Management's Discussion and Analysis

SSA.gov

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 2022 Goals and Results* provides a high-level discussion of our goals and our key mission results. We display our fiscal year 2022 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

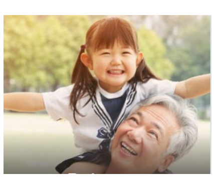
Ensure equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs.

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) 2022, we paid OASI benefits to an average of over 56 million beneficiaries each month and paid over $1,075 billion 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 2022, we paid DI benefits to an average of 9 million beneficiaries each month and paid over $146 billion in DI benefits 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 2022, we paid SSI benefits to a monthly average of 7.6 million recipients (approximately 2.6 million of whom concurrently receive OASI or DI benefits) and paid almost $59 billion in SSI Federal benefits and State supplementary payments 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*.



DID YOU KNOW? WE'RE 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 review your earnings history, get personalized estimates of future benefits, opt to receive notices online, and manage your benefits once they begin (SSA.gov/myaccount).

How Social Security Benefited America in Fiscal Year 2022

- We paid a combined total of over $1.2 trillion in Social Security and SSI benefits.
- Approximately 87 percent of the American population age 65 and over received Social Security benefits.
- On average each month, over one million blind or disabled children under age 18 received SSI benefits.

How We Served America in Fiscal Year 2022

- Processed nearly 376 million online transactions.
- Mailed an estimated 350 million notices.
- Registered over 10.5 million new accounts on the *my* Social Security portal, bringing the total accounts to over 72 million. The portal offers many secure and convenient online self-service options. Modernized our secure credentials process to improve access to the *my* Social Security portal.
- Launched the redesigned *Social Security Statement* (*Statement*) online via *my* Social Security and by mail. People accessed their *Statements* online over 55 million times and we mailed nearly 19 million paper *Statements*.
- Processed over 16 million applications for new and replacement Social Security Number cards. Expanded the Internet Social Security Number Replacement Card options to request a replacement card for name change due to marriage in certain States.
- Posted approximately 294 million annual earnings items to workers' records from paper and electronic W- 2s submitted by both employers and self-employed individuals. Performed nearly 2.3 billion automated Social Security Number verifications for employers.
- Conducted 23 computer matching agreements for data exchanges with various Federal partners, resulting in $11 billion in projected annual savings.
- Our agents handled nearly 27 million calls on our National 800 Number, amid staffing and technology challenges. These challenges resulted in an increase to our annual average speed of answer of nearly 33 minutes compared to nearly 14 minutes in FY 2021.
- Completed nearly 8.7 million retirement and disability claims for benefits; conducted over 590,000 full medical continuing disability reviews (CDR); and performed over 2.2 million non-medical redeterminations of SSI eligibility. Recruitment and retention challenges in the State disability determination services (DDS) decreased our ability to complete our disability workloads and resulted in a growing volume of pending initial and reconsideration claims.
- Completed nearly 363,000 hearing dispositions; reviewed nearly 89,000 cases in the Appeals Council; and defended over 13,000 disability cases in Federal court. Resumed in-person hearings and prioritized individuals who have waited the longest for a hearing.

ORGANIZATION

Over 57,000 Federal employees and 14,500 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, 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.

Our highest priority is to provide mission-critical services while ensuring the health and safety of the public and our employees. We have shown this by maximizing remote work during the height of the pandemic and implementing policy and process flexibilities. As we continue to expand our in-person services, we are working to return our performance closer to pre-pandemic levels. In April 2022, we resumed in-person services, including for people without appointments. Many of our customers embraced the convenience of online service, avoiding wait times in our field offices and allowing us to better assist those who need in-person support, including customers with critical situations, complex claims, or limited internet or phone access.

A diverse, engaged, and well-trained workforce is critical to meeting our service delivery goals. Serving our customers is at the core of all we do, and our employees are dedicated to providing equitable and accessible service to nearly every member of the public at some point in their lives, as they either directly serve the public or provide support to employees who do. We care about the well-being of our workforce and support them throughout their chosen career paths with employee engagement, training, and development. In FY 2022, we experienced our lowest staffing level in over 25 years. We strive to replace our employee losses and retain current staff.

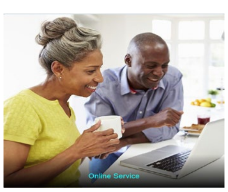
State DDSs make disability determinations for initial claims, reconsiderations, and CDRs. The DDSs are also experiencing historically high attrition and difficulties hiring new staff, limiting our capacity to address a growing backlog of initial disability claims that has resulted in people waiting on average over six months in FY 2022 for an initial decision on their disability applications compared to about five and a half months in FY 2021.

Administrative law judges in our hearing offices and administrative appeals judges in our Appeals Council decide appealed cases. We are making progress toward eliminating the disability hearings backlog, which is at its lowest level in 21 years.

Our processing centers handle the most complex benefit payment decisions, issue benefit payments after appeals decisions, determine and collect debt, correct records, and perform 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, visit our organizational structure website.



