OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT TABLE

Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES TABLE

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
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 (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

ENTITLEMENT REVIEWS AND OFFICE OF THE INSPECTOR GENERAL ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law (P.L.) 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we reviewed were those that involved a high likelihood or probability of fraud.

ENTITLEMENT REVIEWS

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal years (FY) 2012 through FY 2016.

QUALITY ASSURANCE REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	98.5%	98.1%	98.1%	97.7%	97.6%
Number of cases reviewed	32,262	31,672	29,780	29,360	33,010
Number of cases returned to the DDS offices due to error or inadequate documentation	476	608	577	663	796

DI PRE-EFFECTUATION REVIEWS

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI pre-effectuation accuracy rates for FY 2012 through FY 2016.

DI PRE-EFFECTUATION REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.4%	97.1%	96.9%	96.4%	95.8%
Number of cases reviewed	362,250	333,159	316,306	293,015	300,440
Number of cases returned to the DDS offices due to error or inadequate documentation	9,414	9,619	9,689	10,647	12,758

SSI PRE-EFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2012 through FY 2016.

SSI PRE-EFFECTUATION REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.9%	97.7%	97.6%	97.1%	96.9%
Number of cases reviewed	116,681	109,645	105,628	104,808	112,875
Number of cases returned to the DDS offices due to error or inadequate documentation	2,430	2,530	2,562	2,988	3,508

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2012 through FY 2016.

CDR ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overall accuracy	97.9%	97.2%	97.6%	96.7%	97.1%
Continuance accuracy	98.6%	98.0%	98.3%	97.3%	97.8%
Cessation accuracy	95.8%	95.1%	95.5%	95.0%	94.9%

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 2012 through FY 2015. Please note that year-to-year differences are not statistically significant. Data for FY 2016 is not available at this time. We will report the FY 2016 data in our FY 2017 *Agency Financial Report.*

OASDI ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayment accuracy	99.8%	99.8%	99.5%	99.6%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayment accuracy	93.7%	92.4%	93.0%	93.9%	Data not yet available
Underpayment accuracy	98.2%	98.3%	98.5%	98.6%	Data not yet available

SSI REDETERMINATIONS

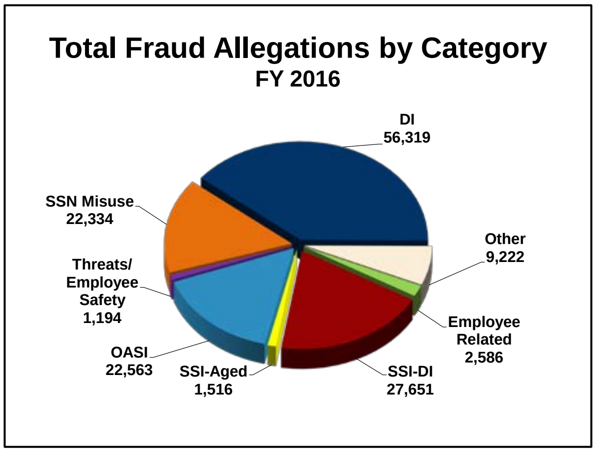
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2012 through FY 2016.

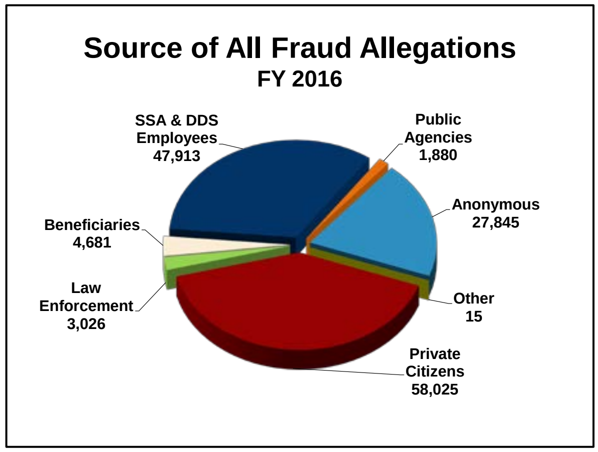
SSI REDETERMINATIONS TABLE
(IN MILLIONS)

