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		
	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. United States Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

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

We are committed to improving financial management by preventing fraudulent and improper payments (see the Payment Integrity 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 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.

Due to the Coronavirus Disease 2019 (COVID-19) pandemic, we discontinued all quality assurance samples for the third quarter of fiscal year (FY) 2020. For continuing disability reviews (CDR), 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 2017 through FY 2021.

Quality Assurance Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	96.62%	96.62%	97.23%	97.35%	97.37%
Number of cases reviewed	40,295	29,588	34,915	32,286	34,198
Number of cases returned to the DDS offices due to error or inadequate documentation	1,360	1,001	967	857	898

DI Pre-Effectuation Reviews

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of 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 2017 through FY 2021.

DI Pre-Effectuation Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	94.65%	95.23%	95.26%	95.46%	95.76%
Number of cases reviewed	238,616	268,569	266,474	255,200	278,796
Number of cases returned to the DDS offices due to error or inadequate documentation	12,761	12,810	12,641	11,585	11,811

SSI Pre-Effectuation Reviews

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2017 through FY 2021.

SSI Pre-Effectuation Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow not returned to the DDS offices for correction	96.27%	96.07%	96.47%	96.65%	96.92%
Number of cases reviewed	86,779	94,105	105,729	98,540	106,777
Number of cases returned to the DDS offices due to error or inadequate documentation	3,239	3,696	3,734	3,297	3,288

Continuing Disability Reviews

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2017 through FY 2021.

CDR Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overall accuracy	96.5%	96.8%	96.7%	96.9%	96.7%
Continuance accuracy	97.7%	97.6%	97.9%	98.0%	97.6%
Cessation accuracy	92.3%	93.2%	92.0%	92.9%	93.5%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2017 through FY 2020. Data for FY 2021 are not available at this time. We will report the FY 2021 data in our FY 2022 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overpayment accuracy	Data not yet available	99.83%	99.80%	99.77%	99.36%
Underpayment accuracy	Data not yet available	99.94%	99.95%	99.95%	99.97%

SSI Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overpayment accuracy	Data not yet available	91.25%	91.87%	91.77%	92.71%
Underpayment accuracy	Data not yet available	98.67%	98.72%	98.52%	98.87%

SSI REDETERMINATIONS

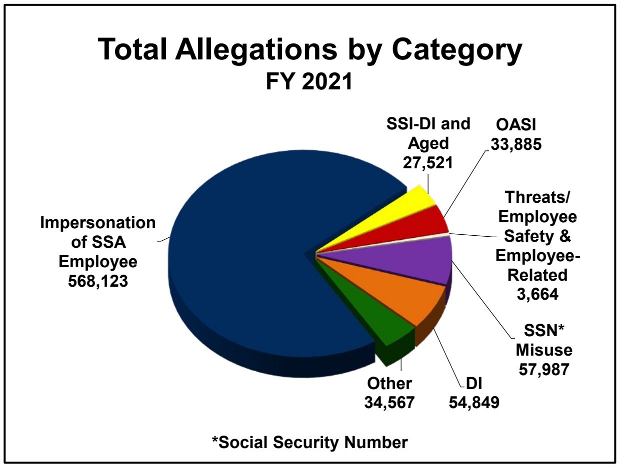
SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2017 through FY 2021.

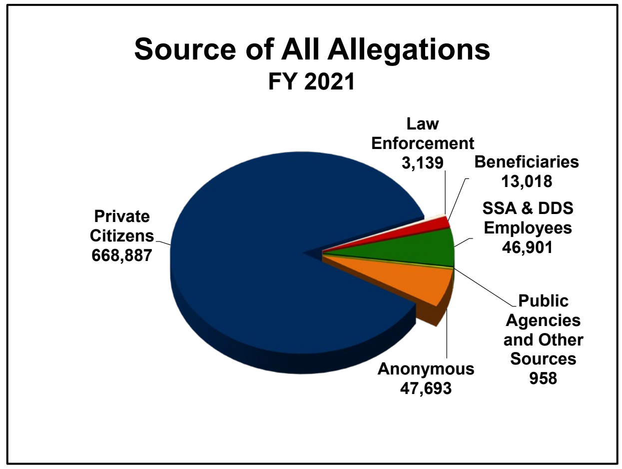
SSI Redeterminations Table
(In Millions)

