

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Fiscal year (FY) 2012 marked the 19th consecutive year that we received an unqualified audit opinion on our financial statements. This accomplishment demonstrates our unyielding dedication to excellence in financial reporting. The unqualified opinion confirms that our financial statements present fairly the position of the agency and that they are free of material misstatement. We remain committed to being responsible stewards of the Old-Age, Survivors and Disability Insurance Trust Funds as we strive to achieve our mission.

Our independent auditor cited a material weakness in internal control over financial reporting related to our information security controls. While we acknowledge the auditor's findings, we do not agree that the findings, either individually or collectively, rise to the level of a material weakness. The independent auditor also identified a significant deficiency related to our benefit payment oversight. As we do with all auditor findings, we are pursuing a risk-based corrective action plan to

address the findings. Additional information is available in the *Systems and Controls* and the *Auditor's Reports* sections of this report.

During this past year, we continued to pursue information technology advancements that ensure relevant, reliable, and timely accounting and management information. We upgraded our accounting system by implementing a software release that provides functionality to meet new Treasury Department reporting requirements, automates manual processes, and strengthens our ability to recover improper payments. We also implemented Business Intelligence software, which will provide more meaningful management information and reduce the time to compile and report on workload performance. Finally, we continued work on modernizing the cost analysis system, which will better manage and account for resources and enhance decision-making.

Executive Order 13589, *Promoting Efficient Spending*, requires agencies to reduce costs across several administrative categories. Prior to the issuance of the Executive Order, we examined our administrative areas and identified ways to cut costs where possible and eliminate antiquated and unnecessary practices. We continue to do everything we can to reduce costs, and we work diligently to identify opportunities to promote efficient, effective spending and perform mission-critical functions cost effectively.

Our *Performance and Accountability Report* for FY 2011 received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants, recognizing the agency's quality integration of performance and financial reporting. This is the 14th consecutive year we have received this prestigious award.

The achievements we made this year are a direct representation of our talented and dedicated employees. We are devoted to maintaining strong stewardship of the funds entrusted to us by the American people.



Michael G. Gallagher
Chief Financial Officer
November 8, 2012