formalizing risk-based decisions into cyber-security program monitoring activities.

Social Security Number Protection and Earnings Accuracy

The SSN was created to accomplish SSA's primary mission to uniquely identify and accurately track numberholders' earnings over their lifetime in order to administer benefits under SSA programs. The SSN is also valuable as an illegal commodity. Accordingly, the information SSA houses on every numberholder is desirable to would-be hackers and identity thieves. Protecting the SSN and properly posting the wages reported under it are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Accuracy in recording numberholder information is critical because SSA and other agencies rely on that information to verify employment eligibility, ensure wage reports are processed, and terminate payments to deceased beneficiaries. Accuracy in recording workers' earnings is critical because SSA calculates benefit payments based on an individual's earnings over their lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once SSA assigns the numbers, ensuring numberholder information is complete in its systems, and accurately posting earnings reported under SSNs are critical.

A specific challenge to ensuring earnings are posted accurately is employers that report earnings information incorrectly so SSA cannot match the reported earnings to individuals in its records. The Earnings Suspense File contains wage reports on which wage earners' names and SSNs fail to match SSA's records. The Earnings Suspense File has accumulated $2.15 trillion in wages and over 405.4 million wage items for Tax Years 1937 through 2022 (as of July 2023).

SSA does not use wage items in the Earnings Suspense File to determine numberholders' eligibility for, or the amount of, Social Security benefits. A wage item remains in the Earnings Suspense File until SSA can identify a valid name/SSN combination and post it to a worker's earning record. In a 2023 report on *Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File*, we stated that, while the Earnings Suspense File continues to grow over time, SSA has generally not added, updated, or modified the edit routines it uses to reinstate wage items posted to the Earnings Suspense File since 2013.

Progress the Social Security Administration Has Made

Information Security

SSA stated that protecting its network and the information it uses to administer its programs remains a critical priority, demonstrated by its response to multiple critical threats. SSA's *Cybersecurity Strategic Plan 2022-2024* focuses on how it will safeguard and protect against IT and cyber-security threats by continuing to mature its cyber-security program. The Plan defines strategic goals and priorities and includes strategies and initiatives to address IT and cyber-security challenges.

In FY 2023, SSA continued its efforts to improve and mature its information security program and practices to protect it from cyber-security threats. In addition, SSA continued implementing several plans, strategies, and initiatives to protect the confidentiality, integrity, and availability of the Agency's information systems and data.

Social Security Number Protection and Earnings Accuracy

SSA has taken steps to reduce the Earnings Suspense File's size and growth. The Agency allows employers to verify the names and SSNs of their employees using the Agency's SSN Verification Service, an online verification program, before reporting wages to SSA. In FY 2023, SSN Verification Service was used to verify over 226 million SSNs through its batch and online options.

What the Social Security Administration Needs to Do

- Address the deficiencies our contractor identified to improve SSA's ability to protect confidentiality, integrity, and availability of SSA's information systems and data.
- Continue to be vigilant in protecting SSNs.
- Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, encouraging greater use of SSA's employee verification programs, and reviewing how best to remove more wage items from the Earnings Suspense File.

Key Related Links

- SSA, OIG Website – Reports related to protecting the confidentiality, integrity, and availability of SSA's information systems and data
- SSA, OIG Website – Summary of the Audit of the Social Security Administration's Information Technology Security Program and Practices for Fiscal Year 2023

Modernize Information Technology

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

Why This is a Challenge

SSA relies on its IT to serve the public and safeguard SSA programs. Rapid, continuous technology advancements and the recent national shift to increased virtual services and communications reinforce the pressing need to modernize SSA's programs and service delivery. SSA must fundamentally rethink how it delivers services, the processes and infrastructure that support that delivery, and the policies that enable delivery. SSA continues relying on outdated applications and technologies to process its core workloads (for example, retirement and disability claims) and knowledge of its dated applications and legacy infrastructure will diminish as developers retire. Without complete and timely modernization of its legacy systems, SSA runs the risk of increased maintenance costs and decreased capacity to support business and processing needs.

Information Technology Modernization

IT modernization is a multi-faceted and continuing challenge. SSA must maintain its legacy systems while, in parallel, developing modern replacements to keep pace with increasing workloads. SSA had taken an incremental approach to IT modernization by replacing systems' components rather than whole systems. In 2020, SSA updated its *IT Modernization Plan* by expanding the scope to include additional investments in direct service delivery.

In support of its IT modernization, SSA used Agile development, which took an iterative approach to incrementally deliver software. While it implemented some appropriate controls and practices to manage its Agile projects, SSA's Agile guidance was incomplete, and projects did not always follow Agile best practices or enforce key controls. In addition, SSA did not ensure data from its Agile project management tool were reliable. Finally, SSA needed to improve Agile training and decision making. Improvements in these areas could provide SSA and taxpayers greater benefits from the Agile development method, including higher quality software developed faster and at a lower cost.

Artificial Intelligence

Artificial Intelligence (AI) is recognized as a pivotal technology that can benefit nearly every Federal agency. SSA already uses AI to support several of its core workloads, resulting in millions of dollars in administrative savings and billions of dollars in program savings. However, using AI also carries the potential for harm. SSA should establish proper oversight and identify primary areas where AI can help the Agency, such as program administration and fraud prevention and detection.

Progress the Social Security Administration Has Made

Information Technology Modernization

SSA developed its *Digital Modernization Strategy* to build on previous modernization efforts and guide it from FYs 2023 through 2026; it became the guiding principle for meeting the Agency's strategic goals. Digital modernization is a "whole of agency" effort to upgrade or replace current processes, policies, and technologies to improve the customer and employee experience as well as the organization overall. This effort intersects business priorities with technology needs to provide the public tangible benefits. Objectives include eliminating investments in outdated and legacy technology as well as eliminating silos in the technology used to support core Agency functions by building end-to-end processing systems.

In addition, SSA reported adopting an Agile scaling framework that defines roles and establishes recommended practices. The Agency further reported plans to provide additional training; develop, document, and enforce standards for its Agile project management tool; and leverage more of the tool's capabilities.

Artificial Intelligence

SSA has instituted a temporary block of third-party generative AI tools on Agency devices. This was done to ensure no personally identifiable information, personal health information, or other sensitive or non-public information is released using these tools. Additionally, SSA has assigned its Chief Architect to be the Responsible AI Official.

What the Social Security Administration Needs to Do

- Expand digital modernization to eliminate investments in outdated and legacy technology and provide electronic and automated customer service options to reduce the burden on customers and optimize internal business processes for employees.
- Expand the use of AI to improve operations and public service, while protecting its sensitive information.

Key Related Links

- SSA, OIG Website – Reports related to modernizing IT
- SSA Website – SSA's IT Modernization Plan, 2020 Update

Improve the Administration of the Disability Programs

SSA needs to address concerns related to the timely and accurate processing of disability-related workloads, particularly initial disability claims, reconsiderations, hearings, and continuing disability reviews (CDR). Additionally, SSA must work to ensure state DDSs have the necessary resources, including sufficient staff, to provide timely and accurate disability determinations.

Why This is a Challenge

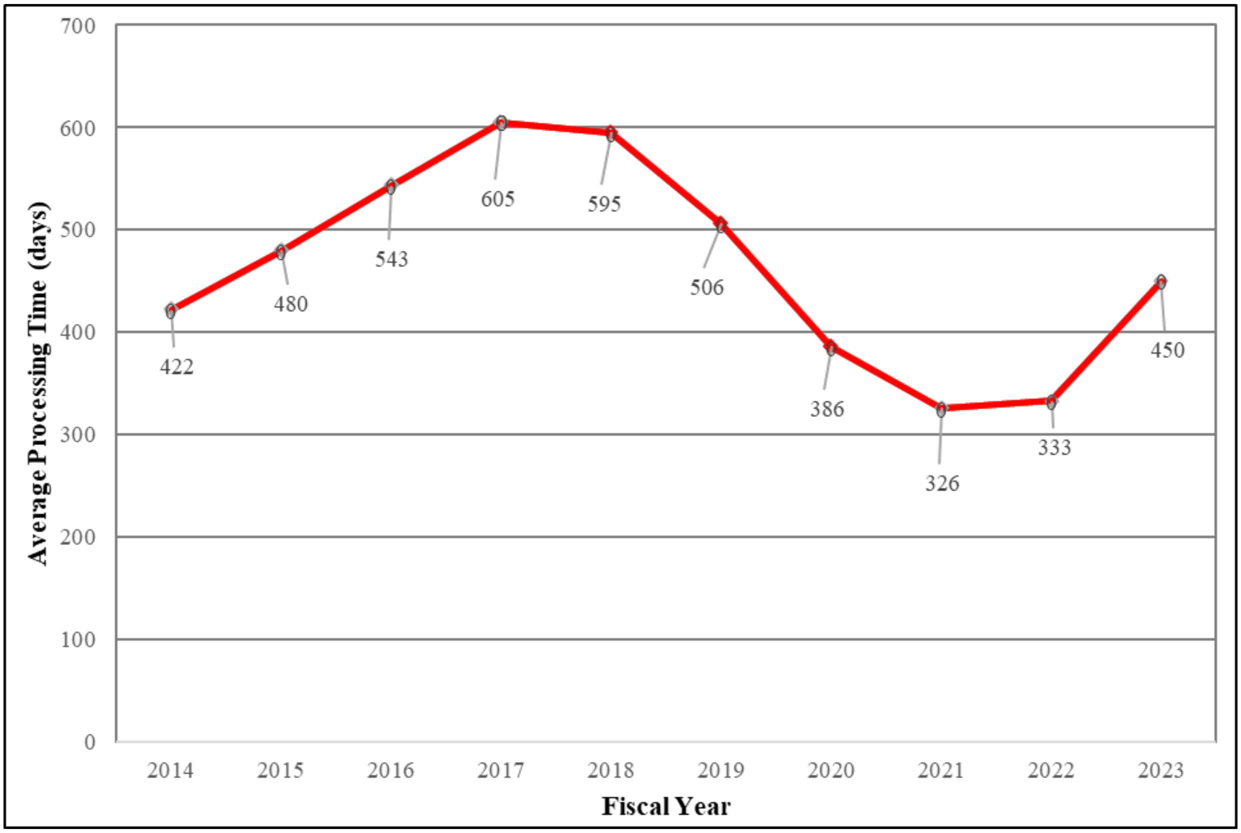
Disabled claimants rely on SSA to quickly and accurately process initial disability claims, reconsideration and hearing requests, and reviews to determine whether beneficiaries still meet all eligibility factors to receive benefits. Processing times and the pending levels for these workloads have generally increased, resulting in disability claimants waiting longer for determinations and decisions. Additionally, our recent audit work identified concerns with SSA's review process for disability beneficiaries who work. Further, the growing backlog of disability cases and the lengthening wait times are exacerbated because of issues at state DDSs, which have faced significant challenges attracting, hiring, training, and retaining staff. These issues have intensified in the wake of the COVID-19 pandemic.

