

FEDERAL TRADE COMMISSION

Office of Inspector General



Audited Financial Statements  
for Fiscal Year 2013

Management Letter

May 28, 2014

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Office of Inspector General

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

May 28, 2014

**MEMORANDUM**

TO: Chairwoman Edith Ramirez  
Commissioner Julie Brill  
Commissioner Maureen K. Ohlhausen  
Commissioner Joshua D. Wright  
Commissioner Terrell McSweeney

FROM: Scott Wilson  
Inspector General

SUBJECT: Transmittal of the Management Letter for the FY 2013 Financial Statement Audit

On December 16, 2013, we transmitted to you the financial statement audit performed by the independent public accounting firm of Brown & Company CPAs, LLC. The auditors issued an unmodified (clean) opinion on the financial statements.

When performing an audit of an agency's major financial systems and accounting processes, auditors often detect deficiencies in internal controls that do not rise to a level of seriousness to be reported in the auditor's opinion. These findings are communicated to the auditee in a management letter. This memo transmits a copy of the FY 2013 Financial Statement Management Letter that reports on such findings; this letter does not affect the unmodified opinion on the financial statements.

The management letter contains five recommendations that warrant management's consideration. These recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the FTC's internal control or result in other operating efficiencies. Management generally concurred with the recommendations in the Management Letter. A copy of their response is attached.

cc: Heather Hipsley, Chief of Staff  
David Robbins, Chief Executive Officer  
Pat Bak, Deputy Executive Officer  
Monique Fortenberry, Deputy Executive Officer  
Joe O'Leska, Deputy Chief Financial Officer  
Milissa Young-Loiselle, Acting Assistant CFO for Financial Policy, Reporting, and Controls  
Valerie Green, Deputy Performance Improvement Officer

**FEDERAL TRADE COMMISSION**

**MANAGEMENT LETTER**

For the Year Ended  
September 30, 2013

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**FEDERAL TRADE COMMISSION**  
**September 30, 2013**

**FY 2013 MANAGEMENT LETTER COMMENT**

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May 14, 2014

Federal Trade Commission  
Washington, D.C.

To Management and the Commissioners of the Federal Trade Commission

In planning and performing our audit of the financial statements of the Federal Trade Commission (FTC) as of and for the year ended September 30, 2013, on which we have issued our report dated December 16, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered FTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control. Accordingly, we do not express an opinion on the effectiveness of FTC's internal control. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control. However, during the audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated December 16, 2013 on the financial statements. The management letter comments are summarized in Appendix A. The status of prior year recommendations is presented in Appendix B. Although we have included management's written response to our comments in Appendix C, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein.

This communication is intended solely for the information and use of the management of FTC, OMB, OIG and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Brown &amp; Company".

Largo, Maryland

**FEDERAL TRADE COMMISSION**  
**September 30, 2013**

**FY 2013 MANAGEMENT LETTER COMMENT**

**ML-13-1 Federal Acquisition Regulation (FAR) Compliance Should Be Strengthened-**  
*(Repeat Condition incorporates ML-12-9 Contract Files Lack Documentation)*

Condition:

During the Federal Acquisition Regulation (FAR) compliance testing, we examined thirteen (13) procurement actions that were awarded in fiscal year 2013 and noted that the justification of contractor selection was not maintained for one of the actions tested.

Criteria:

FAR 4.801 General

The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions.

The documentation in the files (See 4.803) shall be sufficient to constitute a complete history of the transaction for the purpose of –

- Providing a complete background as a basis for informed decisions at each step in the acquisition process;
- Supporting actions taken;
- Providing information for reviews and investigations; and
- Furnishing essential facts in the event of litigation or congressional inquiries.

Cause:

Review of the contract file was not performed to ensure the file is complete and includes selection justification. The contract specialist that worked on this contract file was unable to locate any additional information regarding the contractor selection justification.

Effect:

Failure to appropriately document contract actions or maintain files in accordance with the requirements could place FTC at risk of non-compliance with procurement regulations. In addition, this could potentially lead to contractor protest.

Recommendations:

We recommend FTC review all contract files for completeness and ensure contract files include justification for the award in accordance with federal guidelines. We recommend the justification include the following information:

- The authority and supporting rationale and, if applicable, a demonstration of the proposed contractor's unique qualifications to provide the required supply or service.
- A determination by the ordering activity contracting officer that the order represents the best value consistent with federal guidelines.
- Any other facts supporting the justification.
- The ordering activity contracting officer's certification that the justification is accurate and complete to the best of the contracting officer's knowledge and belief.