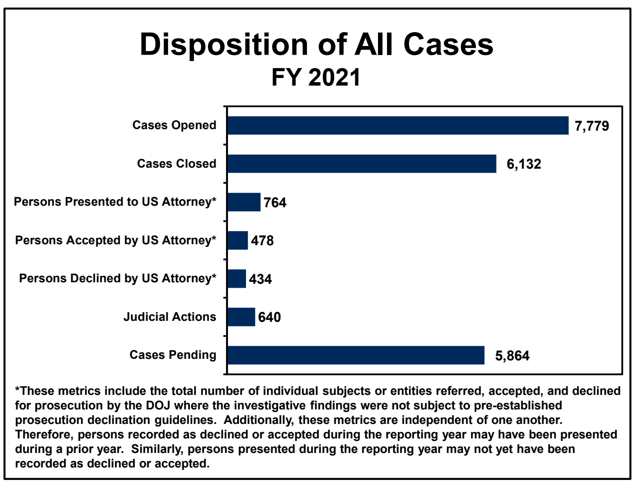
	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Number of redeterminations completed	2.37	2.15	2.67	2.91	2.59

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

In FY 2021, 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 our assets. Due in part to a widespread telephone scam involving the agency, and the emergence of COVID-19 pandemic related fraud schemes, OIG continued to receive higher than normal volumes of allegations during FY 2021. 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 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* authorizes a CMP to protect the public from advertisements, solicitations, and other communications (including Internet websites) 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	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(a)(1))	1994	2021	01/15/2021	$0-$8,708	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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	2021	01/15/2021	$0-$8,212	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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	2021	01/15/2021	$0-$10,832	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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	2021	01/15/2021	$0-$54,157	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)

Biennial Review of User Fee Charges

Summary of Fees

In FY 2021 and FY 2020, we earned $312 million and $295 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 67 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 2021, we charged a fee of $12.49 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $13.16 for FY 2022. 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 2021 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2018. We are planning to perform another review of these fees during FY 2022.

Grant Programs

Office of Management and Budget (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 12 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. There are occasions when a GMO cannot immediately close a grant. That is the case with those listed below. These delays are the result of 1) interface issues between systems and 2) unfinalized indirect rates. In these instances, closeout could be delayed by one year. We are working to develop reports to better track closeout actions. We will continue to monitor those actions and close awards as soon as they are eligible for closeout.

Grants and Cooperative Agreements Summary Table

Category	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	Not Applicable	Not Applicable
Number of Grants/Cooperative Agreements with Undisbursed Balances	12	Not Applicable	Not Applicable
Total Amount of Undisbursed Balances	$49,104,762	Not Applicable	Not Applicable

Debt Collection and Management

Debt Collection

We have a robust debt collection program to recover all types of overpayments, 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.

In FY 2021, we recovered $4.070 billion using both our internal and external collection tools. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $19.775 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

Internal Collections

We utilize internal collection tools to recover payments of delinquent debt for individuals **in current pay**. In FY 2021, we recovered $4.040 billion using our internal collection tools, which accounted for about 99 percent of our total collections amount. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $18.755 billion using our internal collection tools.

In FY 2021, we focused on our remittance operation with the implementation of three new payment channels. In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for OASDI beneficiaries and SSI recipients to repay benefit overpayments via credit or debit card and an automated clearing house (i.e., a checking or savings account). 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 paper remittances to Treasury's lockbox for processing, providing relief to our Remittance Accounting Unit. In July 2021, we implemented Online Bill Pay providing another electronic repayment method to the public.