Disability Workloads

Before the COVID-19 pandemic began, SSA had reduced pending levels to approximately 594,000 initial disability claims, almost 134,000 reconsiderations, and approximately 575,000 hearings (as of the end of FY 2019). In 2020, SSA actions and DDS closures in response to the pandemic negatively affected initial disability claims and reconsideration processing, and the number of pending cases increased. As of the end of FY 2023, pending initial disability claims had increased to approximately 1.13 million, and pending reconsiderations had increased to almost 290,000, 90 and 117 percent increases, respectively, since the end of FY 2019. Average processing time for both workloads also increased over the same period, from 120 to 218 days for initial claims and from 109 to 213 days for reconsiderations.

From FYs 2019 to 2023, SSA reduced the number of pending hearings from more than 575,000 to under 322,000, a 44-percent decrease. While the average processing time for hearings decreased over the same period as well, from 506 to 450 days, SSA saw an increase in processing time from FY 2022 to FY 2023 and it still has not achieved its processing time goal of 270 days (see Figure 3).

Figure 3: Average Hearings Processing Time



When a disabled beneficiary works, SSA may conduct a work CDR to determine whether the beneficiary has engaged in substantial gainful activity and remains entitled to benefits. If SSA determines the beneficiary's work activity is substantial gainful activity, it may suspend or terminate benefits. However, the Old-Age, Survivors and Disability Insurance (OASDI) program provides for certain work incentives to allow disabled beneficiaries to return to work and still receive benefits. SSA identifies and applies work incentives during work CDRs, which require additional documentation and a more complex work review determination.

In a September 2022 report on *Work Review Determinations for Disabled Beneficiaries*, we stated SSA's system controls did not ensure SSA's work-review determinations were accurate and supportable. We estimated SSA made errors on work-review determinations for more than 31,000 beneficiaries, which resulted in over $553 million in questionable benefit payments. The errors we identified occurred because SSA's system controls did not provide adequate guidance for SSA employees when they considered work incentives. Additionally, we found SSA's system had limited functionality, and certain work-incentive policies and forms were unclear. SSA stated it plans to develop a new system for work CDR processing but did not provide a clear timeline for its implementation.

Disability Determination Services' Operations

When a claimant files an application for disability benefits, an SSA field office determines whether the claimant meets the non-disability criteria, such as age and work credits. The field office then typically forwards the claim to a DDS for a disability determination. DDSs are located in each of the 50 states, the District of Columbia, and Puerto Rico. Each DDS is responsible for obtaining medical evidence and determining whether a claimant is disabled or blind under the law.

On March 17, 2020, SSA closed its offices to the public and suspended or canceled all non-virtual medical examinations. Throughout 2020, DDSs also experienced periodic closures related to the pandemic, which varied from state to state. DDS claims' processing times increased because DDSs had to adapt to many challenges, including difficulty obtaining medical evidence when SSA suspended in-person medical examinations during the pandemic.

DDSs faced other challenges, including staff losses and training challenges for new employees, transitioning to telework, difficulties communicating with claimants, and multiple policy changes. SSA's Deputy Commissioner for Operations highlighted the issue of attrition as a primary concern in May 2022 congressional testimony, stating, "In our State DDSs, where medical decisions are adjudicated, attrition is . . . unprecedented . . . . These complex jobs require about two years of training. The loss of experienced examiners significantly affects the ability to train new employees and complete program integrity workloads, such as [CDRs]."

In a June 2023 report on the *COVID-19 Pandemic's Effect on Disability Determination Services' Processing of Disability Claims*, we stated these disruptions led to increased processing times for initial claims, even though DDSs received fewer claims during the pandemic than they had the year prior. The average processing time for claims processed from April 2019 through March 2020 was 95.5 days. This increased to 139.4 days for April 2020 through March 2021 and 135.5 days for April 2021 through March 2022.

Progress the Social Security Administration Has Made

Disability Workloads

In its *FY 2022-2024 Annual Performance Plan and Report*, SSA included "Improve Initial Disability Claims" as an Agency Priority Goal, with FY 2023 targets to reduce average processing time for initial disability claims to 164 days and to decide 85 percent of pending initial disability claims that began the year 180-days-old or older by September 30, 2023. While it did not meet its processing time goal—initial claims were processed on average in 218 days in FY 2023—SSA did process 97 percent of the claims that began the year 180-days old or older. To help meet these goals, SSA stated it is reviewing its policies, workloads, and processes to identify opportunities to improve and enable efficient and effective operations. As part of these efforts, in February 2023, SSA released an online form that beneficiaries can use to complete and submit medical CDR forms electronically. As of September 2023, SSA had received more than 35,000 successful submissions through the new process.

SSA stated it works with external parties, particularly beneficiary advocates, to improve its ability to administer its disability programs. SSA leverages relationships with advocates and other external parties to gain perspective and help inform its decisionmaking. To this end, in FY 2023, SSA started a new series of quarterly meetings it calls *Roundtable Discussions with SSA and the Advocacy Community*. These meetings focus on important issues and Agency priorities, such as access to services, the customer experience, and initiatives to support Presidential Executive Orders.

Additionally, SSA continues to host national disability forums, which allow interested stakeholders to share their unique insights on disability-related topics with SSA. SSA stated this inclusive, collaborative approach helps it develop responsive, effective, and efficient policies to empower individuals with a disability, minimize financial hardship, and ensure proper use of the disability trust fund. From October 2022 through September 2023, SSA reported it hosted 46 advocate meetings to gather feedback and suggestions for improving services, including disability programs and 3 national disability forums about improving access to benefits for homeless individuals and issues related to childhood disability and SSI payments.

Disability Determination Services' Operations

SSA is working with DDSs to understand the underlying reasons for attrition, which is causing a loss of institutional knowledge and complicating knowledge transfer. To address hiring challenges, SSA developed a national workgroup, which made recommendations to improve hiring practices, including using different platforms, such as social media.

SSA and DDS leadership identified some best practices used during the pandemic that will remain in place. In addition to telehealth medical examinations and telework best practices, DDSs will continue to hold video meetings that SSA deployed in October 2020. One DDS stated, "Our use of [software for video meetings] has given us tools and flexibility to hold meetings and trainings with little advance notice required - a great way to get information out very quickly. In general, staff become more skilled with the technology available to us and I believe we will continue to use these tools - especially if we continue to work a hybrid schedule that includes some teleworking."

In its FY 2024 budget request, SSA is seeking additional funding for DDSs to address the large backlog of initial claims and additional claims expected in the future. The requested funding, if received, should allow DDSs to recruit and retain employees and process more claims.

What the Social Security Administration Needs to Do

- Maintain its focus on reducing and eliminating the initial disability claims, reconsideration, and medical CDR backlogs.

- Complete development and implementation of the planned new system for processing work CDRs and ensure it includes enhanced automation and controls to increase accuracy and reduce the need for manual actions.

- Continue developing relationships with advocacy groups and other external stakeholders to obtain feedback it can use to inform decisions to improve its administration of disability programs.

- Continue partnering with DDSs to address staffing shortages caused by attrition and hiring challenges.

- Encourage all DDSs to share the best practices identified during the pandemic to improve disability operations nationwide.

Key Related Links

- SSA, OIG Website – Reports related to improving the administration of the disability programs
- SSA, OIG Website – The COVID-19 Pandemic's Effect on Disability Determination Services' Processing of Disability Claims
- SSA, OIG Website – Work Review Determinations for Disabled Beneficiaries
- SSA Website – Incentives to Help You Return to Work
- SSA Website – SSA's Agency Strategic Plan, FYs 2022-2026
- SSA Website – SSA's FYs 2022-2024 Annual Performance Plan and Report
- SSA Website – Testimony of SSA's Deputy Commissioner for Operations before the Ways and Means Committee, Subcommittee on Social Security
- SSA Website – Working While Disabled: How We Can Help

Improve the Prevention, Detection, and Recovery of Improper Payments

SSA must be a responsible steward of the funds entrusted to its care by minimizing the risk of making improper payments and recovering overpayments when they occur.

Why This is a Challenge

SSA is responsible for issuing over $1 trillion in benefit payments, annually. Even the slightest error in the overall payment process can result in millions of dollars in improper payments. Improper payments can be overpayments, when SSA pays someone more than they are due, or underpayments, when SSA pays someone less than they are due. Per the most recent estimates available, SSA estimates it made approximately $13.6 billion in improper payments in FY 2022: $11.1 billion in overpayments and $2.5 billion in underpayments.

Although SSA's systems automatically compute most benefit-payment amounts, some require manual employee actions. In these cases, employees must accurately input information and use correct benefit formulas to produce accurate results. In a FY 2022 report, we concluded SSA could have avoided approximately 73,000 overpayments totaling more than $368 million had it provided employees a comprehensive tool when they had to manually calculate benefits. Without adequate automation tools, employees can make errors.

In a July 2023 report on *Manual Processes for Resource-intensive* Workloads, we noted SSA's automation enhancements reduced the need for manual processing for some workloads from FYs 2019 to 2021. However, these initiatives, which aimed to improve the efficiency and effectiveness of SSA's operations, were not always immediately cost-effective.