**ML-13-2      Liquidation of Obligations - (Repeat Condition-incorporates ML-12-8 Close out Procedures on Contracts Needs Improvement)**

Condition:

During our testing of undelivered orders at June 30, 2013, we noted that 15 out of 20 transactions tested we considered invalid (lacking supporting documentation) or inactive transactions. The invalid transactions should be de-obligated, which would enable the unused funds to become available for other program needs. The inactive transactions should be reviewed to determine if they are valid or should be de-obligated. The undelivered orders population tested totaled \$16,697,405 and the exceptions noted totaled \$1,755,311.

Criteria:

OMB A-123, *Management's Responsibility for Internal Controls*, requires management to be responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Cause:

Review of undelivered orders to determine validity is not being completed on a periodic basis.

Effect:

Undelivered order balances could be significantly misstated. Also, the lack of adequate processes to review undelivered orders increases the risk that material misstatements may occur and not be detected.

Recommendations:

We recommend FTC perform the following:

- Review and determine the validity of undelivered orders on a semi-annual basis; and
- Develop policy requiring certification for all open obligation balances that are inactive for more than 12 months.

**ML-13-3      Redress Accounts Receivable (AR) - Collections**

Condition:

During our year-end testing of the Redress Accounts Receivable balance as of September 30, 2013, we tested a sample of 15 Redress Accounts receivable collections and noted that there was one matter number in which the collection amount selected did not agree to the accounts receivable collection subsidiary ledger maintained by the Finance Office. A collection should have been applied to a redress account receivable, but instead was posted as a miscellaneous receipt. As a result, Redress accounts receivable was overstated by \$1 million. The Financial Management Office (FMO) posted an adjustment to properly reflect Redress Accounts Receivable in the financial statements.

Criteria:

OMB A-123, *Management's Responsibility for Internal Controls*, requires management to be responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Cause:

Process owner thought the two collections were not related to a particular matter number. Therefore, both collections were inadvertently recorded as miscellaneous receipts.

Effect:

Redress Accounts Receivable Summary Report was incorrect.

Recommendations:

We recommend FTC reconcile the total collection amount as reported on the Redress AR Summary Excel schedule to the redress accounts receivable collection subsidiary ledger for completeness and accuracy.

**ML-13-4 Complementary Client Controls for IBC OFF - (Repeat Condition-incorporates ML-12-2 Documentation for IBC Controls Needs Improvement, for OFF)**

Condition:

The FTC is required to document and fully implement the “Client Control Considerations” (complementary client controls) identified in the “Report on the Interior Business Center's Description of Its Oracle Federal Financials (OFF) and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 16 - Type 2 Report) for the period of July 1, 2012 to June 30, 2013.” During our audit, we were informed that FTC has not fully documented and implemented its complementary client controls required by Interior Business Center's (IBC's) system, Oracle Federal Financials. Some of the complementary client controls include:

- Computer Security Incident Response procedures have been developed in coordination with the IBC.
- Thorough user acceptance testing for any OFF patches and upgrades are performed and results communicated to the IBC.
- Production cycles are properly maintained, and changes to them are communicated timely to the IBC.
- Incompatible job functions surrounding the processing of OFF transactions at the client sites are identified and pertinent policies and procedures are enforced to segregate these job functions.
- Data provided to the IBC for new client conversion is timely and accurate.
- Banking and vendor information provided to the IBC for data entry is authorized and accurate.

Criteria:

31 U.S.C Section 902(a) (3) states that an agency Chief Financial Officer shall “develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which provide for complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management.”

OMB Circular A-127, *Financial Management Systems*, states that the agency financial management system “shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the system....”

Cause:

The Financial Management Office (FMO) has not completed the process of documenting and implementing the complementary client controls; but stated that they are currently working with the Office of the Chief Information Officer (OCIO) to document and implement all required controls.

Effect:

IBC describes the suitability of design and operating effectiveness of controls in processing the FTC's transactions. Certain control objectives specified in the IBC's description can be achieved only if complementary Client Controls are suitably designed and operating effectively. Without fully documenting and implementing these complementary client controls and assessing these control processes on an annual basis, the FTC is not able to determine if processes remain effective and are still in place.