DID YOU KNOW? YOU CAN ACCESS OUR SERVICES ONLINE

We are expanding our online services to give you the freedom to access your benefits online, check the status of an application or appeal, request a replacement Social Security card (in most areas), print a benefit verification letter, and more—from anywhere and from any of your devices!

Overview of Our Fiscal Year 2022 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 is 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 April 2022, we published our *Annual Performance Plan for FY 2023, Revised Performance Plan for FY 2022 and Annual Performance Report for FY 2021* as part of the *President's FY 2023 Budget Request*. These plans and report outline our tactical plans for achieving the Strategic Goals and Objectives in our ASP, finalize our performance commitments for FY 2022, and describe how we ensure data integrity of our performance information. The budgeted workloads published in our Annual Performance Report (APR) correspond to the key workload measures in the *FY 2022 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 2022 results in February 2023. The final APR will be available on our *Annual Performance Plan* and *Annual Performance Report* website.

This *Agency Financial Report* summarizes our key initiatives, overall performance results, and financial activities we conducted to carry out our mission in FY 2022. The following table shows our operating expenses by Strategic Goal and Objective.

FY 2022 Operating Expenses by Strategic Goal and Strategic Objective
(Dollars in Millions)

Strategic Goal 1: Optimize the Experience of SSA Customers	**$10,377**
Strategic Objective 1.1: Identify and Address Barriers to Accessing Services	$1,158
Strategic Objective 1.2: Expand Digital Services	$1,849
Strategic Objective 1.3: Build a Customer-Focused Organization	$7,370
Strategic Goal 2: Build an Inclusive, Engaged, and Empowered Workforce	**$625**
Strategic Objective 2.1: Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement	$162
Strategic Objective 2.2: Support Employees' Chosen Career Paths	$463
Strategic Goal 3: Ensure Stewardship of SSA Programs	**$2,609**
Strategic Objective 3.1: Improve the Accuracy and Administration of Our Programs	$2,088
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	$502

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 are:

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

Learn more about APGs on Performance.gov, and see how we focus leadership priorities, set outcomes, and measure results to drive significant progress and change.

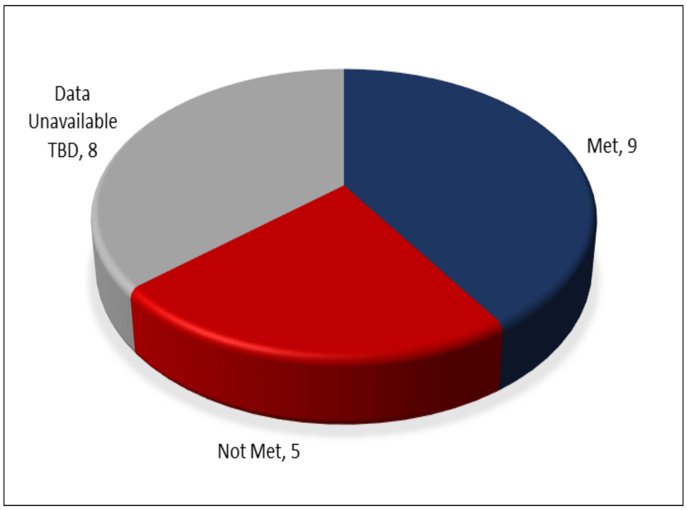
Summary of Fiscal Year 2022 Performance

We highlight the approaches we used to achieve our FY 2022 performance measures, outline some of the challenges we faced meeting these goals, and provide an analysis of our performance. We base our planned performance measures and targets on the President's Budget request. If necessary, we adjust our resources to ensure we can complete our budgeted workloads and agency goals within our budget.

We have a total of 19 FY 2022 performance measures and 3 FY 2023 APGs, that we use to track agency progress towards meeting our Strategic Goals and Strategic Objectives. Overall, we met our targets for 9 of the 14 performance measures with available data. Final data for 8 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 2022 results are in the sections below.

We will publish final data for all performance measures in our *Annual Performance Plan for FY 2024, Revised Performance Plan for FY 2023, and Annual Performance Report for FY 2022* in February 2023.

Summary of Our FY 2022 Performance Measure Results



Strategic Goal 1: Optimize the Experience of SSA Customers

Strategic Objectives

- Identify and Address Barriers to Accessing Services
- Expand Digital Services
- 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).

These are some highlights of our progress toward accomplishing our Strategic Goal and Objectives:

- **Focused on identifying and addressing inequities in our programs and services**:

  We established the Agency Equity Team to coordinate agency-wide and interagency efforts and discuss opportunities to ensure equity in our programs, in accordance with Executive Order 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*.

  In FY 2022, we published research regarding race and ethnicity which we plan to use to determine whether our programs are equitably serving our applicants and beneficiaries. We issued guidance on accepting documents with a non-binary sex designation of "X" for enumeration requests. We implemented agency-wide Diversity, Equity, Inclusion, and Accessibility Implicit Bias training. As part of our SSI administrative simplification efforts, we provided training for our external partners committed to assisting individuals in filing SSI applications. We also implemented an online method to assist people facing barriers to accessing our programs, their advocates, and third parties to establish a protective filing date for SSI benefits.