Preventing Improper Payments

Preventing improper payments is more advantageous than recovering them after they are made because SSA does not have to expend additional resources to recover the overpayments or process additional payments to rectify underpayments. Wages and income, resources, and living arrangements are a few of the factors that may affect OASDI and/or SSI eligibility and payment amounts. Beneficiaries and recipients are required to report to SSA any change in circumstances that may affect their benefits; however, they do not always comply. Obtaining data that assist with making eligibility and payment determinations from external sources, such as other Federal agencies, state agencies, and financial institutions, is critical to preventing and detecting improper payments.

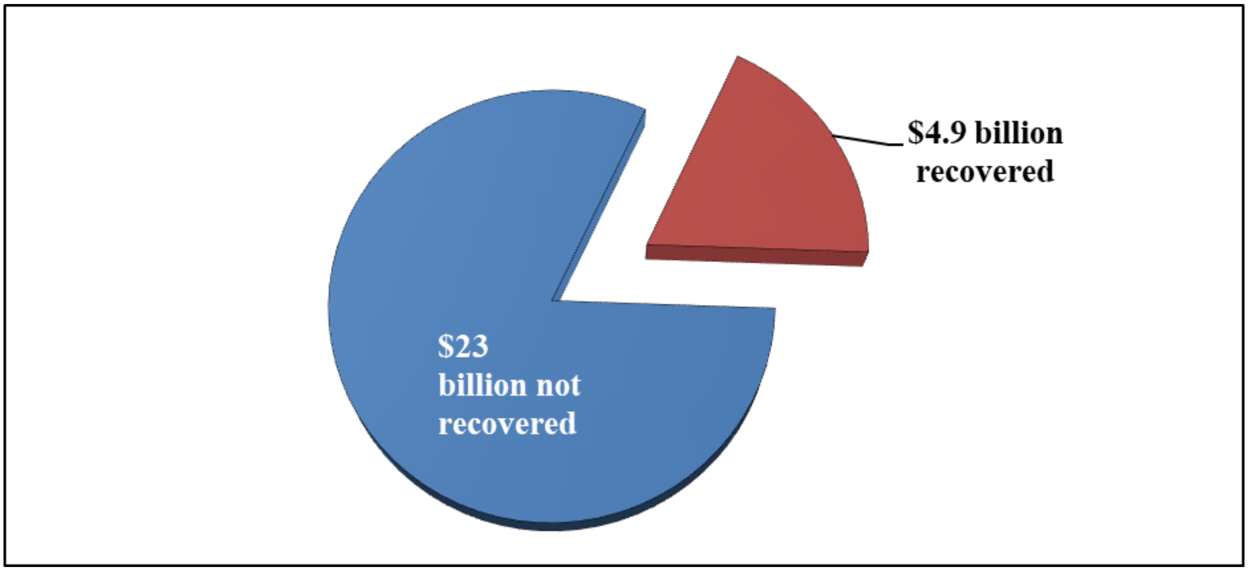
Recovery

When SSA determines it has underpaid a beneficiary, it will pay the beneficiary the amount owed. Once SSA determines it has overpaid an individual, it attempts to recover the overpayment. However, because of a systems design limitation, SSA does not capture and track OASDI overpayments owed by beneficiaries that are scheduled for collection beyond the year 2049. The design limitation results in the record deleting the balance SSA must recover after

2049 and retains no record of the post-2049 remaining balance. If SSA does not resolve the issue by the end of 2029, it estimates more than 203,000 beneficiaries will have nearly $2.5 billion in untracked overpayments.

According to SSA, in FY 2023, it recovered over $4.9 billion in overpayments at an average administrative cost of $0.08 for every dollar collected. Still, at the end of the FY, SSA had a $23 billion uncollected overpayment balance (see Figure 4).

Figure 4: FY 2023 Overpayment Recovery



Progress the Social Security Administration Has Made

Preventing Improper Payments

In FY 2019, SSA established the Improper Payment Prevention Team to address improper payments; and it has developed strategies to determine the underlying causes of payment errors, developed corrective action plans, and determined cost-effective actions. In FY 2023, SSA continued monitoring the progress of mitigation strategies and corrective actions.

As noted in our May 2023 report on SSA's compliance with the *Payment Integrity Information Act of 2019*, financial accounts are a leading cause of overpayments in the SSI program. To address this, in June 2011, SSA implemented the Access to Financial Institutions (AFI) program. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the individual's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations. Between FYs 2011 and 2021, overpayments related to financial accounts averaged approximately $1.2 billion. Since overpayments related to financial accounts were still occurring despite the AFI program, we recommended, and SSA agreed, to conduct a study to expand AFI searches between the initial SSI application and subsequent eligibility redeterminations.

Wage discrepancies and substantial gainful activity were a leading cause of SSI and OASDI improper payments, respectively. In FY 2019, SSA awarded a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. In FY 2023, SSA continued working toward implementing the payroll exchange, but it was not implemented as of the end of year. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments that are caused by wage and substantial gainful activity reporting discrepancies.

Recovery

The Agency needs to use available data to better identify changes that affect beneficiaries' benefit payments and expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when beneficiaries self-report information.

What the Social Security Administration 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.
- Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when beneficiaries or recipients' self-report information.
- Address the root causes of improper payments to prevent their occurrence.

Key Related Links

- SSA, OIG Website – Reports related to improving the prevention, detection, and recovery of improper payments
- Federal Payment Accuracy Website – PaymentAccuracy.gov
- SSA Website – Pay an Overpayment

OTHER REPORTING REQUIREMENTS

Payment Integrity

Background

We take seriously our responsibility to ensure eligible individuals receive the benefits to which they are entitled, and to safeguard the integrity of benefit programs to better serve our customers. Our employees work hard to pay the right person the right amount at the right time. Ensuring program stewardship is one of our three agency strategic goals.

Our program integrity workloads are critical to ensuring efficient programs and accurate payments in our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), Supplemental Security Income (SSI), and Administrative Payments programs. As good stewards of our resources and taxpayer funds, these workloads help ensure eligible individuals timely receive the benefits to which they are entitled and safeguard the integrity of benefit programs by confirming eligibility and preventing fraud. We remain focused on the integrity of our programs, including minimizing improper payments (IP). "Ensure Stewardship of SSA Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2022–2026*. Each year, we report IP findings, both overpayments (OP) and underpayments (UP), from our stewardship reviews of the nonmedical aspects of the OASDI and SSI programs. We conduct continuing disability reviews (CDR) to determine whether disability beneficiaries meet the programs' medical criteria. Terminating disability benefits after a CDR does not necessarily mean that the original determination was incorrect; it means the beneficiary's medical condition has improved and the beneficiary no longer meets our definition of disability. Therefore, we consider the benefits received before improvement to be proper.

On March 2, 2020, S. 375, the *Payment Integrity Information Act of 2019* (PIIA) was signed into law. This law changed government-wide IP reporting requirements by repealing and replacing the *Improper Payments Information Act of 2002*, the *Improper Payments Elimination and Recovery Act of 2010*, the *Improper Payments Elimination and Recovery Improvement Act of 2012*, and the *Fraud Reduction and Data Analytics Act of 2015*. On March 5, 2021, the Office of Management and Budget (OMB) published a revised version of OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, to implement the provisions of PIIA. The goal of the revised version of OMB Circular A-123, Appendix C is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of IPs, balancing payment integrity risks and controls, and building the capacity to help prevent IPs.

In accordance with OMB guidelines, we report as improper those payments that resulted 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.

Our Inspector General concluded that the agency was compliant with PIIA in the FY 2022 compliance audit. PIIA requires agencies to review and assess all programs with annual outlays greater than $10,000,000 for IP risk at least once every three years to identify those susceptible to significant IPs. Programs that are not likely to have an annual amount of IPs plus annual unknown payments above the statutory threshold (which is either (a) both 1.5 percent of program outlays and $10,000,000 of all program payments made during the fiscal year, or (b) $100,000,000) are referred to as being in Phase 1. Per this definition, our Administrative Payments program is in Phase 1 for OMB reporting purposes. Our assessment of IP risk in our Administrative Payments program in FY 2021 determined that the program is not susceptible to significant IPs. We will conduct another IP risk assessment of our Administrative Payments program in FY 2024. If a program in Phase 1 determines that it is likely to annually make IPs plus unknown payments above the statutory threshold then the program will move into Phase 2 the following year. Once in Phase 2 a program will have additional requirements such as reporting an annual IP and unknown payment estimate. Our OASDI and SSI programs are in Phase 2 for OMB reporting purposes. Additional information about the IPs, root causes, and corrective actions in our programs can be found on PaymentAccuracy.gov.

A Phase 2 program that reports IPs resulting in monetary loss in excess of $100,000,000 annually is considered a High-Priority program. Our OASDI and SSI programs meet the definition of High-Priority programs. This report provides a summary of our payment integrity activities and results for our High-Priority programs. There were no changes in payment integrity methodology for the reporting period. The information presented in this report complies with the guidance provided in OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, and OMB Circular No. A-136, *Financial Reporting Requirements*.

Overview

We are committed to ensuring we issue accurate payments to eligible individuals at the right time. We take seriously our responsibilities to ensure eligible individuals receive the benefits to which they are entitled, and to safeguard the integrity of benefit programs to better serve recipients. Our internal quality reviews, which are validated by a third-party auditor, indicate that our FY 2022 OASDI benefit payments were 99.49 percent free of OP, and 99.86 percent were free of UP. For the same year, 91.98 percent of all SSI payments were free of OP, and 98.82 percent were free of UP. FY 2023 data will be available in the summer of FY 2024.

While our payment accuracy rates, including both OPs and UPs, are high, even small error rates add up to substantial IP amounts given the magnitude of the benefits we pay each year. For instance, based on our FY 2022 stewardship reviews, we estimate that we paid over $1.3 trillion in benefit payments. Our combined OPs and UPs for OASDI totaled approximately $8.3 billion.

