

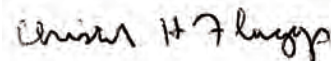
Our strong commitment to effective internal controls is fundamental to our business. The Department maintains a robust system of internal controls that are validated by senior leadership. For FY 2017, no material weaknesses in internal controls were identified by senior leadership and no material weaknesses in internal controls over financial reporting were identified by the Senior Assessment Team or the Management Control Steering Committee. As a result, the Secretary was able to provide reasonable assurance on the effectiveness of the Department's overall internal controls and the internal controls over financial reporting in accordance with the Federal Managers' Financial Integrity Act. As highlighted in the AFR, the Department does not have any programs at risk for making significant improper payments. This past year we implemented new initiatives for conducting payment risk assessments and recapture audits, as well as verifications against Treasury's Do Not Pay databases. In their annual assessment, the OIG found the Department's improper payments program to be in compliance with Improper Payments Information Act (IPIA), as amended.

The external annual audit process is another essential part of our commitment to strong corporate governance and effective internal controls. The audited Financial Statements in the AFR represent the culmination of a year-round rigorous process with our partners, the Office of the Inspector General (OIG) and the Independent Auditor, Kearney & Company. While we may not always agree on all points with our audit partners, we fully recognize and appreciate the importance of this annual practice. I would like to thank all parties for their collaborative and professional efforts throughout the audit process. I am pleased to report that the Department has received an unmodified ("clean") audit opinion on its FY 2017 Financial Statements, with no material weaknesses in internal controls over financial reporting identified by the Independent Auditor. I am also pleased to report that, working collaboratively with the OIG and Kearney, we were able to implement corrective actions and downgrade the previously reported significant deficiency in internal control for financial reporting.

Going forward, we will continue our transformation efforts that allow us to more effectively and efficiently deliver financial programs that support the Department's vital mission. Over the next several years, there is no doubt that the use of data as a resource will be central to the Department's transformation efforts and our ability to measure performance and enhance data-informed decision making. Our support of these efforts, together with the continuous assessment and enhancement of the cybersecurity for our financial systems and data, will be key tasks.

While we are pleased with what has been accomplished this year, we fully recognize and appreciate that there are a number of items noted in the AFR and the Independent Auditor's Report that will require our continued attention. Having been a part of the Department's financial management team and financial audit process for more than two decades, I know there are new requirements, initiatives, issues, and opportunities for improvement right around the corner. This is particularly true given the global and complex nature of our financial operations and the daily uncertainty of the world in which we operate. I also know that the outstanding team of financial professionals around the world and in CGFS is up to the task of meeting these challenges. In closing, I would like to extend my sincere appreciation and call attention to the Department's financial professionals, globally, who form the foundation for our success and strong financial stewardship. It is my honor and privilege to serve this great Nation and Department with you.

Sincerely,



Christopher H. Flaggs

*Comptroller*

*November 17, 2017*