- **Provided additional digital service options to meet the needs of our customers**:

  my Social Security is an online portal that 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. *my* Social Security is accessible from a computer or mobile device.

  In FY 2022, we completed various *my* Social Security enhancements such as modernizing our secure credentials process to improve portal access, enabling online access to the redesigned *Social Security Statement,* and broadening the Internet Social Security Number Replacement Card options to request a replacement card for name change due to marriage in certain States. We deployed an Online Social Security Number Application process that allows U.S. citizens and non-citizens to initiate an application for an SSN card online and identify the evidence needed to obtain an original or replacement SSN card before coming to the local SSA office to complete the application process.

- **Focused on improving the disability claims process and customer experience**:

  We expanded our Disability Case Processing System; now all State DDSs operate on the same national system. The system will provide increased efficiencies and improved customer service through business process modernizations.

  DDSs across the nation are experiencing high staff attrition and difficulties hiring qualified employees resulting in delays processing disability claims. We acknowledge that it was unacceptable for individuals to wait over six months for an initial decision in FY 2022, and we are committed to reducing wait times for disability decisions. We are collaborating with the DDSs to implement new strategies to address recruitment and retention issues. We are improving training, which will include testing trainees on their comprehension of the training materials, and lessen the demands on the more seasoned staff to support training efforts.

The following dashboard shows our FY 2022 performance measures status, including the Strategic Goal and Objectives:

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

Strategic Objective	Performance Measure	Performance Status Met/Not Met
1.1: Identify and Address Barriers to Accessing Services	1.1a: Improve equity in our Supplemental Security Income program through increased outreach and improved benefit delivery, including to communities of color and underserved communities (FY 2023 APG)	**TBD** Results available September 2023
1.2: Expand Digital Services	1.2a: Redesign SSA's website to enhance the user's online experience	**Not Met** Postponed official Website release until December 2022
	1.2b: Increase the number of successfully completed online transactions	**Met** Completed 375.7 million online transactions
1.3: Build a Customer-Focused Organization	1.3a: Improve the customer experience by reducing the Average Speed of Answer on the National 800 Number (FY 2023 APG)	**TBD** Results available September 2023
	1.3b: Improve the customer experience by reducing the average processing time for initial disability claims and by prioritizing those individuals who have waited the longest for an initial disability determination (FY 2023 APG)	**TBD** Results available September 2023
	1.3c: Expand video service delivery	**Not Met** On hold due to software implementation restrictions
	1.3d: Provide uninterrupted access to our systems during scheduled times of operations	**Met** Provided 99.96% online systems availability
	1.3e: Implement a New Framework for the Acquisition of Electronic Medical Evidence	**Met** Onboarded a large medical evidence provider
	1.3f: Improve customer service by reducing the number of actions pending at the processing centers	**Not Met** Target of 3.7 million actions was missed by just over 500,000 actions

STRATEGIC GOAL 2: BUILD AN INCLUSIVE, ENGAGED, AND EMPOWERED WORKFORCE

<u>Strategic Objectives</u>

- Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement
- 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.

These are highlights of our progress toward accomplishing our Strategic Goal and Objectives:

- **Developed strategies to enhance our employee engagement and retention practices**:

  Our goal is to support our workforce by supporting our employees' chosen career paths, continually offering them tools to do their jobs, and investing in our employee development and training programs.

  In FY 2022, we implemented Improve Workplace Morale plans to strengthen employee engagement, improve morale, and increase retention. We reviewed policies and procedures to identify and create our Diversity, Equity, Inclusion, and Accessibility (DEIA) strategy, addressing potential barriers to full employee participation and advancement. We implemented DEIA training for all agency executives, managers, and supervisors. We created videos for our employees to provide insight into understanding unconscious bias and overcoming personal and workplace biases. We completed workshops to support our employees who are Veterans ("Understanding Trauma and Post-Traumatic Stress Disorder" and "Work-Life Services Briefing").

- **Focused on planning and preparation for improving leadership selection and development process**:

  We strive to diversify our leadership ranks and build a representative workforce.

  In FY 2022, we developed a comprehensive plan to analyze and mitigate barriers with the application and selection portions of the National Leadership Development Program. We analyzed applicant data to ensure a diverse applicant pool of talented individuals for the Senior Executive Service (SES) Candidate Development Program (CDP). We announced our new SES CDP class to ensure a pipeline of ready successors for critical SES positions.

