The Social Security Administration's Financial Report for Fiscal Year 2017
A-15-18-50273

November 2017 **Office of Audit Report Summary**

Objective

To fulfill our responsibilities under the *Chief Financial Officers Act of 1990* (CFO Act) (Pub. L. No. 101-576) and related legislation, we monitored KPMG, LLP's (KPMG) audit of the Social Security Administration's (SSA) Fiscal Year (FY) 2017 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 an independent certified public accounting firm, audited SSA's FY 2017 financial statements.

KPMG Independent Auditors' Report of the audit of SSA's FY 2017 financial statements includes (1) opinions on the financial statements, including the opinions on the consolidated financial statements and sustainability financial statements, and an opinion on the effectiveness of SSA's internal controls over financial reporting and (2) other reporting requirements required by *Government Auditing Standards*.

Findings

KPMG issued unmodified opinions on SSA's FY 2017 and 2016 consolidated financial statements, the sustainability financial statements as of January 1, 2017 and January 1, 2016, and the changes in its social insurance amounts for the periods January 1, 2016 to January 1, 2017 and January 1, 2015 to January 1, 2016.

KPMG also issued an unmodified opinion that SSA maintained effective internal control over financial reporting as of September 30, 2017 based on criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller of the United States. However, KPMG did identify three significant deficiencies in internal controls as of September 30, 2017:

- **Certain Financial Information System Controls –** KPMG identified four systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of Information Technology Systems Controls. This significant deficiency is a repeat from the prior year.
- **Controls over the Reliability of Information Used in Certain Control Activities –** KPMG found that management did not design and implement effective controls to ensure certain information produced by the entity, used in performing manual process-level controls in benefits due and payable as well as accounts receivable, was complete and accurate.
- **Accounts Receivable/Overpayments –** KPMG identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls over accounts receivable/overpayments. This significant deficiency is a repeat from the prior year.

In addition, KPMG identified no reportable instances of non-compliance with the laws, regulations, contracts, grant agreements, or other matters tested.

Recommendations

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