

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER



For over 80 years, Social Security has provided critical services and financial security to millions. Our core mission is to deliver Social Security services that meet the changing needs of the public, and we strive to deliver those services at every step of life's journey, when and where they need us. We continue our commitment to the public through our *Vision 2025*, by investing in our service delivery, employees, and information technology systems, without sacrificing the personalized service for which we are known. With sustained, adequate funding, we will continue the progress we have made, and implement the principles outlined in *Vision 2025* as efficiently and effectively as possible.

In fulfilling our mission, we are committed to being good stewards of taxpayer dollars and transparent with our financial reporting. Our outstanding financial management team has an unyielding dedication to transparency and accountability.

I am proud to report that fiscal year (FY) 2016 marks our 23rd consecutive unmodified audit opinion on our financial statements, and I am honored to join Acting Commissioner Colvin in presenting our FY 2016 *Agency Financial Report*. This report highlights our accomplishments in delivering Social Security services to promote the economic security of the public, and demonstrates our commitment to service improvement and effective management of the financial resources entrusted to us.

Our unmodified audit opinion confirms that our statements present fairly the financial position of our agency and are free of material misstatement. We also received an unqualified opinion from our independent auditors on our assertion that our internal control over financial reporting was operating effectively during FY 2016. The independent auditors determined that we had no material weaknesses, but continued to cite two significant deficiencies identified in prior years. The first significant deficiency concerns our information systems controls, and the second relates to our calculation and recording of overpayments. We are committed to resolving these deficiencies as quickly as possible. We will continue to make significant strides to strengthen our control environment and mitigate risks by implementing our risk-based corrective action plans. Because of our enhanced attention in FY 2016, we successfully remediated the significant deficiency previously identified in FY 2015 concerning our Supplemental Security Income redetermination process (periodic reviews of non-medical factors of program eligibility). We provide additional information on the auditors' findings and our corrective actions in the *Systems and Controls* and *Auditors' Report* sections of this report.

In FY 2016, we improved the technology we use to ensure relevant, reliable, and timely accounting and management information. We installed new hardware at our new National Service Center to replace our aging financial system infrastructure. This state-of-the-art hardware consolidates our servers, improves performance of applications and databases, provides better back-up and storage capabilities, improves environment consistency, and consumes less energy.

We also completed planning and analysis and began implementing the *Digital Accountability and Transparency Act of 2014* (DATA Act) reporting requirements. The DATA Act effort will further enhance the agency's transparency through improved consistency and more detailed data we provide to the USA Spending public website, and provide additional data to the Department of the Treasury.

We have also expanded the functionality of our field office administrative fee collection system to include the electronic collection of fees for services, such as wage reports and itemized earnings statements. We accept payment for these services by check, money order, or credit card. We also completed planning and analysis to enhance this system to include the collection of program debt payments in the future.

As we expand our service options for those who prefer to conduct business with us online, we remain fully committed to sustaining a field and hearing office structure for customers who prefer face-to-face services.

As good stewards of taxpayer dollars, we are achieving real property efficiencies by reducing office and warehouse space throughout the agency and will pursue office collocation opportunities where it makes business sense to do so, and does not adversely affect customer service. These efforts allow us to continue to maximize the use of our resources and reduce operating costs.

Finally, for the 18th consecutive year, the Association of Government Accountants awarded us the Certificate of Excellence in Accountability Reporting. The award recognizes our commitment to financial reporting excellence in our FY 2015 *Agency Financial Report*.

The accomplishments in this report are a reflection of our employees' hard work and dedication to setting a high standard in financial management. We will continue to implement and support the agency's mission and vision for the future, while maintaining strong stewardship of the funds entrusted to us by the American people. We have said many times that our employees are our greatest asset. Over time, we have evolved to meet the changing needs of the public. However, our employees' passion and dedication has remained constant, and we are truly grateful for their public service.



Michelle A. King
Chief Financial Officer
November 9, 2016