



SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

Fiscal Year 2020 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, 2020.

The agency's internal control over financial reporting is a process effected by those executives 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, 2020, 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 conducted an assessment of our FMSs in accordance with the requirements of OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. 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 2020 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.

Andrew Saul
Commissioner
November 10, 2020



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.

Our managers are responsible for ensuring effective internal control in their areas. We require senior-level executives to submit annual statements to the 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 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 Commissioner must make a final determination on whether to report them.

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.

In March 2020, we began deferring certain workloads and the resulting overpayment debt collections in response to the coronavirus (COVID-19) pandemic and OMB Memorandum M-20-16, *Federal Agency Operational Alignment to Slow the Spread of Coronavirus COVID-19*. Throughout the pandemic, we performed internal assessments regarding the impact on our internal control environment and compliance with laws and regulations.

As part of our assessment effort, we utilized the FMFIA Program to solicit an independent contractor to identify the risk created by the deferral of certain workloads and the resulting overpayment debt collections and the corresponding mitigating alternative controls we developed to address the risk and ensure we are able to achieve the financial and operational objectives upon a return to normal business operations. Additionally, our contractor assessed the operating effectiveness of the identified alternative controls. Our findings will be critical to our "lessons learned" from the pandemic, and will strengthen our internal control program. We believe the pandemic-related effects to our internal controls were minimal and immaterial to our financial statements.

For more information, please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* 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) 2020, 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 2020, 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 the requirements of OMB 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 2020, we finalized an Implementation Plan to mature the program and integrate ERM into our business processes. In addition, we further integrated ERM with our Strategic Objective Review process, and began aligning ERM with our Cybersecurity and Enterprise Fraud Risk Management programs, along with the executive assurance process. These efforts will continue into FY 2021.

In addition, we formed the Enterprise Risk Management Council (ERMC). The ERMC will advise the Commissioner on risk-related issues and ensure that we use ERM principles and practices consistently.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with Grant Thornton LLP (Grant Thornton) for the audit of our FY 2020 financial statements. Grant Thornton found we present fairly the basic financial statements, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles for Federal entities.

Grant Thornton also found that the sustainability financial statements, which comprise the Statement of Social Insurance as of January 1, 2020, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2019 to January 1, 2020, are presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.



Grant Thornton found we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, 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, Grant Thornton cited three significant deficiencies identified in prior years. These significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and accounts receivable with the public (benefit overpayments). This year, Grant Thornton identified a new significant deficiency concerning internal control over disability program monitoring. This new significant deficiency involved internal control risks created by deferring certain workloads and the resulting overpayment debt collections in response to the COVID-19 pandemic. We are committed to resolving the deficiencies through risk-based corrective action plans designed to strengthen our control environment.

For more information on the auditors' findings and our plans to correct the findings, please refer to the *Report of Independent Certified Public Accountants* 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 2020 FISMA Audit, Grant Thornton assessed our maturity at level 2-Defined, acknowledging the agency's establishment of an agency-wide information security program, including our risk-based approach to strengthening controls over our information systems.

We strive to improve our effectiveness and further mature our FISMA program. In FY 2020, we made substantial improvements in our cybersecurity program by increasing emphasis on enterprise cyber governance and oversight by creating greater awareness of overarching issues and the related risk mitigation activities, and establishing more accountability for completion of program objectives and milestones. Additionally, we developed a new executive compliance dashboard to reinforce and monitor our performance in meeting key security controls. During this fiscal year, Grant Thornton assessed that we have an effective Incident Response program. This is a significant achievement as it marks the first effective FISMA domain rating we have received. The agency handles all auditor findings with the utmost importance, and will continue to aggressively pursue an accelerated risk-based remediation approach, where possible, to address the remaining high-risk findings and mature our security posture. We will continue to practice a defense in depth cyber strategy that employs a strong set of security controls, technologies, policies, and procedures to manage risk reasonably and to protect the confidentiality, integrity, and availability of information system resources. Properly securing our information systems and protecting the public's personally identifiable information is our highest priority.

To improve our processes and capabilities, we will continue to design and implement new and enhanced security controls. Through FY 2021, we will continue to support multiple investments in key areas of Risk Management, Configuration Management, Identity Management, and Continuous Monitoring. In order to implement these improvements, we work in close cooperation with our senior management, budget and procurement stakeholders, and program leads to plan and prioritize the required funding and staffing resources. While undergoing this process, we remain vigilant in our efforts by evaluating risk, deploying security controls, and keeping abreast of the ever-evolving threat landscape to safeguard the personally identifiable information that we have been entrusted with by every citizen and non-citizen.

We acknowledge that we have more work to do to improve our information security program. We look forward to elevating the maturity of our program through a holistic approach, demonstrating progress through planned



improvements to our cybersecurity program, enhancing our security posture with risk based decisions, and aggressive remediation of significant audit findings and program deficiencies.

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 nine 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 information technology investment is a multi-year effort that will build a comprehensive overpayment system enabling us to record, track, collect, and report our overpayments more efficiently. We will also automate overpayment waiver determinations, where appropriate, to enhance controls surrounding waiver determinations.

The new DMS will also expand the Non-Entitled Debtors (NED) program to collect debts from debtors who have never been entitled to Old-Age, Survivors, and Disability Insurance (OASDI) benefits or Supplemental Security Income (SSI) payments. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible. In addition, we will further implement Section 104 of the *Strengthening Protections for Social Security Beneficiaries Act of 2018* to establish State responsibility for overpayments that occurred for OASDI childhood beneficiaries and SSI child recipients while in State-administered foster care.

During the development of the new DMS, we will accommodate the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value.

We anticipate launching the new DMS and transitioning from legacy systems by the end of FY 2022. In FY 2020, we adjusted the launch date from FY 2021 to FY 2022 to focus agency resources on multiple near-term debt management priorities.

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, and receivables. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems.

In FY 2019, we began to implement three important upgrades (application, database, and Fusion Middleware) to SSOARS. These upgrades are required to maintain adequate Oracle support for their products and to allow for critical quarterly software patching. Additionally, we are upgrading several Oracle software products that support SSOARS's ability to share data with other application systems. We completed the database and a portion of the Fusion Middleware upgrade in FY 2020. We continue to work on the application and remainder of the Fusion Middleware upgrades and anticipate completion in FY 2021.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT

We submitted the required reports for the *Digital Accountability and Transparency Act of 2014* (DATA Act) for the fourth quarter of FY 2019 and the first and second quarters of FY 2020. Starting with the March 2020 reports, we reported monthly in accordance with OMB guidance and the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).



We are continuing to engage with the DATA Act community to develop better data definitions. We participate in various workgroups to develop policy and guidance. The DATA Act effort will continue to enhance our transparency through improved consistency. In addition, we are providing more detailed data to the [USA Spending public website \(www.USAspending.gov\)](http://www.USAspending.gov) and additional data to Treasury.

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 (DQP)* 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. During FY 2020, we updated the DQP to take into account new reporting requirements as a result of the CARES Act.



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