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

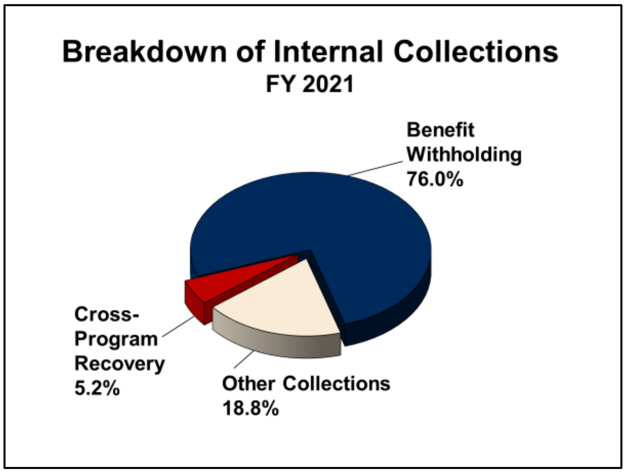
Internal Collections During Fiscal Year 2021
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
Benefit Withholding	We withhold some or all benefit payments for Title II beneficiaries and Title XVI recipients in current pay. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.188	$0.881	$3.069
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.023	$0.189	$0.212
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.456	$0.304	$0.759
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.667	$1.373	$4.040

Notes:

1. Totals do not necessarily equal the sum of rounded components.

The following chart highlights the allocation of overpayments collected through our various internal collection tools as a proportion of the total FY 2021 $4.040 billion internal collections amount.



External Collections

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2021, we recovered $0.030 million using our external collection tools, which accounted for about 1 percent of our total collections amount. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $1.018 billion using our external collection tools.

Due to the COVID-19 pandemic, in March 2020, we requested and received approval to suspend using the Treasury Offset Program (TOP). We requested Treasury to pause TOP to recover delinquent debts we previously referred to Treasury for collection, and suspended our referral of delinquent debts to TOP. In addition, we suspended new Administrative Wage Garnishment (AWG) orders. This suspension continued through FY 2021. Changes to our external recovery methods resulted in fewer debt collections.

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

External Collections During Fiscal Year 2021
(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.	$(0.001)	$(0.001)	$(0.001)
AWG	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions).	$0.022	$0.009	$0.031
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.022	$0.008	$0.030

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 2020 and FY 2021. 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 immediately following this 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. GAO noted this information in the July 2011 audit report entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." 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 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 61,400 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 $731 million as of September 30, 2021. This amount is not material to the consolidated financial statements. The 2049 data limitation in our debt management systems will no longer exist with the implementation of the new Debt Management System in FY 2023.

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 2021 Quarterly Debt Management Activities Program and Administrative Table
(Dollars in Millions)

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total receivables	$20,884	$21,570	$21,617	$22,330
New receivables	9,061	7,027	4,357	2,170
Total collections	(4,517)	(3,202)	(2,150)	(1,081)
Adjustments	(617)	(149)	(163)	(148)
Total write-offs	(7,441)	(6,504)	(4,825)	(3,009)
- Waivers	(281)	(208)	(130)	(59)
- Terminations	(7,160)	(6,296)	(4,695)	(2,950)
Aging schedule of debts:				
- Non delinquent debt	14,833	15,514	14,845	13,969
- Delinquent debt				
- 120 days or less	1,020	1,019	1,114	1,490
- 121 days to 10 years	3,980	4,010	4,656	5,659
- Over 10 years	1,051	1,027	1,002	1,212
- Total delinquent debt	$6,051	$6,056	$6,772	$8,361