Recommendations:

We recommend FMO's OFF information system owner formally document and implement its policies and procedures that address the Client Control Considerations and provide the required formal documentation to the OCIO's Information Assurance Branch.

**ML-13-5 Complementary Client Controls for IBC FPPS - (Repeat Condition-  
incorporates ML-12-2 Documentation for IBC Controls Needs Improvement, for FPPS)**

Condition:

The FTC is required to document and fully implement the "Client Control Considerations" (complementary client controls) identified in the "Report on the Interior Business Center's Description of Its Federal Personnel and Payroll System (FPPS) and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 16 - Type 2 Report) for the period of July 1, 2012 to June 30, 2013." During our audit, we were informed that FTC has not fully documented and implemented its complementary client controls required to by Interior Business Center's (IBC's) system, Federal Personnel and Payroll System (FPPS). Some of the complementary client controls include:

- Designated FPPS Security Points of Contacts (SPOC) and Quicktime and webTA administrators ensure that the client's employees and contractors adhere to rules of behavior with respect to the use and protection of the IBC-managed computer systems and applications, based on applicable government security guidelines and recommendations.
- Computer Security Incident Response procedures for IBC-managed systems have been developed in coordination with the IBC.
- User access to FPPS payroll and personnel functions is properly authorized and assigned, segregation of duties is properly maintained, and separating employees and contractors' access to IBC applications is timely removed.
- Labor Cost Files are reconciled for accuracy.
- Payroll transactions provided to the IBC are complete, accurate, and appropriately authorized and approved.
- Personnel transactions are properly authorized and input into FPPS.
- Access reviews are performed at least annually to validate employee access to IBC applications.

Criteria:

31 U.S.C. Section 902(a) (3) states that an agency Chief Financial Officer shall “develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, provide for complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management.”

OMB Circular A-127, *Financial Management Systems*, states that the agency financial management system “shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the system....”

Cause:

The Human Capital Management Office (HCMO) has not completed the process of documenting and implementing the complementary client controls; but stated that they are currently working with the OCIO to finalize its policies and procedures that address the FPPS “Client Control Considerations” and document its compliance.

Effect:

IBC describes the suitability of design and operating effectiveness of controls in processing the FTC’s transactions. Certain control objectives specified in the IBC’s description can be achieved only if complementary Client Controls are suitably designed and operating effectively. Without fully documenting and implementing these complementary client controls and assessing these control processes on an annual basis, the FTC is not able to determine if processes remain effective and are still in place.

Recommendations:

We recommend HCMO’s FPPS information system owner formally document its policies and procedures that address the Client Control Considerations and provide the required formal documentation to the OCIO’s Information Assurance Branch.

**FEDERAL TRADE COMMISSION September 30, 2013  
STATUS OF PRIOR YEARS RECOMMENDATIONS**

<b>Status of FY 2012 Recommendations</b>				
<b>Report Reference</b>	<b>Description</b>	<b>Recommendation</b>	<b>Management Corrective Action<sup>1</sup></b>	<b>OIG Comment on status as of September 30, 2013</b>
ML-12-1  Capitalization Procedures Need Improvement	During the FY 2012 audit, the auditors identified a lack of oversight and written procedures for capitalization of assets. The auditors identified \$1 million in fixed assets that were not properly capitalized and FMO identified \$2.5 million in assets capitalized in prior years that needed to be written off.	We recommend that FMO review and strengthen its capitalization policies and procedures to ensure that:  i) capitalization determinations are being made by individuals designated to do so;  ii) they are versed in the capitalization standards  iii) they document their determinations.	FMO is reviewing its procedures for capitalizing assets with the overall goal of strengthening controls over the process and is currently documenting roles and responsibilities of the parties involved. Upon completion of such documentation, FMO will train the employees involved in the process. FMO is targeting a completion date of March 2014.	In progress
ML-12-2  Documentation of IBC System Complementary	The FTC has not fully documented its policies and procedures for its complementary client controls.	1. For the Human Capital Management Office (HCMO): we recommend that i) HCMO's FPPS information system owner formally documents its policies and procedures that address the "Client Control Considerations" ii) HCMO's FPPS information system owner provides the required formal documentation to the OCIO's Information Assurance Branch.	1. HCMO is working with the OCIO to finalize its policies and procedures that address the FPPS "Client Control Considerations" and document compliance. The expected completion date is December 31, 2013.	1. Closed and consolidated into ML-13-5