The following dashboard shows our FY 2022 performance measures status, including the Strategic Goal and Objectives:

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

Strategic Objective	Performance Measure	Performance Status Met/Not Met
2.1: Promote Diversity, Equity, Inclusion, and Accessibility in Hiring and Advancement	2.1a: Enhance the leadership pipeline through a modernized national leadership development program	**Met** 90% of National Leadership Development Program participants reduced competency gaps
2.2: Support Employees' Chosen Career Paths	2.2a: Ensure new supervisors receive timely training to improve their leadership skills and competencies	**Not Met** We experienced delays in the availability of training courses
	2.2b: Strengthen manager accountability for effective performance management	**Met** Tracked 96.3% of performance documents electronically

Strategic Goal 3: Ensure Stewardship of SSA Programs

Strategic Objectives

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

Antifraud facts

Our goal is to ensure stewardship and the efficient administration of our programs by focusing our efforts on three major areas: improving program integrity so we provide accurate information and payments, enhancing our fraud prevention and detection activities, and improving workforce performance and increasing accountability.

The following highlights our progress toward accomplishing our Strategic Goal and Objectives:

- **Focused on improving our payment accuracy and program integrity**:

  We are enhancing our use of data analytics, predictive modeling, and technology to better identify suspicious and evolving patterns of concerning activities in our workloads, allowing us to proactively detect and prevent fraud before issuing payments.

  In FY 2022, we took several actions to make wage reporting easier for our recipients, which reduces burden and helps prevent recipients from building overpayment debts. We released our first mobile wage reporting application that allows users to upload a photograph of a pay stub rather than manually keying in wage data. We enhanced the accuracy of wage files by increasing real-time error information to the submitter prior to accepting the file. We also improved our ability to get payments to recipients more quickly by launching the Remittance ID Query Lookup tool to retrieve the information necessary to generate coupons and complete remittances. We also completed several fraud risk assessments to ensure the integrity of our programs.

- **Focused on eliminating potential barriers to grant opportunities for Historically Black Colleges and Universities (HBCU) and minority-serving institutions (MSI)**:

  We evaluated and improved our outreach and engagement efforts and increased equitable access to our research grants and procurement opportunities.

  In FY 2022, we funded research projects that involved scholars from HBCUs and MSIs. We partnered with research centers to offer training programs to graduate and undergraduate MSI students. We participated in the 2022 HBCU Week Career and Recruitment Fair to provide information about grant and cooperative agreement opportunities. We participated in cross-agency workgroups to collaborate and share best practices on increasing racial equity in the grant process.

- **Simplified our processes and partnered with other Federal agencies to share data**:

  We partnered with other Federal agencies to increase the accuracy of our records, improve the customer experience, and increase organizational effectiveness.

  In FY 2022, we collaborated with experts in the Federal government and the private sector to explore best practices for strategic workforce planning. We began the process of providing State death data to the Department of the Treasury in 2023 per the requirements of the *Consolidated Appropriations Act* (CAA)*, 2021*. We implemented sending the Internal Revenue Service data with the SSI Indicator information per Section 283 of the CAA, 2021 for their Private Debt Collection exclusion purposes.

The following dashboard shows our FY 2022 performance measures status, including the Strategic Goal and Objectives:

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

Strategic Objective	Performance Measure	Performance Status Met/Not Met
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	**TBD** Results available summer 2023
	3.1b: Maintain a high payment accuracy rate by reducing overpayments, in the Old-Age, Survivors, and Disability Insurance program	**TBD** Results available summer 2023
	3.1c: Modernize our Debt Management System	**Met** Expanded the Social Security Electronic Remittance System
	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 January 2023
	3.1e: Mature the Enterprise Fraud Risk Management Program	**Met** Completed SSI Fraud Risk Profile, Occupations Risk Profile, and Title II Fraud Assessment
	3.1f: Expand our CDI coverage	**Met** CDI coverage expanded to three remaining States
	3.1g: Maintain effective cybersecurity and privacy programs	**Results not available** Data source became unavailable in the middle of the year without an alternative way to measure
3.2: Identify and Eliminate Potential Barriers to Access Contracts and Grants	3.2a: Small Business Administration annual scorecard success in contracting with HUBZone, Woman-Owned, Veteran-Owned, and Small Disadvantaged Businesses	**TBD** Results available summer 2023
3.3: Improve Organizational Performance and Policy Implementation	3.3a: Update the Listings of Impairments	**Not Met** The digestive and skin disorders final rules were not published in FY 2022
	3.3b: Reduce our Real Property Footprint	**Met** 43,600 usable square foot reduction

Looking Forward – Facing Our Challenges

Social Security programs often affect individuals at several points in their lives, including from birth, to entering the workforce, to facing a disability or loss, and when reaching retirement age. To meet the critical needs of the public, we will enhance our services, advance our policies and business processes, and evolve our technological solutions. More people are embracing the convenience of online services, avoiding wait times in our field offices and allowing us to assist better those who need in-person support.

As we better understand our customers' experiences, we will design and deliver services that are more user-friendly, easily accessible, and more equitable and effective, especially for those who have been historically underserved. To accomplish this objective, we are investing in technology and business processes to help us provide better service to the public. We are also working to reduce barriers to accessing our programs by identifying and eliminating disparities in service that people with disabilities, workers, and their families may face when doing business with us.