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

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Total receivables	$20,884	$24,398	$25,834	$24,484	$22,644
New receivables[1]	9,061	6,332	7,899	7,943	7,602
Total collections	(4,517)	(4,100)	(4,215)	(3,992)	(3,888)
Adjustments	(617)	(1,129)	(1,431)	(1,333)	(1,297)
Total write-offs[2]	(7,441)	(2,539)	(903)	(778)	(787)
- Waivers	(281)	(260)	(390)	(329)	(339)
- Terminations	(7,160)	(2,279)	(513)	(449)	(448)
Non delinquent debt	14,833	14,263	14,445	14,272	13,628
Total delinquent debt	$6,051	$10,135	$11,389	$10,212	$9,016
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	71.0%	58.5%	55.9%	58.3%	60.2%
- Delinquent	29.0%	41.5%	44.1%	41.7%	39.8%
% of debt estimated to be uncollectible[3]	56.3%	59.2%	45.7%	43.5%	42.6%
% of debt collected	21.6%	16.8%	16.3%	16.3%	17.2%
% change in collections from prior fiscal year	10.2%	-2.7%	5.6%	2.7%	7.9%
% change in delinquencies from prior fiscal year	-40.3%	-11.0%	11.5%	13.3%	12.3%
Clearances as a % of total receivables	57.3%	27.2%	19.8%	19.5%	20.6%
- Collections as a % of clearances	37.8%	61.8%	82.4%	83.7%	83.2%
- Write-offs as a % of clearances	62.2%	38.2%	17.6%	16.3%	16.8%
Other Analysis					
Cost to collect $1	$0.07	$0.06	$0.06	$0.07	$0.07
Average number of months to clear receivables[4]:					
- OASI	13	16	16	16	15
- DI	27	68	45	45	44
- SSI	48	66	49	43	43

Notes:

1. New Receivables – In FY 2020, as a result of the COVID-19 pandemic, the agency deferred certain overpayment debt activities (i.e., issuing new debt), which resulted in lower new debt in FY 2020 than in previous fiscal years. In FY 2021, these deferred overpayments from FY 2020 were processed, resulting in increased new debt compared to previous fiscal years.
2. Total Write-offs/Terminations – During FY 2020, we re-evaluated our program debt portfolio, specifically delinquent and uncollectible debt that we were pursuing. We found that we were pursuing debt that was largely uncollectible, thereby inefficiently using our processing centers' limited resources. In FY 2020, we targeted and wrote-off a portion of our OASI and DI debt that we determined to be uncollectible to start our new debt write-off process, which contributed to the increase in Terminations compared to previous years. In FY 2021, we continued to evaluate our delinquent debt and have continued this write-off process for our SSI program debt, as well as additional OASI and DI debt. As part of this new debt write-off initiative, we have developed an automated process to evaluate debt going forward for potential write-offs. 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. Please note that any debt terminated is still eligible for collection in the future. (See Termination definition below).
3. 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.

4. Average Number of Months to Clear Receivables – The changes to our accounts receivable activity in FY 2021 have affected the average number of months to clear debt.
5. Various data elements for FY 2021 in the Percentage Analysis section are affected by the changes to our accounts receivable activity in FY 2021, specifically our continued write-off efforts. See Note 2 above.
6. 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.

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 such as the TOP and AWG. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.
4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

PAYMENT INTEGRITY

Program integrity workloads are critical to ensuring efficient programs and accurate payments in our OASDI, SSI, and Administrative Payments programs. As good stewards of our resources and taxpayer funds, these workloads help ensure eligible individuals receive the benefits to which they are entitled, and safeguard the integrity of benefit programs to better serve recipients by confirming eligibility and preventing fraud. "Ensure Stewardship" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years 2018–2022* (www.ssa.gov/agency/asp). Each year, we report IP findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct CDRs to determine whether disability beneficiaries continue to 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 he or she received before improvement to be proper.

On March 2, 2020, the President signed into law S. 375, the *Payment Integrity Information Act of 2019* (PIIA). 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, 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 future 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.

Effective FY 2021, all programs with annual outlays over $10,000,000 will fall into one of two possible classifications: Phase 1 or Phase 2.

Programs that are not likely to have an annual amount of IPs plus annual unknown payments (UP) above the statutory threshold (which is either (1) both 1.5 percent of program outlays and $10,000,000 of all program payments made during the fiscal year or (2) $100,000,000) are referred to as being in Phase 1. Per this definition, our Administrative Payments program is considered to be in Phase 1 for OMB reporting purposes. If a program in Phase 1 determines that it is likely to annually make IPs plus UPs 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 UP estimate. Our OASDI and SSI programs are considered to be in Phase 2 for OMB reporting purposes.

In addition, 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.

OMB standardized the collection of information required by statute in an annual data call in lieu of narrative-style reporting previously included in the *Agency Financial Report*. Information about the IPs, root causes, and corrective actions in our programs for FY 2021 (and previous years) can be found on www.paymentaccuracy.gov.