

The Social Security Administration's Financial Report for Fiscal Year 2016 A-15-17-50155



November 2016

Office of Audit Report Summary

Objective

To fulfill our responsibilities under the *Chief Financial Officers (CFO) Act of 1990* (Public Law 101-576) and related legislation, we monitored KPMG, LLP's audit of the Social Security Administration's (SSA) Fiscal Year 2016 financial statements to ensure the quality of the audit work performed was adequate.

Background

The CFO Act, as amended, requires that SSA's Inspector General or an independent external auditor, as determined by the Inspector General, audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General, KPMG, LLP an independent certified public accounting firm, audited SSA's Fiscal Year (FY) 2016 financial statements.

KPMG, LLP *Independent Auditors' Report* of the audit of SSA's FY 2016 financial statements includes (1) report on the financial statements, including the opinions on the consolidated financial statements and sustainability financial statements, (2) report on internal control over financial reporting, including the opinion on management's assertion about the effectiveness of internal control, and (3) report on compliance and other matters.

Findings

KPMG, LLP, issued an unmodified opinion on SSA's FY 2016 consolidated financial statements, and the sustainability financial statements as of January 1, 2016, and the changes in its social insurance amounts for the period January 1, 2015 to January 1, 2016.

In addition, KPMG, LLP issued an unqualified opinion on management's assertion that SSA maintained effective internal control over financial reporting as of September 30, 2016 based on criteria in the *Standards for Internal Control in the Federal Government*. However, KPMG, LLP, did identify two significant deficiencies in internal controls.

- **Information Technology Systems Controls** - KPMG, LLP identified information system control deficiencies in four areas that, when aggregated, are considered to be a significant deficiency over Information Technology Systems Controls.
- **Accounts Receivable / Overpayments** - KPMG, LLP identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to accounts receivable / overpayments.

In addition, KPMG, LLP, identified no reportable instances of noncompliance with the laws, regulations, contract, grant agreements, or other matters tested.

Recommendations

KPMG, LLP provided several recommendations to mitigate the risks noted in the significant deficiencies. The Agency agreed with the recommendations.