A knowledgeable, dedicated, and talented workforce is essential to administer our complex programs successfully. We are investing in our employees, eliminating barriers to hiring and advancement, and fostering an inclusive workforce. We are strengthening our Federal hiring policies through talent teams, effective assessments, and internship improvements. We will also ensure that our employees are treated equitably and receive support for their chosen career paths by investing in training and development, increased workplace flexibilities, and technology that provide better tools to do our work.

Our employees are the heart of this agency, dedicated to providing equitable and accessible service to nearly every member of the public at some point in their lives. To engage and retain employees, we need to provide them with manageable workloads, modern technology, and the training and development to build a successful career with us. We are striving to replace our employee losses, as well as partner with the State DDSs to replace their losses. We are collaborating with the DDSs to implement new strategies to manage recruitment and retention issues and to increase DDS processing capacity to handle the growing volume of disability claims.

We will prioritize employee and public health and safety with new operating approaches. 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. In addition to these operational challenges, we face program challenges, which we discuss in the *Highlights of Financial Position* section and Note 17, Social Insurance Disclosures, in the *Financial Statements and Additional Information* section.

Scammers Are Pretending to be Government Employees

The Social Security Administration will never threaten, scare, or pressure you to take an immediate action.

DO NOT BE FOOLED! IF YOU RECEIVE A SUSPICIOUS CALL:

DO NOT give them money or personal information!

Report the scam at oig.ssa.gov!

For more information, visit our Antifraud Facts website.

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unmodified opinion on our financial statements from Grant Thornton 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) 2020 through 2022 (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)			
	2022	**2021**	**2020**
Total Assets	$2,877.0	$2,893.3	$2,949.1
Less Total Liabilities	$136.8	$121.5	$119.5
Net Position (assets net of liabilities)	$2,740.2	$2,771.8	$2,829.6
Change in Net Position (end of fiscal year)			
	2022	**2021**	**2020**
Net Costs	$1,294.4	$1,194.2	$1,157.7
Total Financing Sources[2]	$1,262.8	$1,136.4	$1,160.3
Change in Net Position	$(31.6)	$(57.8)	$2.6

Note:

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 2022 are $2,877.0 billion, a 0.6 percent decrease over the previous year. Of the total assets, $2,859.6 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 $16.4 billion from the previous year. This decrease is due to a reduction in OASI investments during FY 2022, as the program's obligations exceeded receipts. This increase in obligations is due primarily to an increase in beneficiaries and the 5.9 percent Cost of Living Adjustment (COLA) beneficiaries received in 2022.

Liabilities grew in FY 2022 by $15.3 billion primarily because of the growth in benefits due and payable, which is attributable to an increase in the number of OASI beneficiaries, and the 5.9 percent COLA provided to beneficiaries in 2022. The majority of our liabilities (92.2 percent) consists of benefits that have accrued as of the end of the fiscal year, but have not been paid as of September 30, 2022. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position decreased $31.6 billion to $2,740.2 billion as a result of the decrease in assets and increase in liabilities in FY 2022.

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 2022, our total net cost of operations increased $100.2 billion to $1,294.4 billion, primarily due to a 1.9 percent increase in the number of OASI beneficiaries, and the 5.9 percent COLA provided to beneficiaries in 2022. The OASI, DI, and SSI net cost increased by 9.0 percent, 4.6 percent and 8.0 percent respectively. Operating expenses increased for the OASI, DI, and SSI programs by 6.3 percent, 2.7 percent, and 1.1 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 2022, our total benefit payment expenses increased by $99.8 billion, an 8.5 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2022 and FY 2021 for each of our three major programs.

BENEFIT CHANGES IN OUR MAJOR PROGRAMS DURING FISCAL YEARS 2022 AND 2021

	FY 2022	FY 2021	% Change
OASI			
Benefit Payment Expense	$1,075,126	$986,398	9.0%
Average Monthly Benefit Payment	$1,597.58	$1,487.01	7.4%
Number of Beneficiaries	56.84	55.79	1.9%
DI			
Benefit Payment Expense	$146,259	$139,818	4.6%
Average Monthly Benefit Payment	$1,232.11	$1,152.70	6.9%
Number of Beneficiaries	8.95	9.34	(4.2)%
SSI			
Benefit Payment Expense	$58,581	$53,918	8.6%
Average Monthly Benefit Payment	$622.76	$584.74	6.5%
Number of Beneficiaries	7.57	7.77	(2.6)%

Notes:

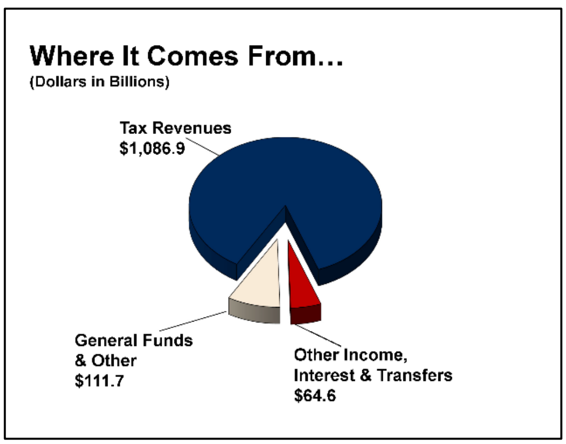
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs is presented in actual dollars.