<sup>1</sup> Management corrective actions and comments are presented as provided by David Robbins memo dated October 23, 2013

<b>Status of FY 2012 Recommendations</b>				
<b>Report Reference</b>	<b>Description</b>	<b>Recommendation</b>	<b>Management Corrective Action<sup>1</sup></b>	<b>OIG Comment on status as of September 30, 2013</b>
Client Controls Needs Improvement		2. For the Financial Management Office (FMO): we recommend that i) FMO's OFF information system owner formally documents its policies and procedures that address the "Client Control Considerations" ii) FMO's OFF information system owner provides the required formal documentation to the OCIO's Information Assurance Branch.	2. In 2008, in consultation with OCIO, FMO documented the complementary client controls that were in place and provided this documentation to the OIG. Subsequently, the IBC provided its customers (including FTC) with new guidance, comprised of a 21-point list of customer controls that should be implemented and documented. Many of the controls set forth in the new guidance are already in place. FMO is currently working with the OCIO to ensure that all of the client controls are in place, are properly documented, and supported by policy. FMO expects to complete this effort by December 2013.	2. Closed and consolidated into ML-13-6

<b>Status of FY 2012 Recommendations</b>				
<b>Report Reference</b>	<b>Description</b>	<b>Recommendation</b>	<b>Management Corrective Action<sup>1</sup></b>	<b>OIG Comment on status as of September 30, 2013</b>
ML-12-3  Recording of Obligations Needs Improvement	During the FY 2012 audit, the auditors identified: A) Interest paid on invoices where funding was not on the right line item and B) an invoice paid from the incorrect fiscal year's funds.	We recommend that FMO establish a crosswalk between OFF and the contracts written so that IBC has specific instruction on how to establish an obligation in Oracle. This information should also be distributed to CORs in order to track contracts they are in charge of.	FMO's Acquisition office has implemented a revised Contract Line Item Numbering (CLIN) structure based on a government-wide standard. The Acquisition Office will prepare a crosswalk to review with IBC so that acquisitions data entered in FTC's financial system is consistent with the standard CLIN structure. The final crosswalk will be made available to CORs to help them review their contract line items in the financial system. Expected completion of the final crosswalk is January 2014.	In progress
ML-12-4  Accounts Payable Understated	An accrual in the amount of \$1 million was not posted to the general ledger by the FTC.	We recommend that FMO: i) review year-end accrual procedures to determine additional procedures needed to ensure payables are properly reflected in the Agency's financial statement; ii) consider researching financial systems that automate the accrual process.	FMO has updated procedures for accruing accounts payable at year-end. Updates include additional guidance to CORs, which was disseminated to agency CORs in a memo from the Chief Financial Officer on September 3, 2013 and more comprehensive procedures for accounting staff. The updated process is being executed	Closed

Status of FY 2012 Recommendations				
Report Reference	Description	Recommendation	Management Corrective Action <sup>1</sup>	OIG Comment on status as of September 30, 2013
			during the FY13 close and FMO considers this recommendation fully implemented and it should be closed.	
ML-12-5 Closing Procedures Should be Improved	During the FY 2012 audit, the auditors noted delays in closing the general ledger timely for the last two years. In FY 2011 the general ledger was not closed until October 31. In FY 2012, FMO closed out the general ledger on October 23; however, two additional year-end journal entries were subsequently posted that completed all journal entries for the year on November 2 <sup>nd</sup> .	We recommend that FMO: i) review the monthly and year-end closing planning process and identify procedures and improvements needed to make the year-end close more of a streamlined process. ii) For undelivered orders, review the source of the manual entries and make corrections to ensure that the balance in these general ledger accounts reconciles to the subsidiary ledger.	FMO has developed a comprehensive tracking sheet to address closing procedures, and has held weekly meetings with relevant offices and IBC to coordinate end-of-year closing activities. These procedures are being implemented as part of the FY13 close. In addition, FMO has identified all of the “manual” entries that cause discrepancies between the general and subsidiary ledgers for undelivered orders. FMO is in the process of verifying whether those entries are valid and will record adjusting entries as appropriate. The estimated completion date is January 2014.	In progress
ML-12-6 FY 2008: Reporting Functions for Accounts Payable	During the audits for FY 2008-FY 2012, the auditors discovered that the accounts payable subsidiary ledger did not agree with the general ledger. The accounts payable at September 30, 2013 did not agree to	We recommend that FMO (i) research solutions with IBC to establish a subsidiary accounts payable ledger.  (ii) review the source of manual entries in the general ledger and make necessary corrections to	(i) FMO worked with IBC in FY13 to produce a detailed listing of the Accounts Payable Subledger that is reconciled to the general ledger. (ii) FMO	Closed