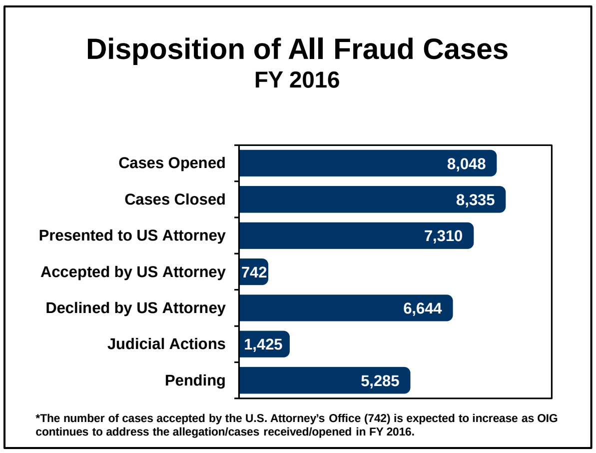
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of redeterminations completed	2.624	2.634	2.628	2.267	2.530

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

In FY 2016, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







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 false statements, misrepresentations, or omissions, who fails to report material information, and representative payees who commit conversions in connection with obtaining or retaining benefits or payments under Titles II, VIII, and XVI of the *Social Security Act*. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from fraudulent schemes that include misuse of Social Security symbols, emblems, or names. The Commissioner delegated authority to enforce both sections to the Inspector General.

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* expanded the categories of penalties that require adjustment for inflation to include CMPs under the *Social Security Act* and requires agencies to: (1) use an interim final rulemaking to adjust the level of CMPs in 2016 with an initial "catch-up" adjustment; (2) continue to make annual adjustments in future years; and (3) report on these adjustments annually. As required, we are providing information on our current CMPs, which include the initial "catch-up" 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	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	1994	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-7,954 **OR** $7,954 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	2015	Not applicable (this CMP is new and has not been adjusted for inflation)	11/2/2015	$0-7,500 **OR** $7,500 (current maximum penalty)	SSA/OIG	Not applicable (this CMP is new and has not been adjusted for inflation)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-49,467 **OR** $49,467 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-9,893 **OR** $9,893 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)

BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2015 and FY 2016, we earned $306 million and $314 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 74 percent of user fee revenues from agreements with 20 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2016, we charged a fee of $11.56 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.68 for FY 2017. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2016 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2014. We are planning to perform another review of these fees during FY 2018.

FREEZE THE FOOTPRINT

Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* (May 11, 2012), directed Executive Branch departments and agencies not to increase the size of their real estate inventory. Called Freeze the Footprint, this initiative established a baseline using each agency's total square footage as of FY 2012, per OMB Management Procedures Memorandum 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint* (March 14, 2013).

The following information reflects the overall change in the agency's real property footprint from the FY 2012 baseline for Freeze the Footprint, as well as strategies we are pursuing to comply with the mandate.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, the General Services Administration (GSA) acts as the landlord for the Federal civilian Government, and is charged with promulgating regulations governing the acquisition, use, and disposal of real property. We work closely with GSA to manage our portfolio given changing workloads and the best business case for the agency.

SQUARE FOOTAGE TABLE

	FY 2012 Baseline	FY 2015 Baseline	Change from 2012 to 2015 Baseline	FY 2016	Change from 2015 Baseline
Freeze the Footprint Useable square feet	26,367,253	24,956,355	-1,410,898 or -5.3%	24,862,582[1]	-93,773 or -0.4%

Notes:

1. This is an agency estimate based on the final rent bill. Per GSA, GSA will no longer be providing final baselines for Freeze the Footprint moving forward.

OPERATION AND MAINTENANCE COST – OWNED AND DIRECT LEASE BUILDINGS TABLE

	FY 2012 Reported Cost	FY 2015	Change	FY 2016	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

We are pursuing the following strategies to comply with OMB's Reduce the Footprint policy:

- Analyzing rent trend projections, while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels;
- Pursuing field and hearing office collocation opportunities when it makes business sense and does not adversely affect customer service; and
- Continuing to phase in telework, which may present opportunities for future office space reductions.

DEBT COLLECTION AND MANAGEMENT

DEBT COLLECTION

We have a robust debt collection program to recover all types of overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as some of the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. The following table provides a description of each of our external debt collection techniques for OASDI, SSI, and administrative overpayments, and a summary of the results. For more information on our agency's debt collection techniques, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

CUMULATIVE PROGRAM AND ADMINISTRATIVE DEBT RECOVERY METHODS THROUGH FY 2016 TABLE
(DOLLARS IN BILLIONS)