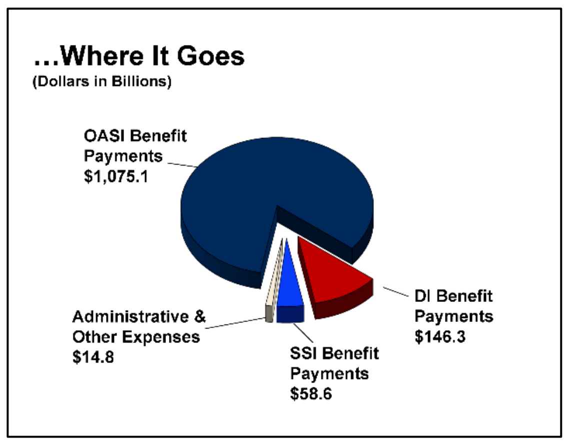
STATEMENT OF CHANGES IN NET POSITION: The Statement of Changes in Net Position, located in the *Financial Section* of this report, presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows a decrease of $31.6 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. As of September 30, 2022, OASI's FY 2022 net costs exceed financing sources, decreasing its net position. DI's FY 2022 financing sources exceed its net costs, increasing its net position.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays.

In FY 2022, total financing sources, as shown in the Table of Key Financial Measures displayed earlier in this section, increased by $126.4 billion to $1,262.8 billion. This increase is primarily due to an increase in OASI and DI tax revenues received in FY 2022. Tax revenue increased $114.5 billion to $1,086.9 billion in FY 2022 due primarily to an increase in OASDI employment tax collections during FY 2022. In addition, there was a $36 billion negative adjustment to tax collections processed during FY 2021 that is also contributing to the increase. This adjustment was the result of true-ups of the estimated taxable earnings to actual tax information received by Treasury. The $1,262.8 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart "Where It Comes From…" as seen below. 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 2022.





Note:

1. The individual items included in the "Where It Comes From…" chart total $1,263.2 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 $1,263.2 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.

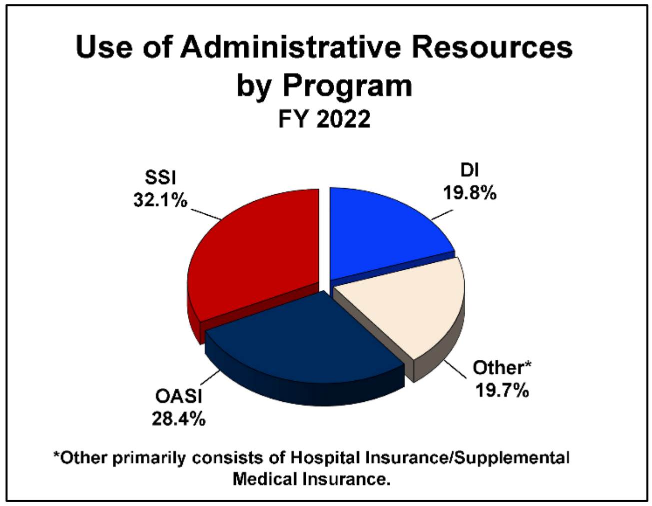
The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. 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 2022. The Statement shows that we had $1,370.5 billion in budgetary resources, of which $5.5 billion remained unobligated at year-end. We recorded total net outlays of

$1,282.1 billion by the end of the year. Budgetary resources increased $116.0 billion, or 9.3 percent, from FY 2021, while net outlays increased $89.6 billion, or 7.5 percent. The increase in budgetary resources is primarily due to the increase in tax revenues collected by the OASDI Trust Funds in FY 2022. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries and the 5.9 percent COLA provided to beneficiaries in 2022.

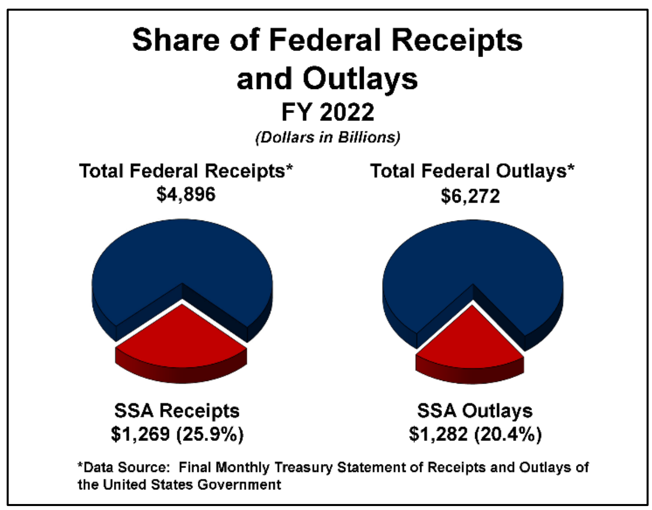
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2022 in terms of the programs we administer or support. Although the DI program comprises only 11.4 percent of the total benefit payments we make, it consumes 19.8 percent of annual administrative resources. Likewise, while the SSI program comprises only 4.6 percent of the total benefit payments we make, it consumes 32.1 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 2021 use of administrative resources by program was 27.6 percent for the OASI program, 19.8 percent for the DI program, 32.8 percent for the SSI program, and 19.8 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 2022 represented 25.9 percent of the $4.9 trillion in total Federal receipts, a decrease of 2.3 percent from last year. SSA Outlays increased by 2.9 percent to 20.4 percent of Federal outlays. SSA outlays increased in FY 2022 compared to FY 2021 by $89.6 billion, while Federal outlays decreased by $546.7 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)			
	2022	**2021**	**2020**
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	$(23,301)	$(22,742)	$(19,696)
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	$(22,742)	$(19,696)	$(16,764)
Change in present value[3]	$(560)	$(3,045)	$(2,932)