The combined OPs and UPs for SSI totaled approximately $5.3 billion. With each tenth of a percentage point in payment accuracy representing about $1.3 billion in OASDI and $57.6 million in SSI program outlays, we are focused on combatting the leading causes of IPs and improving program integrity to protect taxpayer dollars.

As good stewards, we seek ways to do business better by addressing the root causes of IPs and improving payment accuracy. We are committed to continually improving the administration of our programs and working to identify and address potential inequities.

OASDI Improper Payments

OASDI Improper Payment Experience

Based on our stewardship reviews, we estimate that we paid approximately $1.3 trillion to OASDI beneficiaries in FY 2022. Of that total, we estimate $6.5 billion were OPs, representing approximately 0.51 percent of outlays. We estimate that UPs during this same period were $1.8 billion, the equivalent of approximately 0.14 percent of outlays. The following table shows our estimated IPs in the OASDI program broken out by OMB's IP cause categories.

OASDI Improper Payments
FY 2022
(Dollars in Millions)

	Dollars	Percent of Outlays
Outlays	$1,269,615.41	
Proper Payments	$1,261,270.79	99.34%
Improper Payments	$8,344.62	0.66%
Overpayments	$6,521.66	0.51%
Within the Agency's Control	$1,619.78	0.13%
Data or Information Needed Does Not Exist	$0.00	0.00%
Inability to Access Data or Information Needed	$0.00	0.00%
Failure to Access Data or Information Needed	$1,619.78	0.13%
Outside the Agency's Control	$4,901.88	0.38%
Data or Information Needed Does Not Exist	$0.00	0.00%
Inability to Access Data or Information Needed	$4,901.88	0.38%
Failure to Access Data or Information Needed	$0.00	0.00%
Non-Monetary Loss Improper Payments	$1,822.96	0.14%
Underpayments	$1,822.96	0.14%
Data or Information Needed Does Not Exist	$0.00	0.00%
Inability to Access Data or Information Needed	$85.27	0.00%
Failure to Access Data or Information Needed	$1,737.69	0.14%
Technically Improper Payments	$0.00	0.00%
Unknown Payments	$0.00	0.00%
Improper Payments + Unknown Payments	$8,344.62	0.66%

Notes:

1. Outlay and IP amounts are for FY 2022. They represent estimated amounts from the annual stewardship reviews and may vary from actual amounts. FY 2023 data will be available in the summer of FY 2024.
2. There may be slight variances in the dollar amounts and percentages reported on PaymentAccuracy.gov due to rounding of source data. We derive percentages from unrounded source data.
3. Totals may not equal the sum of amounts due to rounding.
4. OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement,* defines IP cause categories.

OASDI Improper Payment Causes and Corrective Actions

Our stewardship review findings over the last five years show the major causes of OPs in the OASDI program are relationship and dependency, beneficiaries' employment activity (referred to as substantial gainful activity (SGA)), and errors in computations, accounting for 37, 16, and 11 percent of OASDI OPs, respectively. The major cause of UPs is errors in computations, which accounts for 60 percent of OASDI UPs. OASDI IPs occur due to beneficiaries' failure to report or our failure to update benefits in a timely manner. Below, we discuss corrective actions for these major causes. Additional information about the IPs, root causes, and corrective actions in the OASDI program can be found on PaymentAccuracy.gov.

Relationship and Dependency

Description:

Over the last five years, relationship and dependency errors account for 29 percent of OASDI IPs. Marital standing and child relationship factors are material when determining entitlement to certain auxiliary and survivor benefits. Technicians must establish the existence, duration, and validity of a marriage when the present or former marriage to the insured worker is a factor of entitlement. These errors occur when a beneficiary does not report a marriage, divorce, or remarriage timely.

Payment errors based on relationship and dependency correspond to the following OMB IP cause categories in the FY 2022 OASDI Improper Payments table: Overpayments/Within the Agency's Control/Failure to Access Data or Information Needed; and Overpayments/Outside the Agency's Control/Inability to Access Data or Information Needed.

Total projected OP deficiency dollars for FY 2018 through FY 2022: $5.4 billion

Annual average: $1.1 billion

Corrective Actions:

We base corrective actions on stewardship findings.[1] Prior to FY 2022, marital status and relationship deficiencies were not the leading cause of OASDI overpayments. We are currently looking for opportunities to remind the public to report changes that could affect their eligibility, specifically changes in their marital status and relationship.

Computations

Description:

Over the last five years, errors in our computations account for 21 percent of OASDI IPs. We determine a person's benefit amount based on several factors, including age, earnings history, and the type of benefit awarded. Windfall Elimination Provision (WEP) computations also result

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[1] Our stewardship reviews assess the accuracy of benefit payments. The findings inform the agency's corrective action plans to reduce IPs.

in IPs. Inaccurate information and administrative mistakes can cause errors in calculating benefits.

Payment errors based on computations correspond to the following OMB IP cause categories in the FY 2022 OASDI Improper Payments table: Overpayments/Within the Agency's Control/Failure to Access Data or Information Needed; Overpayments/Outside the Agency's Control/Inability to Access Data or Information Needed; and Underpayments/Failure to Access Data or Information Needed.

Total projected OP and UP deficiency dollars for FY 2018 through FY 2022: $4.0 billion

Annual average: $0.8 billion

Corrective Actions:

We are taking the following actions to address IPs related to computations:

- **Robotic Processing Automation - BOTs**: In FY 2021, we pursued a contract with UIPath software, to create automated "robotic" programs that will perform routine or repetitive tasks. Robotic Processing Automation (RPA), or "BOTs," are available to Processing Center technicians to assist with processing manual awards or post-entitlement actions. Since January 2021, six BOTs have been created and placed into production. Use of the BOTs reduces keystrokes and manual coding and detects exceptions and alerts before they occur. In FY 2024, we plan to enhance the existing RPA scripts and begin development and implementation of a series of BOTs that will automate computations and input of complex and error prone windfall offset payments. We are making a long-term investment in robotics technology and using the software to improve business processes and eliminate manual actions.
- **Comprehensive Corrective Action Plan for Windfall Elimination Provision and Government Pension Offset**: WEP applies when the wage earner receives Social Security retirement or disability benefits, and is entitled to a pension based on non-covered work. Non-covered pensions are paid by employers that do not withhold Social Security taxes and may be based on earnings from employment in the United States or another country.

  The Government Pension Offset (GPO) provision adjusts Social Security spouses or widow(er)'s benefits for those who receive a non-covered pension from a Federal, State, or local government in the United States. When GPO applies, the Social Security monthly benefit amount is reduced by two-thirds of the amount of the non-covered government pension.

  We developed a comprehensive corrective action plan to address multiple underlying causes of WEP and GPO IPs. We formed a cross-agency work group to review all Office of the Inspector General (OIG) and internal studies to compile a comprehensive list of recommended changes in WEP and GPO implementation. We assessed the root causes of IPs based on these changes and developed policy, data, systems, and training solutions in line with each of the root causes of IPs. We developed a logic model framework to measure the effectiveness of completed corrective action that includes establishing benchmarks to evaluate the corrective actions, assessing the impact, if possible, and determining whether additional mitigation activities are necessary. Since FY 2017, there has been a significant reduction in IPs related to WEP and GPO. In July 2023, we added the WEP/GPO calculator to the SSA.gov website. However, we continue to assert that the complexity of our program makes it extremely challenging to isolate the effects of a particular corrective action.

Substantial Gainful Activity

Description:

SGA is continuously a leading cause of OPs in the OASDI program, accounting for 13 percent of OASDI IPs over the last five years. When disability beneficiaries work, several factors determine whether they remain eligible for monthly benefits. Beneficiaries' failure to report earnings in a timely manner accounts for 82 percent of SGA-related IPs and our failure to take the proper actions to process work reports accounts for the remainder.

Payment errors based on SGA correspond to the following OMB IP cause categories in the FY 2022 OASDI Improper Payments table: Overpayments/Within the Agency's Control/Failure to Access Data or Information Needed; and Overpayments/Outside the Agency's Control/Inability to Access Data or Information Needed.

Total projected OP deficiency dollars for FY 2018 through FY 2022: $2.4 billion

Annual average: $0.5 billion

Corrective Actions:

We are exploring administrative actions that will make it easier for beneficiaries and employers to report wages, as well as ways we can obtain real time wage data to reduce IPs. We are taking the following actions to address IPs related to SGA:

- **Payroll Information Exchange**: To reduce the reliance on self-reporting of wages, we are developing new wage reporting tools, such as an information exchange with commercial payroll data providers authorized by section 824 of the *Bipartisan Budget Act of 2015*, now referred to as the Payroll Information Exchange (PIE). We have completed several phases of pre-implementation development and are drafting a Notice of Proposed Rulemaking with our regulations for the PIE process. We will conduct the exchange and automate PIE data after the final rule (regulation) is established. We will perform ongoing assessments while working towards full implementation.
- **Continuing Disability Review Product**: The CDR Product is a project to streamline the CDR process, increase efficiencies, and reduce IPs for work CDRs. The multifaceted product is comprised of four separate workstreams, across several component business and systems sponsors. In addition to work CDRs, the Product aims to modernize the medical CDR process with the addition of online service options and reduce paper case processing by automating current Electronic Disability Collect System exclusions. In February 2023, CDR product released the *i454* which allows adult beneficiaries with an online option to file the SSA-454 or a Medical CDR Report. When the customer uses

this online version, the technician's process is streamlined and allows for quicker processing. In FY 2024, we plan to release Multiple Pending Claim functionality to the Electronic Disability Collect System, reducing the reliance on paper processing and plan to make the eWork system Multi-Factor Authentication compliant. We are currently beginning development of a modernized version of eWork, which will eventually be integrated into the existing EDCS application and make EDCS available for Field Office technicians.