Recovery Method	Inception	Description	OASDI	SSI	Administrative	TOTAL
Treasury Offset Program (TOP)	1992	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset. We collected $173.1 million in FY 2016 through this initiative.	$1.770	$1.135	$0.0003[1]	**$2.905**
Credit Bureau Reporting[2]	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of $88.6 million in FY 2016.	$0.606	$0.419	Not Applicable	**$1.025**
Cross-Program Recovery	2002	Cross-program recovery collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments. We collected $165.5 million through cross-program recovery in FY 2016.	$0.251	$1.599[3]	Not Applicable	**$1.850**
Non-Entitled Debtors (NED)[4]	2005	NED is an automated system used to control recovery activity for debtors who are not entitled to benefits (e.g., representative payees who receive payments after the death of a beneficiary). We used NED to recover $3.3 million in FY 2016.	$0.039	Not Applicable	Not Applicable	**$0.039**[4]
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions) pay. We collected $8.8 million through this process in FY 2016.	$0.145	$0.028	Not Applicable	**$0.173**
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $138.1 million in FY 2016.	Not Applicable	$1.621	Not Applicable	**$1.621**

Notes:

1. Cross-Servicing is a consolidated government-wide program operated by the Department of the Treasury's Debt Management Services that fulfills the requirement of DCIA to collect delinquent, non-tax debt on behalf of Federal agencies. As required by DCIA, we must refer any eligible debt more than 180 days delinquent to the Bureau of the Fiscal Service for cross-servicing. Cross-Servicing incorporates debt collection tools such as AWG, credit bureau reporting, and private collection agency contracts.
2. The credit bureau reporting totals are a subset of TOP collections.
3. Starting in FY 2016, we record all collections via cross-program recovery, not just a subset.
4. NED is a subset of TOP and AWG collections.

DEBT MANAGEMENT

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide definitions of certain line items immediately following the Debt Management Activities Program and Administrative table. For more information on our agency's effort to curb overpayments, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond the year 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 57,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $663 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. We are working to address the system limitation; however, the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

DEBT MANAGEMENT ACTIVITIES
PROGRAM AND ADMINISTRATIVE TABLE
(DOLLARS IN MILLIONS)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total receivables	$16,588	$17,046	$18,252	$19,361	$21,014
New receivables	5,955	5,616	5,976	5,865	6,420
Total collections	(3,663)	(3,817)	(3,686)	(3,692)	(3,604)
Adjustments	(536)	(391)	(309)	(446)	(536)
Total write-offs	(1,022)	(950)	(775)	(618)	(627)
- Waivers	(502)	(421)	(373)	(342)	(275)
- Terminations	(520)	(529)	(402)	(276)	(352)
Non delinquent debt	11,589	11,268	11,895	12,210	12,984
Total delinquent debt	$4,999	$5,778	$6,357	$7,151	$8,030
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	69.9%	66.1%	65.2%	63.1%	61.8%
- Delinquent	30.1%	33.9%	34.8%	36.9%	38.2%
% of debt estimated to be uncollectible*	27.3%	26.3%	25.5%	24.2%	42.7%
% of debt collected	22.1%	22.4%	20.2%	19.1%	17.2%
% change in collections from prior fiscal year	0.8%	4.2%	-3.4%	0.2%	-2.4%
% change in delinquencies from prior fiscal year	7.2%	15.6%	10.0%	12.5%	12.3%
Clearances as a % of total receivables	28.2%	28.0%	24.4%	22.3%	20.1%
- Collections as a % of clearances	78.2%	80.1%	82.6%	85.7%	85.2%
- Write-offs as a % of clearances	21.8%	19.9%	17.4%	14.3%	14.8%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	15	16	17
- DI	49	66	55	62	55
- SSI	36	38	39	43	42

Note:

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

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against

equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.

3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the TOP and AWG. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

FY 2016 Quarterly Debt Management Activities
Program and Administrative Table
(Dollars in Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$19,343	$19,604	$20,125	$21,014
New receivables	1,116	2,460	4,084	6,420
Total collections	(903)	(1,715)	(2,569)	(3,604)
Adjustments	(102)	(240)	(355)	(536)
Total write-offs	(129)	(262)	(396)	(627)
- Waivers	(67)	(136)	(205)	(275)
- Terminations	(62)	(126)	(191)	(352)
Aging schedule of debts:				
- Non delinquent debt	11,594	11,878	12,256	12,984
- Delinquent debt				
- 180 days or less	1,686	1,447	1,438	1,581
- 181 days to 10 years	5,349	5,533	5,644	5,654
- Over 10 years	714	746	787	795
- Total delinquent debt	$7,749	$7,726	$7,869	$8,030