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 -$22.7 trillion, as of January 1, 2021, to -$23.3 trillion, as of January 1, 2022. The deficit, therefore, increased in magnitude by about $0.6 trillion. Including the reserves in the combined OASI and DI Trust Funds increases this open group measure by about $2.9 trillion, to -$20.4 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 -$44.8 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 $24.4 trillion to the open group measure of -$20.4 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, 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-expected recovery from the pandemic-induced recession;
- Increasing the level of potential gross domestic product (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.

FROM JANUARY 1, 2020 TO JANUARY 1, 2021: 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, 2095, by itself decreased the present value of estimated future cash flows by $0.7 trillion;
- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cash flows by $0.2 trillion;

- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.2 trillion;
- Changes in programmatic data and methods decreased the present value of estimated future net cash flows by $1.2 trillion; and
- Changes in law or policy decreased the present value of estimated future net cash flows by less than $0.1 trillion.

Significant changes made for this valuation included:

- Lowering the near-term fertility rates;
- Increasing the ultimate total fertility rate from 1.95 to 2.00 children per woman, in conjunction with switching from a period-based model approach to a cohort-based model for birth rates;
- Increasing near-term death rates to account for the elevated deaths during the Coronavirus Disease 2019 (COVID-19) pandemic;
- Adding a cause of death category (by separating dementia out from the all-other-causes category) and updating the ultimate mortality improvement rate assumptions for certain causes of deaths and age groups;
- Lowering the ultimate age-sex adjusted unemployment rate from 5.0 percent to 4.5 percent, in conjunction with updating the model for projecting labor force participation to incorporate the latest complete economic cycle;
- Increasing the average real wage differential from 1.14 percent to 1.15 percent; and
- Updating economic starting values and near-term growth assumptions to reflect the COVID-19 pandemic and the ensuing economic recession, in particular lowering near-term real interest rates and lowering the level of potential GDP by roughly 1 percent beginning with the second quarter of 2020.

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 2035.

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 33.2 months at the end of FY 2018, declining to 31.8 months at the end of FY 2019, to 30.8 months at the end of FY 2020, and to estimated values of 28.1 and 25.9 months at the end of FY 2021 and FY 2022, respectively.

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

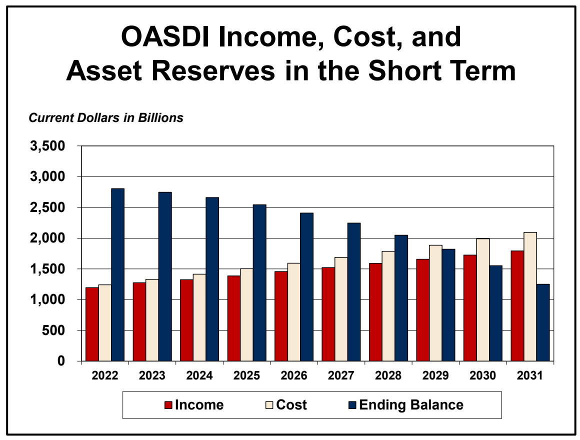
	2022	2021	2020	2019	2018
OASI	28.1	30.8	34.0	35.5	37.5
DI	9.0	8.1	8.1	7.9	7.6
Combined	25.9	28.1	30.8	31.8	33.2

Notes:

1. Computed as 12 times the ratio of end-of-year reserves to cost in the following fiscal year.
2. Values for FY 2021 and FY 2022 are estimates based on the intermediate set of assumptions of the 2022 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 2022 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 2022 Trustees Report, OASDI estimated costs of $2,095 billion and income of $1,792 billion for 2031 are 83 percent and 65 percent higher than the corresponding amounts in 2021 ($1,145 billion and $1,088 billion, respectively). From the end of 2021 to the end of 2031, combined OASI and DI Trust Fund reserves are projected to decrease by 56 percent, from $2.9 trillion to $1.3 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 2022 Trustees Report, program costs will exceed noninterest income in all years of the 75-year projection period. The combined OASI and DI Trust Fund reserves are projected to be depleted in 2035. 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 2035, declining to 74 percent of scheduled benefits in 2096.