<b>Status of FY 2012 Recommendations</b>				
<b>Report Reference</b>	<b>Description</b>	<b>Recommendation</b>	<b>Management Corrective Action<sup>1</sup></b>	<b>OIG Comment on status as of September 30, 2013</b>
Subsidiary Ledger Need Improvement	the subsidiary ledger by approximately \$400,000	ensure that the subsidiary created by FMO reconciles to the general ledger.	made all necessary corrections of manual (i.e. journal voucher) entries in the general ledger.	
ML-12-8  FY 2009: Close-out Procedures on Contracts Needs Improvement	During the FY 2012 audit, the auditors stated they continue to find many order/contracts that have been completed but remain in undelivered orders.	We recommend that FMO review established procedures to ensure that all procedures are in place and if necessary add procedures needed to close out contracts on a timely basis.	FMO plans to review its contracts closeout procedures and update them as necessary.	Closed and consolidated with ML-13-3
ML-12-9  FY 2010: Contract Files Lack Documentation	During the FY 2012 audit testing, the auditors identified several contracts that were awarded under the Federal Supply Schedule. The contract files contained the final award notice without any documentation in the contract files to indicate the methodology of how this contract was awarded. The lack of documentation makes it difficult to determine that the contract was awarded based on the best value to the government	We recommend that the Assistant CFO for Acquisition review procedures established in SOP 2011-02 with his staff to ensure that these procedures are fully implemented in FY 2013.	The acquisition branch is reviewing and, if necessary, updating its standard operating procedures for file documentation and plans to provide training to all acquisition staff to ensure adherence. Expected completion is January 2014	Closed and consolidated with ML-13-1

<b>Status of FY 2012 Recommendations</b>				
<b>Report Reference</b>	<b>Description</b>	<b>Recommendation</b>	<b>Management Corrective Action<sup>1</sup></b>	<b>OIG Comment on status as of September 30, 2013</b>
ML-12-10  FY 2010: Fraud Risk Assessment Can Enhance FMFIA	FMO has begun implementation of an agency-wide fraud risk assessment to determine areas vulnerable to fraud. The Fraud Risk Assessment is being completed in phases, with the Office of the Executive Director having been selected for the initial phase.	We recommend that FMO incorporate the high-risk fraud areas identified in its assessments as a supplement to the annual statement of assurance process.	FMO completed its review of risk areas and will incorporate high- risk areas into its internal control review work plan, has updated its standard operating procedures to ensure that a fraud risk assessment is performed and that the results are considered during the overall review planning process.	Closed

FEDERAL TRADE COMMISSION  
September 30, 2013

Management's Response



Office of the Executive Director

United States of America  
FEDERAL TRADE COMMISSION  
WASHINGTON, DC 20580

May 7, 2014

MEMORANDUM

**TO:** Scott Wilson  
Inspector General

**FROM:** David B Robbins  
Executive Director

**SUBJECT:** Management Response to the Draft FY 2013 Management Letter

Management has reviewed the draft Management Letter, which accompanies the Financial Statement Audit report for Fiscal Year (FY) 2013 (AR 14-001A). We are pleased that the Office of Inspector General (OIG) was able to close three of the ten open recommendations made in connection with prior audits. In general, we concur with recommendations contained in the draft letter. The following is Management's response to the draft open recommendations resulting from the FY 2013 audit and the remaining open recommendations from the FY 2012 audit.

Federal Acquisition Regulation (FAR) Compliance Should Be Strengthened (ML-13-1)  
Management concurs with the recommendation. Dr. John Isgrigg III, Assistant CFO for Acquisitions in the Financial Management Office (FMO), is the Responsible Senior Official. FMO has implemented procedures to ensure new contract files are complete. FMO has developed revised contract file procedures, developed a contract file checklist to standardize documentation of contract files and is implementing a quality assurance/quality control process over contract files, with a target completion date of July 31, 2014. Once this milestone is achieved, FMO will initiate a review of all open contract files to ensure they are complete, and that they include a comprehensive justification supporting the award, in accordance with federal guidelines.

