

**United States Department of State***Comptroller**Washington, D.C. 20520*

November 15, 2017

UNCLASSIFIED**MEMORANDUM**

TO: OIG – Steve A. Linick  
FROM: CGFS – Christopher H. Flaggs  
SUBJECT: Draft Report on the Department of State's Fiscal Years 2017 and 2016 Financial Statements

This memo responds to your request for comments on the Draft Report of the Independent Auditor's Report on Internal Control Over Financial Reporting, and Report on Compliance With Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements.

The Department operates in over 270 locations, 180 countries, and 135 currencies in some of the most challenging environments. The scale and complexity of Department activities and corresponding financial management operations and requirements are immense. We take this dynamic into account as we pursue an efficient, accountable, and transparent financial management platform that supports the Department's and broader U.S. Government's foreign affairs mission. An important element of our accountability is the fundamental discipline of the annual external audit process and the issuance of the Department's annual audited financial statements. Few outside the financial community likely realize or appreciate the time and effort that go into producing the audit and the Agency Financial Report. It is a rigorous and exhaustive process, and this year was no exception. It has been a concerted and dedicated effort by all stakeholders involved.

While we may not agree on every aspect of the process and findings, we certainly appreciate and extend our sincere thanks for the professionalism and commitment by all parties, including the Office of the Inspector General and Kearney & Company, to work together throughout the audit process. We know there will always be new challenges and concerns given our global operating environment and scope of compliance requirements. Nonetheless, we believe the overall results of the audit reflect the continuous improvement we strive to achieve in the Bureau of the Comptroller and Global Financial Services and across the Department's financial management community.

As expressed in the Independent Auditor's Report, we are pleased that the Department has received an unmodified ("clean") audit opinion on its FY 2017 and FY 2016 principal financial statements and with no material weaknesses in internal controls over financial reporting. We remain committed to strong corporate governance and internal controls as demonstrated by our dedicated system of internal controls overseen by our Management Control Steering Committee (MCSC), Senior Assessment Team (SAT), and supported by senior leadership. We appreciate the OIG participation and contributions in both the MCSC and SAT. We fully recognize that there is more to be done and that the items identified in the Draft Report will require our continued attention, action, and improvement. We look forward to working with you, Kearney & Company, and other stakeholders on addressing these issues.