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 $20.4 trillion, which is 3.24 percent of taxable payroll and 1.1 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 43 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 2022 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, 2022.

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, 2022, 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, *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 2022 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 10, 2022

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) 2022, 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 2022, 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 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 2022, we began developing a training series to increase awareness of ERM and risk concepts among different levels of the agency and explain how to apply the training content to further ERM maturity. The first training, ERM 101, is planned for release in FY 2023. Additionally, we are having more robust risk discussions at all levels of the organization, including roundtable discussions at the executive and staff levels. We have improved documentation surrounding risk discussions and have identified gaps within our risk hierarchy that we are working to correct.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General (OIG) contracted with Grant Thornton LLP (Grant Thornton) for the audit of our FY 2022 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 (GAAP) for Federal entities.

Grant Thornton also found that the sustainability financial statements, which comprise the Statement of Social Insurance as of January 1, 2022, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2021 to January 1, 2022, are presented fairly, in all material respects, in accordance with U.S. GAAP.

Grant Thornton found we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, 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 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 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 2022 FISMA audit, Grant Thornton acknowledged our risk-based approach to strengthening the agency's information system security program and recognized our continued efforts to improve and mature our information security program and practices to protect against cybersecurity threats. For FY 2022, they issued an overall Not Effective rating for our program. According to the FY 2022 Core Inspector General (IG) FISMA Metrics criteria, Level 4, Managed and Measurable, is considered to be an effective level of security at the overall program level. While we agree with many of Grant Thornton'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 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 2022 Core IG Metrics Implementation Analysis and Guidelines document, "While the determination of effectiveness can be established based on the results of the IG metrics, IGs should continue to consider their own assessment of unique missions, resources, and challenges faced by the agency when assessing the maturity of information security programs."

New for FY 2022, we earned Effective ratings in the Data Protection & Privacy and Security Training domains. Our improvement in these areas affirms our consistent and effective implementation of related programs. We concur with Grant Thornton's continued acknowledgement of an Effective rating for our Incident Response program, further demonstrating our commitment to ensure protections are in place to battle an evolving threat landscape. Our response to these evolving threats and well publicized exploits of corporate and government targets in FY 2022 demonstrates our capabilities to protect the agency's information technology (IT) assets.

As evidenced by our improved FY 2022 scores, we continuously enhance our cybersecurity controls and elevate our maturity levels. We understand the importance of effective enterprise cyber governance and oversight, and in FY 2022, we leveraged our Information System Security Officers (ISSO) to enhance security governance throughout headquarters as well as our distributed sites. During the fiscal year, our ISSOs documented the critical security controls and developed system security plans for our regional systems. We directly attribute many of our improved FISMA scores to the hard work and diligence of our ISSO program.

As part of our cybersecurity planning, 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. Through FY 2023, we will continue to support multiple investments in key areas of Risk Management, Configuration Management, Identity and Access Management, and Continuous Monitoring. Many of these initiatives require multi-year investments to fully meet the criteria established for an Effective program, as designated by the metrics. Through these investments, we continue to make substantial improvements and progress in enhancing the overall effectiveness of our cybersecurity program.

We are confident that our proactive planning, coupled with responsiveness to external assessments, strong executive support, and continuous process improvement, provide the foundation for achieving higher maturity ratings. We look forward to continued engagement with our OIG on our shared goal of protecting the confidentiality, integrity, and availability of our IT assets.

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 that will 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, and WebCenter. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems for obligations and payments.

In FY 2022, we implemented Unique Entity Identifier compliance for the System for Award Management vendor information. We moved to Edge support for SSOARS, meaning all SSOARS components are now native Edge compliant, and we implemented our initial release of G-Invoicing functionality. We upgraded the Fusion Middleware (FMW) version for WebCenter and Business Intelligence Publisher and the Service Oriented Architecture database version. Additionally, SSOARS was upgraded to handle the increased size of Disaster Emergency Fund Codes (DEFC) values, and we made related changes to *Digital Accountability and Transparency Act of 2014* (DATA Act) reporting to use the new DEFC values.

In FY 2023, we plan to upgrade the underlying Oracle E-Business Suite database version from 12c to 19c and complete the last components of FMW patching. We expect additional releases to G-Invoicing to support functionality fixes, recent patches from Oracle, and late FY 2022 Treasury changes to G-Invoicing to support G-Invoicing changes expected in FY 2023. Finally, we will work with a vendor to complete an analysis of SSOARS rehosting options, as some of the current SSOARS hardware is approaching 10 years of age.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT

We submitted and certified the required reports for the DATA Act for the fourth quarter of FY 2021 and the first, second, and third quarters of FY 2022. 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 2022.

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 2022, we implemented DAIMS 2.1 and 2.1.2. We have already implemented the changes for DAIMS 2.2 and 2.2.1, which are required for FY 2023.

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 2022, we had 1,114 unlinked awards and 95 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 2021, we had 1,273 unlinked awards and 98 percent of these awards were either zero dollar or micro-purchase.

Since the first DATA Act reporting period, 2nd 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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