- **Reporting Responsibilities**: Section 826 of the *Bipartisan Budget Act of 2015* required the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically. Our myWageReport (myWR) online application allows DI beneficiaries, SSI recipients, concurrent beneficiaries, and representative payees to report wages, and view, print, or save a receipt. DI self-reporters and their representative payees can report wages that occurred within a two-year timeframe from the reporting date. We promote use of myWR on social media with training videos depicting three reporting options: *my* Social Security, SSA Mobile Wage Reporting, and SSI Telephone Wage Reporting.
- **WorkSmart**: WorkSmart is a tool that identifies DI beneficiaries whose earnings put them at risk for being overpaid. We created the Work Smart project to reduce and prevent IPs and complete work CDRs more efficiently by identifying earnings earlier, identifying cases that have earnings above SGA and are still receiving benefits, and prioritizing cases that are most likely to end in an SGA cessation. This helps prevent beneficiaries from building OP debts.

SSI Improper Payments

SSI Improper Payment Experience

Based on our stewardship reviews, we estimate that we paid approximately $57.6 billion to SSI recipients in FY 2022. Of that total, we estimate $4.6 billion were OPs, representing approximately 8.02 percent of outlays. We estimate that UPs during this same period were $0.7 billion, the equivalent of approximately 1.18 percent of outlays. The following table shows our estimated IPs in the SSI program broken out by OMB's IP cause categories.

SSI Improper Payments
FY 2022
(Dollars in Millions)

	Dollars	Percent of Outlays
Outlays	$57,565.84	
Proper Payments	$52,267.10	90.80%
Improper Payments	$5,298.74	9.20%
Overpayments	$4,617.94	8.02%
Within the Agency's Control	$286.57	0.50%
Data or Information Needed Does Not Exist	$0.00	0.00%
Inability to Access Data or Information Needed	$0.00	0.00%
Failure to Access Data or Information Needed	$286.57	0.50%
Outside the Agency's Control	$4,331.38	7.52%
Data or Information Needed Does Not Exist	$344.48	0.60%
Inability to Access Data or Information Needed	$3,986.89	6.93%
Failure to Access Data or Information Needed	$0.00	0.00%
Non-Monetary Loss Improper Payments	$680.80	1.18%
Underpayments	$680.80	1.18%
Data or Information Needed Does Not Exist	$321.77	0.56%
Inability to Access Data or Information Needed	$259.45	0.45%
Failure to Access Data or Information Needed	$99.57	0.17%
Technically Improper Payments	$0.00	0.00%
Unknown Payments	$0.00	0.00%
Improper Payments + Unknown Payments	$5,298.74	9.20%

Notes:

1. Outlay and IP amounts are for FY 2022. They represent estimated amounts from the annual stewardship reviews and may vary from actual amounts. FY 2023 data will be available in the summer of FY 2024.
2. There may be slight variances in the dollar amounts and percentages reported on PaymentAccuracy.gov due to rounding of source data. We derive percentages from unrounded source data.
3. Totals may not equal the sum of amounts due to rounding.
4. OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, defines IP cause categories.

SSI Improper Payment Causes and Corrective Actions

Our stewardship review findings over the last five years show the major causes of OPs in the SSI program are changes in financial accounts, wages, and in-kind support and maintenance (ISM), which account for 29, 23, and 6 percent of SSI OPs, respectively. The major cause of UPs is changes to ISM, which accounts for 28 percent of SSI UPs. SSI IPs occur due to recipients' failure to report or our failure to update payments in a timely manner. Below, we discuss corrective actions for these major causes. Additional information about the IPs, root causes, and corrective actions in the SSI program can be found on PaymentAccuracy.gov.

Financial Accounts

Description:

The leading cause of SSI IPs is financial accounts with countable resources over the allowable resource limits, accounting for 25 percent of SSI IPs over the last five years. 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.

Payment errors based on financial accounts correspond to the following OMB IP cause category in the FY 2022 SSI Improper Payments table: Overpayments/Outside the Agency's Control/ Inability to Access Data or Information Needed.

Total projected OP deficiency dollars for FY 2018 through FY 2022: $7.5 billion

Annual average: $1.5 billion

Corrective Actions:

We are taking the following actions to address IPs related to financial accounts:

- **Non-medical Redeterminations/Limited Issues**: A non-medical SSI redetermination (RZ) is a complete review of a recipient's or couple's non-medical eligibility factors (resources, income, and living arrangements) to determine whether the recipient or couple has remained eligible since the time of the previous decision, is still eligible for SSI, and has been receiving and will continue to receive the correct SSI payment amount. To ensure the most cost-effective investment of agency resources, we use a predictive model to estimate the likelihood and magnitude of overpayments to select cases for discretionary RZs. Other cases are selected for RZs outside our modeling process based on selected case characteristics, such as manual deeming of income. The RZ process also selects limited issue (LI) reviews, which are reviews of a specific issue or event related to a recipient's or couple's non-medical eligibility factors to determine whether the recipient or couple is still eligible for and receiving the correct SSI payment. In December 2022, we issued guidance on achieving FY 2023 RZ and LI workload goals, with reminders to field offices about best practices and following the order of priority when scheduling RZs and LIs. In FY 2023, we completed more than 2.5 million SSI non-medical RZs and LIs. We plan to process about 2.5 million SSI RZs and LIs in FY 2024.

- **Access to Financial Institutions**: The purpose of Access to Financial Institutions (AFI) is to identify excess resources in financial accounts, which are a leading cause of SSI payment errors. The AFI program uses an electronic process with participating financial institutions to verify bank account balances and detect undisclosed accounts in up to 10 nearby banks. We will be evaluating the benefit to running AFI between the SSI initial application and subsequent eligibility RZs, based on an OIG recommendation.[2] In March 2023, we released Policy in Focus training and issued a frontline broadcast to remind technicians of AFI and SSI financial accounts policy. In August 2023, we published *AM-23048 - SSI Financial Account Verification Reminders* and issued a frontline broadcast to ensure that technicians are reviewing the financial account pages in the SSI claims path for accuracy before adjudicating an event.

- **Logic Model Framework**: We developed a logic model framework to measure the effectiveness of completed corrective actions that includes establishing benchmarks to evaluate the corrective actions, assessing the impact, if possible, and determining whether additional mitigation activities are necessary. We monitor the progress of corrective actions for financial accounts, wages, ISM, death, absence from the United States, and non-home real property (NHRP), which are the leading causes of SSI IPs. In FY 2022, we completed the evaluation for wages and NHRP. In FY 2023, we completed the evaluation of medical CDR cessations and Improving Death Data Processing.

- **Consolidated Claims Experience**: The Consolidated Claims Experience (CCE) is a single-entry point for employees to process all agency benefits. CCE includes eligibility screening, initial claims intake processing and post-entitlement activities. CCE will automate computations, reduce manual actions, assist in the identification of potential or missed entitlements, and include dynamic pathing and policy references within the application. Currently, only SSI is available in CCE with additional claim types (i.e., OASDI and Title 18) to be added in future releases. In FY 2023, there were several CCE releases in the SSI program to improve CCE software performance, correct software problems, and respond to employee feedback.

Wages

Description:

For more than a decade, wage discrepancies have been one of the leading causes of SSI IPs, accounting for 23 percent of SSI IPs over the last 5 years. Wage discrepancies occur when the recipient or their deemor has actual wages that differ from the wage amount we used to calculate the SSI payment, either because the recipient failed to report a change, or we failed to make changes to payments in a timely manner.

Payment errors based on wages correspond to the following OMB IP cause categories in the FY 2022 SSI Improper Payments table: Overpayments/Within the Agency's Control/Failure to Access Data or Information Needed; Overpayments/Outside the Agency's Control/Inability to

[2] OIG report "Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022."

Access Data or Information Needed; Underpayments/Inability to Access Data or Information Needed; and Underpayments/Failure to Access Data or Information Needed.

Total projected OP and UP deficiency dollars for FY 2018 through FY 2022: $6.8 billion

Annual average: $1.4 billion

Corrective Actions:

We are taking the following actions to address IPs related to wages:

- **PIE**: Please see our discussion of PIE under Corrective Actions for Substantial Gainful Activity in the OASDI Improper Payment Causes and Corrective Actions section.
- **Non-medical RZs/LIs**: Please see our discussion of non-medical RZs/LIs under Corrective Actions for Financial Accounts in the SSI Improper Payment Causes and Corrective Actions section.
- **SSA Mobile Wage Reporting App**: SSI recipients, deemors, and representative payees may use the SSA Mobile Wage Reporting App (available for download at no cost from Google Play and Apple App) to report wages and ensure payment accuracy. We enhanced the application to offer a more secure method of authentication for application users. We implemented multi-factor authentication in September 2023.
- **Reporting Responsibilities**: We inform SSI recipients and representative payees about their reporting responsibilities through various methods: during interviews, with application and RZ forms, in some award and post-eligibility notices, in check envelope enclosures, and in a booklet that accompanies award notices. Our annual Cost of Living Adjustment notices include reminders about reporting changes that could affect payments and eligibility. In September 2013, we implemented an automated SSI wage reporting reminder for individuals who sign up to receive a monthly email or text message to report wages for the prior month. We promote use of our online wage reporting application, myWR, on social media with training videos including information about the importance of creating a *my* Social Security account; how to submit wages using myWR, SSA Mobile Wage Reporting, or SSI Telephone Wage Reporting; who can report; and reminders on reporting responsibilities. In November 2022, we issued reporting responsibilities reminders to SSI recipients with *my* Social Security accounts. Finally, we engage the advocate community and other third-party groups and organizations to help the us reach more people who depend on our services by emailing Dear Colleague letters. In August 2023, we sent a Dear Colleague letter asking for their assistance in reminding SSI clients on reporting changes in circumstances that may affect their payments.
- **Logic Model Framework**: Please see our discussion of Logic Model Framework under Corrective Actions for Financial Accounts in the SSI Improper Payment Causes and Corrective Actions section.

In-Kind Support and Maintenance

Description:

ISM has been the third-leading cause of OPs and the leading cause of UPs, accounting for 9 percent of SSI IPs over the last five years. When processing initial claims and post-entitlement reviews, we ask questions to help us determine if recipients are paying their share of household expenses. If recipients are not paying their *pro rata* share, we generally count the difference between the *pro rata* share amount and the actual contribution as income to the recipient in the form of ISM. SSI recipients and their representative payees are required to notify the agency when a change occurs in household expenses, contributions, or composition. Failure to report or delays in reporting household changes are the primary causes of OPs and UPs related to ISM. Recipients and representative payees must report ISM changes (e.g., living arrangements) by phone, mail, or in person within ten days after the end of the month when the event happened. Self-reporting is the primary tool we use to obtain information on changes that affect ISM.