Liquidation of Obligations (ML-13-2)  
Management concurs with the recommendation. Dr. John Isgrigg III, Assistant CFO for Acquisitions in FMO is the Responsible Senior Official. FMO has retained dedicated contractor support responsible for contract closeout activities. FMO will develop and implement policies and procedures that will standardize the certification process and provide guidance on closing inactive and invalid contracts, as necessary, with a target completion date of July 31, 2014. Once this milestone is achieved, FMO will implement a process to review and determine the validity of undelivered orders, open obligations that have been inactive for more than 12 months and to identify and close completed contracts, in accordance with regulatory guidelines.

Redress Accounts Receivable (AR) – Collections (ML-13-3)

Management concurs with the recommendation. George Adam, Accounting Officer for Financial Operations in FMO is the Responsible Senior Official. FMO will perform a monthly reconciliation between the collections reported on the Redress sub-ledger and the Redress Accounts Receivable summary schedule. The target completion date for implementing the monthly reconciliation process is June 30, 2014.

Complementary Client Controls for IBC OFF (ML-13-4)

Management concurs with the recommendation. Milissa Young-Loiselle, Assistant CFO for Business Integration in FMO, is the Responsible Senior Official. FMO has documented the existing Oracle Federal Financials (OFF) system complimentary client controls, and submitted them to the Office of the Chief Information Officer's (OCIO's) Information Assurance Branch for review on April 18, 2014. FMO will continue to evaluate and develop recommendations, policies, procedures and formal documentation, as necessary, to ensure that complementary client controls are designed, implemented and operating effectively.

Complementary Client Controls for IBC FPPS (ML-13-5)

Management concurs with the recommendation. Karen Leydon, Chief Human Capital Officer in the Human Capital Management Office (HCMO) is the Responsible Senior Official. HCMO is documenting the existing Federal Personnel and Payroll System (FPPS) complimentary client controls and will submit them to the OCIO's Information Assurance Branch for review by May 30, 2014. The target date for HCMO to complete a draft System Security Plan (SSP) and submit it to OCIO for review is June 15, 2014.

Capitalization Procedures Need Improvement (ML-12-1)

Management concurs with the recommendation. Milissa Young-Loiselle, Assistant CFO for Business Integration in FMO, is the Responsible Senior Official. FMO has completed its research regarding Federal capitalization policy and standards and has identified roles and responsibilities of the parties involved with the overall goal of strengthening policies, procedures and controls over the process. The next step in FMO's action plan is to develop and issue enhanced capitalization policies and procedures, with a target date of September 15, 2014. Once this milestone is achieved, FMO will develop and deliver training to key stakeholders to ensure that they are well-versed in the capitalization standards and the requirement to document their determinations.

Recording of Obligations Needs Improvement (ML-12-3)

Management concurs with the recommendation. Dr. John Isgrigg III, Assistant CFO for Acquisitions in FMO is the Responsible Senior Official. FMO has implemented a revised Contract Line Item Numbering (CLIN) structure based on a government-wide standard and conducted CLIN structure training for Contracting Officer's Representatives (CORs). The next step in FMO's action plan is to develop a crosswalk between the FTC CLIN structure and the Interior Business Center (IBC) CLIN structure. This crosswalk will be provided to CORs, with appropriate training and reference tools, to assist them in reviewing their contract line items in the financial system, with a target completion date of July 30, 2014.

Closing Procedure Should be Improved (ML-12-5)

Management concurs with the recommendation. George Adam, Accounting Officer for Financial Operations in FMO, is the Responsible Senior Official. FMO developed a comprehensive tracking sheet to address closing procedures and held weekly meetings with stakeholders and IBC to coordinate FY 2013 end-of-year closing activities. FMO also identified and corrected all of the “manual” entries that cause discrepancies between the general and subsidiary ledgers for undelivered orders. FMO is currently conducting meetings with key internal stakeholders to identify procedures and improvements to streamline the year-end close process. The next step in FMO’s action plan is to share FMO’s recommended improvements with the OIG, with a target completion date of June 15, 2014. Once this milestone is achieved, FMO will incorporate recommended best practices into revised closing procedures for FY 2014.

Thank you for the opportunity to provide input to the draft FY 2013 Management Letter.