Payment errors based on ISM correspond to the following OMB IP cause categories in the FY 2022 SSI Improper Payments table: Overpayments/Within the Agency's Control/Failure to Access Data or Information Needed; Overpayments/Outside the Agency's Control/Data or Information Needed Does Not Exist; Underpayments/Data or Information Needed Does Not Exist; and Underpayments/Failure to Access Data or Information Needed.

Total projected OP and UP deficiency dollars for FY 2018 through FY 2022: $2.7 billion

Annual average: $0.5 billion

Corrective Actions:

We are taking the following actions to address IPs related to ISM:

- **Policy Changes**: The process and policies as well as statutory and regulatory requirements to administer ISM are complicated and pose challenges to the administration of our programs. We are working on three regulatory changes to help simplify ISM policies, including:
    - Omitting food from ISM (Notice of Proposed Rule Making (NPRM) published February 2023). The proposed rule would remove food as a source of ISM, so that food assistance received from others does not impact claimants' benefit eligibility and amounts. We also proposed to add conforming language to our definition of income, excluding food from the ISM calculation.
    - Expanding the definition of a Public Assistance Household (NPRM published October 2023). The proposed rule would add the Supplemental Nutrition Assistance Program to the definition of Public Income Maintenance Payments considered for treatment of a public assistance household; if every household member receives one of the specified types of assistance, we assume that other household members need their income to support their own needs and do not subject the SSI claimant to ISM or deeming.

- Expanding the Rental Subsidy Policy for SSI Applicants and Recipients (NPRM published August 2023). The proposed rule would expand a rental subsidy exception in effect in seven States to the whole nation, exempting claimants from ISM if they pay at least one third of their SSI benefit on rent.

- **Logic Model Framework**: Please see our discussion of Logic Model Framework under Corrective Actions for Financial Accounts in the SSI Improper Payment Causes and Corrective Actions section.

Entitlement Reviews and Office of the Inspector General Anti-Fraud Activities

We are committed to improving financial management by preventing fraudulent and IPs (see the Payment Integrity section 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 OASI and DI benefits (referred to as OASDI when discussing them in combination) and SSI payments; 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. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct.

Due to the Coronavirus Disease 2019 (COVID-19) pandemic, we discontinued all quality assurance samples for the third quarter of FY 2020. For CDRs, we discontinued the sample for the third and fourth quarters of FY 2020. As a result, the initial and reconsideration data include only cases reviewed during the first, second, and fourth quarters of FY 2020. The FY 2020 CDR data include only reviews completed during the first and second quarters of FY 2020. We resumed regular CDR sampling in the first quarter of FY 2021.

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 prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for FY 2019 through FY 2023.

Quality Assurance Reviews

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.41%	96.87%	96.62%	96.62%	97.23%
Number of cases reviewed	35,076	40,251	40,295	29,588	34,915
Number of cases returned to the DDS offices due to error or inadequate documentation	909	1,259	1,360	1,001	967

DI Pre-Effectuation Reviews

We perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a risk-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 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 2019 through FY 2023.

DI Pre-Effectuation Reviews

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	95.56%	95.03%	94.65%	95.23%	95.26%
Number of cases reviewed	246,318	252,245	238,616	268,569	266,474
Number of cases returned to the DDS offices due to error or inadequate documentation	10,927	12,538	12,761	12,810	12,641

SSI Pre-Effectuation Reviews

We conduct pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2019 through FY 2023.

SSI Pre-Effectuation Reviews

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Percent of State DDS decisions to allow not returned to the DDS offices for correction	96.66%	96.52%	96.27%	96.07%	96.47%
Number of cases reviewed	84,352	81,333	86,779	94,105	105,729
Number of cases returned to the DDS offices due to error or inadequate documentation	2,820	2,834	3,239	3,696	3,734

Continuing Disability Reviews

We use periodic CDRs to determine whether beneficiaries continue to meet our medical standards for disability. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2019 through FY 2023.

CDR Accuracy

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Overall accuracy	97.2%	96.9%	96.5%	96.8%	96.7%
Continuance accuracy	98.3%	98.1%	97.7%	97.6%	97.9%
Cessation accuracy	93.6%	92.3%	92.3%	93.2%	92.0%

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 2019 through FY 2022. Data for FY 2023 are not yet available. We will report the FY 2023 data in our FY 2024 *Agency Financial Report* (AFR).

OASDI Accuracy[1]

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Overpayment accuracy	Data not yet available	99.49%	99.83%	99.83%	99.80%
Underpayment accuracy	Data not yet available	99.86%	99.95%	99.94%	99.95%

SSI Accuracy[1]

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Overpayment accuracy	Data not yet available	91.98%	92.83%	91.24%[2]	91.87%
Underpayment accuracy	Data not yet available	98.82%	98.45%	98.67%	98.72%

Notes:

1. There may be slight variances in the percentages reported on PaymentAccuracy.gov due to rounding of source data. We derive percentages from unrounded source data.
2. The FY 2021 AFR incorrectly stated the FY 2020 SSI overpayment accuracy rate was 91.25% due to a minor issue in the dollar error tabulation formula that was discovered in April 2022. The rate was corrected in the FY 2022 AFR.

SSI Redeterminations

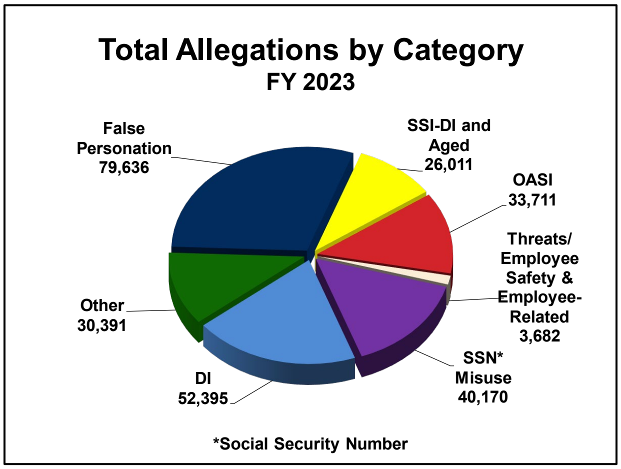
SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient remains eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2019 through FY 2023.

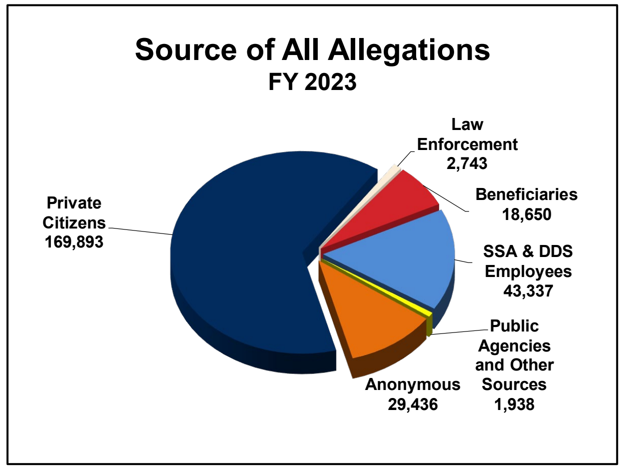
SSI Redeterminations
(In Millions)

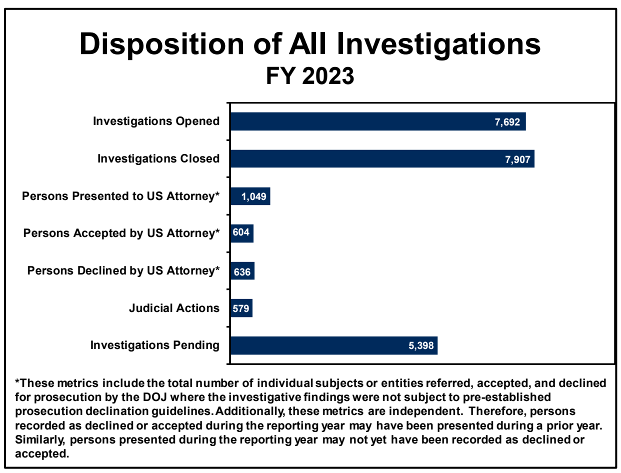
	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Number of redeterminations completed	2.52	2.20	2.37	2.15	2.67

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

In FY 2023, we worked with our 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 our assets. In FY 2023, as in prior years, OIG received a significant number of imposter scam allegations. The following charts provide information from our OIG concerning fraud and other allegations and cases in FY 2023.[3]







[3] The category of an allegation may change in limited cases during an investigation. Therefore, the numbers reported in the charts may vary slightly from other Agency reporting such as Semiannual Reports to Congress.

Civil Monetary Penalty Adjustment for Inflation

The *Social Security Act* authorizes the Commissioner to impose a civil monetary penalty (CMP) for certain specific violations. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any material false statements or representations to the agency or knowingly withholds a material fact from the agency, to obtain or retain benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. A CMP may also be imposed against representative payees for the wrongful conversion of Social Security payments entrusted to their care.

Section 1140 of the *Social Security Act* (Section 1140) authorizes a CMP to protect the public from advertisements, solicitations, and other communications (including Internet websites, social media activities, and scam telephone calls) that may convey the false impression that we approved, endorsed, or authorized the communication. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without our authorization and places restrictions on the charging for services that we provide to the public without charge. The Commissioner delegated authority to enforce our CMP program 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" and annual adjustments. 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	Latest 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(a)(1))	1994	2023	01/15/2023	$0-$9,966	SSA/OIG	87 Federal Register 80245 (Dec. 2022)
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(a)(1))	2015	2023	01/15/2023	$0-$9,399	SSA/OIG	87 Federal Register 80245 (Dec. 2022)
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(b)(1))	1988	2023	01/15/2023	$0-$12,397	SSA/OIG	87 Federal Register 80245 (Dec. 2022)
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(b)(2))	1988	2023	01/15/2023	$0-$61,982	SSA/OIG	87 Federal Register 80245 (Dec. 2022)

Biennial Review of User Fee Charges

Summary of Fees

In FY 2022 and FY 2023, we earned $320 million and $324 million in user fees, respectively. This revenue accounted for less than 1 percent of our total financing sources. We derive over 71 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 2023, we charged a fee of $14.35 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $14.78 for FY 2024. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate. 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 2022 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2020. We are planning to perform another review of these fees during FY 2024.

Grants Programs

OMB Circular No. A-136, *Financial Reporting Requirements,* 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 a 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

Category	2-3 Years	3-5 Years	More than 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

Climate-Related Financial Risk

We are committed to climate adaptation and resilience planning to reduce climate change risks and develop new opportunities that climate change may bring, where we can. Our Climate Action Plan (CAP) and FY 2022 CAP Progress Report reaffirms our vision to improve our capacity to assess and build resilience to climate change risks. During our FY 2023 CAP Verbal Progress Report, we identified future priority areas to build resilience to climate change risks. Our CAPs, Sustainability Reports, Scorecards, and other climate and sustainability related reports are available on our Sustainability website.

Budget, Governance, Strategy, Risk Management, and Metrics

The Office of the Chief Financial Officer (OCFO) leads our efforts to strategically plan actions that mitigate climate vulnerabilities and lessen climate-related financial risks at the agency. OCFO works closely with our Chief Sustainability Officer and other internal offices primarily involved in executing our sustainability and climate action programs.

In our CAP, we identified 5 priority adaptation areas of climate change at our delegated facilities, located in 4 of the 10 climate regions identified in the *National Climate Assessment Report*. These priority adaptation areas prepare us for power disruptions, increased flooding in coastal and non-coastal locations, changes in outside air usage, and disruptions and damage to transportation infrastructure. We collaborate with the General Services Administration on climate-related risk decision making for field office relocations (e.g., in the event of a flood), and to assist in monitoring flood plain areas, which may affect our delegated facilities and field offices.

Our financial risk exposure related to climate change mainly concerns the impact of energy usage to cool and heat our delegated sites. We budget for energy use and utilize previous energy usage data to adjust for the upcoming year for our delegated sites. Within each of the five priority areas mentioned above, we potentially face funding challenges if these events take place and affect our operations. These funding challenges include the loss or replacement of facilities, fleet, and information technology equipment, as well as health and safety costs to keep operations active during severe climate-related events.

Debt Collection and Management

Debt Collection

We have a robust debt collection program to recover all types of OPs, which helps ensure eligible individuals receive the benefits to which they are entitled, and it safeguards the integrity of benefit programs to better serve recipients. 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.

The balance of delinquent debt for all programs is $6.586 billion as of September 30, 2023. In FY 2023, we recovered $4.643 billion using both our internal and external collection tools. Over the last 5 years (FY 2019 through FY 2023), we have collected a total of $20.874 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI OPs, and a summary of the results.

We recognize how critical it is for the public to understand the information we share, including the improper payment notices they receive from us. We are working to simplify our overpayment notices so they are more user-friendly and easier to understand.

Internal Collections

We utilize internal collection tools to recover payments of delinquent debt for individuals currently receiving payments. In FY 2023, we recovered $4.638 billion using our internal collection tools, which accounted for about 99.9 percent of our total collections amount. Over the last 5 years (FY 2019 through FY 2023), we have collected a total of $20.222 billion using our internal collection tools.

We offer individuals opportunities to ask us questions about their debts, request waivers in certain instances, and request alternative payment plans as needed. We continue working on technological improvements to make it easier for recipients to repay debts.

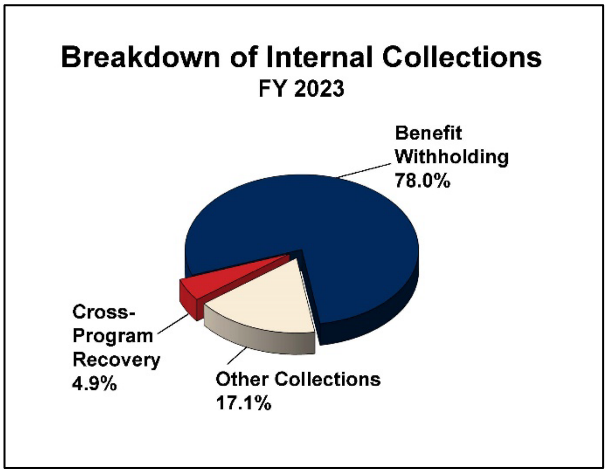
The following table provides a description of each of our internal debt collection techniques for OASDI and SSI OPs, and a summary of the results.

FY 2023 Internal Collections
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
Benefit Withholding	We withhold some or all benefit payments for OASI and DI beneficiaries and SSI recipients currently receiving payments. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.595	$1.025	$3.620
Cross-Program Recovery (CPR)	CPR collects OASDI OPs from monthly SSI payments and UPs, and SSI OPs from monthly OASDI benefit payments and UPs.	$0.025	$0.201	$0.226
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.461	$0.331	$0.792
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$3.081	$1.557	$4.638

Note: Totals do not necessarily equal the sum of rounded components.

The following chart highlights the allocation of OPs collected in FY 2023 through our various internal collection tools as a proportion of the total $4.638 billion internal collections amount.



External Collections

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients no longer receiving payments. In FY 2023, we recovered $4 million using our external collection tools, which accounted for less than 1 percent of our total collections amount. Over the last 5 years (FY 2019 through FY 2023), we have collected a total of $642 million using our external collection tools.

Due to the COVID-19 pandemic, in March 2020, we suspended using the Treasury Offset Program (TOP). This suspension continued through FY 2023 and resulted in fewer collections through our external recovery methods.

The following table provides a description of each of our external debt collection techniques for OASDI and SSI OPs, and a summary of the results.

FY 2023 External Collections
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
TOP	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset.	$0.000	$0.000	$0.000
Administrative Wage Garnishment (AWG)	AWG allows us to recover delinquent OASDI and SSI OPs 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).	$0.004	$0.001	$0.004
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.004	$0.001	$0.004

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. We 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 track these collections for informational and decision-making purposes.

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 notes on activity that affected the change in accounts receivable activity between FY 2022 and FY 2023. We provide definitions of certain line items immediately following the Debt Management Activities Program and Administrative Table. For more information on our effort to curb overpayments, please refer to the Payment Integrity section.

A Title II system design limitation prevents us from capturing and tracking long-term withholding agreements for debts owed by the public scheduled for collection beyond the year 2049. Policy allows for repayment periods based on the ability of beneficiaries to repay on a periodic basis, which allows for the establishment of payment terms that may exceed the expected life span of the beneficiary as we often withhold minimal amounts to avoid imposing undue hardships. We recognize that a portion of this debt owed by the public will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 62,800 debts owed by the public are affected by payment plans extending beyond December 31, 2049. We estimate the total gross value of the post-year 2049 receivable amounts is approximately $761 million as of September 30, 2023. 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 2023 Quarterly Debt Management Activities
Program and Administrative
(Dollars in Millions)

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total receivables	$23,154	$23,349	$21,873	$21,486
New receivables	10,049	7,762	4,203	1,906
Total collections	(4,922)	(3,452)	(2,264)	(1,170)
Adjustments	(189)	(69)	(17)	(35)
Total write-offs	(3,355)	(2,462)	(1,620)	(786)
- Waivers	(267)	(198)	(131)	(63)
- Terminations	(3,088)	(2,264)	(1,489)	(723)
Aging schedule of debts:				
- Non delinquent debt	16,567	16,920	15,465	14,896
- Delinquent debt				
- 120 days or less	1,160	1,072	1,063	1,067
- 121 days to 10 years	4,143	4,107	4,129	4,316
- Over 10 years	1,284	1,250	1,216	1,207
- Total delinquent debt	$6,587	$6,429	$6,408	$6,590

Note: The values in this chart represent the cumulative activity as of the end of each quarter.

Debt Management Activities
Program and Administrative
(Dollars in Millions)

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Total receivables	$23,154	$21,571	$20,884	$24,398	$25,834
New receivables	10,049	8,582	9,061	6,332	7,899
Total collections	(4,922)	(4,665)	(4,517)	(4,100)	(4,215)
Adjustments	(189)	56	(617)	(1,129)	(1,431)
Total write-offs[1]	(3,355)	(3,286)	(7,441)	(2,539)	(903)
- Waivers	(267)	(278)	(281)	(260)	(390)
- Terminations	(3,088)	(3,008)	(7,160)	(2,279)	(513)
Non delinquent debt	16,567	15,232	14,833	14,263	14,445
Total delinquent debt	$6,587	$6,339	$6,051	$10,135	$11,389
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	71.6%	70.6%	71.0%	58.5%	55.9%
- Delinquent	28.4%	29.4%	29.0%	41.5%	44.1%
% of debt estimated to be uncollectible[2]	57.3%	57.3%	56.3%	59.2%	45.7%
% of debt collected	21.3%	21.6%	21.6%	16.8%	16.3%
% change in collections from prior fiscal year	5.5%	3.3%	10.2%	-2.7%	5.6%
% change in delinquencies from prior fiscal year	3.9%	4.8%	-40.3%	-11.0%	11.5%
Clearances as a % of total receivables	35.7%	36.9%	57.3%	27.2%	19.8%
- Collections as a % of clearances	59.5%	58.7%	37.8%	61.8%	82.4%
- Write-offs as a % of clearances	40.5%	41.3%	62.2%	38.2%	17.6%
Other Analysis					
Cost to collect $1	$0.08	$0.06	$0.07	$0.06	$0.06
Average number of months to clear receivables:					
- OASI	13	12	13	16	16
- DI	28	30	27	68	45
- SSI	36	45	48	66	49

Notes:

1. Total Write-offs/Terminations – We re-evaluated delinquent and uncollectible debt that we were pursuing, finding them to be largely uncollectible, thereby inefficiently using our processing centers' limited resources. As a result, we wrote-off a portion of our OASI and DI debt during FY 2020 and FY 2021 and wrote-off a portion of our SSI program debt in FY 2021. We developed an automated process to evaluate debt for potential write-offs, which contributed to the write-off values in FY 2021 through FY 2023. The difference between FY 2021 and FY 2020 is primarily the targeted OASI, DI, and SSI write-offs in FY 2021, as both years have incurred write-offs as part of the automated process. By terminating collection activity on uncollectible debt, we are better reflecting current receivables on our financial statements as well as reducing the number of actions from the processing center pending backlog. While this debt is being written-off, it remains available for future collection. We can pursue collection efforts if the debtor becomes entitled to OASDI or SSI benefits.
2. Percentage of Debt Estimated to be Uncollected – Our allowance for doubtful accounts methodology allows for all delinquent debt two years or older at 100 percent. For remaining debt that is not delinquent two years or more, we apply our uncollectible ratios, consistent with previous years. We add the fully allowed delinquent debt two years and

older value to the calculated uncollectible value on the remaining debt to calculate the total allowance for doubtful accounts.

3. Refer to Note 1, Summary of Signification Accounting Policies, and Note 6, Accounts Receivable, Net, in the *Financial Statements and Additional Information* section for more information.
4. Cost to Collect $1 – The increase in administrative cost this year is due to a change in methodology to include full costing (direct and supporting component costs) versus direct-only costing.

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 *Social Security 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. 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 an 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.

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Appendix

GLOSSARY OF ACRONYMS

A

AARPS	Appeals and Appointed Representative Processing Services
ACH	Automated Clearing House
ADP	Automated Data Processing
AI	Artificial Intelligence
AFI	Access to Financial Institutions
AFR	Agency Financial Report
Agency	Social Security Administration
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

B

Banking Bill	*Economic Growth, Regulatory Relief, and Consumer Protection Act*
BI	Business Intelligence

C

CARES Act	*Coronavirus Aid, Relief, and Economic Security Act*
CAP	Climate Action Plan
CAS	Cost Analysis System
CCE	Consolidated Claims Experience
CDM	Continuous Diagnostics and Mitigation
CDR	Continuing Disability Review
CEAR	Certificate of Excellence in Accountability Reporting
C.F.R.	Code of Federal Regulations
CMP	Civil Monetary Penalty
COLA	Cost of Living Adjustment
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CPN	Central Print of Notices

CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross-Program Recovery
CSRS	Civil Service Retirement System

D

DAIMS	DATA Act Information Model Schema
DATA Act	*Digital Accountability and Transparency Act of 2014*
DDS	Disability Determination Services
DEIA	Diversity, Equity, Inclusion, and Accessibility
DHS	Department of Homeland Security
DI	Disability Insurance
DMS	Debt Management System
DOL	Department of Labor

E

ERM	Enterprise Risk Management
EY	Ernst & Young LLP

F

FAR	Federal Acquisition Regulation
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*
FMS	Financial Management System
FR	Financial Report of the United States Government
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	Government Accountability Office
GDP	Gross Domestic Product

GMO	Grants Management Officer
GPO	Government Pension Offset
GPRMA	*Government Performance and Results Modernization Act of 2010*
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

HBCU	Historically Black Colleges and Universities
HCOP	Human Capital Operating Plan
HI	Hospital Insurance
HUB	Historically Underutilized Business

I

IG	Inspector General
IP	Improper Payments
ISM	In-kind Support and Maintenance
ISSC	Institutions Serving Students of Color
IT	Information Technology

L

LAE	Limitation on Administrative Expenses
LHI	Leasehold Improvement
LI	Limited Issues
LPR	Lawful Permanent Resident

M

MATPSC	Mid-Atlantic Program Service Center
MD&A	Management's Discussion and Analysis
myWR	myWageReport

N

NGTP	Next Generation Telephony Project
NHRP	Non-Home Real Property
NLDP	National Leadership Development Program
NPRM	Notice of Proposed Rulemaking

O

OA	Occupancy Agreement

OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OLBP	Online Bill Pay
OMB	Office of Management and Budget
OP	Overpayment
OPM	Office of Personnel Management

P

PC	Processing Centers
PIE	Payroll Information Exchange
PIIA	*Payment Integrity Information Act of 2019*
PP&E	Property, Plant, and Equipment
PTF	Payments to Social Security Trust Funds
Pub. L. No.	Public Law Number

R

RPA	Robotic Process Automation
RSI	Required Supplementary Information
RZ	Non-Medical Redeterminations

S

SECA	*Self Employment Contributions Act*
SERS	Social Security Electronic Remittance System
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gain Activity
SF-133	Report on Budget Execution and Budgetary Resources
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSOARS	Social Security Online Accounting and Reporting System
Statement	Social Security Statement

T

TBD	To Be Determined
Title VIII	Special Veterans Benefits
TOP	Treasury Offset Program

Treasury	Department of the Treasury

U

UP	Underpayment
U.S.	United States
U.S.C.	United States Code
USF	Useable Square Feet

W

WEP	Windfall Elimination Provision

SSA MANAGEMENT AND BOARD MEMBERS

Key Management Officials

Acting Commissioner	Kilolo Kijakazi
Deputy Commissioner	Vacant
Chief Actuary	Stephen C. Goss
General Counsel	Royce B. Min
Inspector General	Gail S. Ennis
Chief Transformation Officer	Betsy Beaumon
Deputy Commissioner, Analytics, Review, and Oversight	Gina P. Clemons
Deputy Commissioner, Budget, Finance, and Management	Chad Poist
Deputy Commissioner, Civil Rights and Equal Opportunity	Claudia J. Postell
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Deputy Commissioner, Hearings Operations	Joseph M. Lytle
Deputy Commissioner, Human Resources	Darlynda K. Bogle
Deputy Commissioner, Legislation and Congressional Affairs	Thomas Klouda
Deputy Commissioner, Operations	Michelle A. King
Acting Deputy Commissioner, Retirement and Disability Policy	Stephen G. Evangelista
Deputy Commissioner, Systems/Chief Information Officer	Sean P. Brune

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SUMMARY OF KEY MANAGEMENT OFFICIALS' RESPONSIBILITIES

Commissioner of Social Security (COSS) manages all agency programs and staff and serves as the Chief Operating Officer, responsible for improving agency management and performance.

Deputy Commissioner of Social Security (DCOSS) an appointed position, authorized to act on behalf of the COSS.

Chief Actuary (OCACT) plans and directs program actuarial estimates and analyses for our programs and for any proposed changes in programs and trust funds. OCACT provides technical and consultative services to the COSS, the Board of Trustees of the Social Security Trust Funds, Congress, and their respective staffs.

General Counsel (GC) advises the COSS, DCOSS, and all subordinate organizational components (except the Inspector General) on legal matters. GC also serves as the agency's Senior Agency Official for Privacy and oversees the implementation of privacy protections and ensures that all privacy requirements are met.

Inspector General (IG) is a Senate-confirmed position that promotes economy, efficiency, and effectiveness in administering our programs and operations, and prevents and detects fraud, waste, abuse, and mismanagement.

Office of Transformation (OT) facilitates the most critical business enhancements that serve the public and support our frontline employees.

Deputy Commissioner for Analytics, Review, and Oversight (DCARO) oversees the review of program quality and effectiveness and makes recommendations for program improvement utilizing feedback from the adjudication of cases, predictive modeling, and other advanced data analysis techniques. DCARO also serves as the Chief Data Officer, coordinates the agency's anti-fraud initiatives, responds to the recommendations of external monitoring authorities, and serves as the accountable official for improper payments.

Deputy Commissioner for Budget, Finance, and Management (DCBFM) directs our comprehensive management programs including budget, financial policy, acquisition, grants, facilities and logistics management, and security and emergency preparedness. DCBFM also serves as the Chief Financial Officer, Performance Improvement Officer, the Program Management Improvement Officer, and the responsible official for Enterprise Risk Management and the *Digital Accountability and Transparency Act*.

Deputy Commissioner for Civil Rights and Equal Opportunity (DCCREO) ensures compliance with the laws and regulations that govern Federal-sector Equal Employment Opportunity, promotes an equitable and inclusive work environment, and serves as the agency lead for Diversity, Equity, Inclusion, and Accessibility.

Deputy Commissioner for Communications (DCCOMM) conducts our national public information and outreach programs and fosters the transparency of our operations.

Deputy Commissioner for Hearings Operations (DCHO) administers our nationwide hearings program in accordance with relevant Federal laws.

Deputy Commissioner for Human Resources (DCHR) administers our human resources programs, including training, human capital initiatives, personnel and employee relations, and labor management. DCHR also serves as the Chief Human Capital Officer and the senior accountable official on employee engagement initiatives.

Deputy Commissioner for Legislation and Congressional Affairs (DCLCA) develops and conducts our legislative program, serves as our liaison to Congress, and analyzes legislative and regulatory initiatives.

Deputy Commissioner for Operations (DCO) directs our network of field offices, National 800 Number teleservice centers, and processing centers. DCO also oversees the Chief Business Office and the State disability determination services.

Deputy Commissioner for Retirement and Disability Policy (DCRDP) advises the COSS on major policy issues and is responsible for all activities in the areas of program policy planning, policy research and evaluation, statistical programs, and overall policy development, analysis, and implementation. DCRDP provides enterprise-wide oversight data-sharing agreements and negotiates Social Security (totalization) agreements with foreign governments. DCRDP serves as liaison with the Centers for Medicare and Medicaid Services and leads our efforts to improve the clarity, tone, and readability of our notices. DCRDP also leads our efforts in implementing the *Evidence-Based Policymaking Act of 2018*.

Deputy Commissioner for Systems (DCS) directs the strategic management of our systems and databases, which includes the development, validation, and implementation of new systems. DCS directs operational integration, strategic planning processes, and implementation of a systems configuration program. DCS also serves as the Agency's Chief Information Officer.

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Our Agency Financial Report
is available at:
SSA.gov/finance

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