



# Audit Report



OIG-18-023

## FINANCIAL MANAGEMENT

**Management Letter for the Audit of the Office of D.C. Pensions' Fiscal Year 2017 Financial Statements and Fiscal Year 2016 Balance Sheet**

December 8, 2017

Office of Inspector General  
Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 8, 2017

**MEMORANDUM FOR NANCY OSTROWSKI, DIRECTOR  
OFFICE OF D.C. PENSIONS**

**FROM:** James Hodge /s/  
Director, Financial Audit

**SUBJECT:** Management Letter for the Audit of the Office of D.C.  
Pensions' Fiscal Year 2017 Financial Statements and Fiscal  
Year 2016 Balance Sheet

I am pleased to transmit the attached subject management letter. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, audited the Office of D.C. Pensions' consolidated balance sheets as of September 30, 2017 and 2016, and the consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2017. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

As part of its audit, KPMG issued the attached management letter dated December 7, 2017, that discusses a matter involving a deficiency in internal control over financial reporting and other operational matters that was identified during the audit. This matter relates to review of STAR application and Oracle audit data.

In connection with the contract, we reviewed KPMG's management letter and related documentation and inquired of its representatives. KPMG is responsible for the letter and the conclusions expressed in the letter. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-0009, or a member of your staff may contact Catherine Yi, Manager, Financial Audit, at (202) 927-5591.

Attachment



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

December 7, 2017

Inspector General, U.S. Department of the Treasury, and  
Director, Office of D.C. Pensions:

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of the U.S. Department of Treasury's Office of D.C. Pensions (ODCP), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the consolidated statements of net cost, changes in net position, and combined statement of budgetary resources for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered ODCP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ODCP's internal control. Accordingly, we do not express an opinion on the effectiveness of ODCP's internal control.

The consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources and related notes for the year ended September 30, 2016 were not audited, reviewed, or compiled by us, and, accordingly, we do not express an opinion or any other form of assurance on them.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. During our audit, we noted a matter involving internal controls that is presented for your consideration. This comment and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operational efficiencies and are summarized in Exhibit I to this report.

Our audit procedures are designed primarily to enable us to form an opinion on the consolidated financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of ODCP's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss this comment and recommendations with you at any time.

This communication is intended solely for the information and use of ODCP's management, the U.S. Department of Treasury's Office of the Inspector General, the Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

**U.S. Department of the Treasury  
Office of D.C. Pensions  
FY 2017 Management Letter Comment**

**Component/Bureau:** Departmental Offices/Office of D.C. Pensions

**Ref. Number & Title:** NFR-ODCP-FSA-2017-05—Refer to *Management Report for the Audit of the Department of the Treasury's Office of D.C. Pension's*, dated December 7, 2016 Finding #1: "Weakness in Review of Audit Data" (Repeat Condition)

In the Fiscal Year (FY) 2016, we reported that the System to Administer Retirement (STAR) Application and Oracle Database audit logs have not been reviewed during FY 2016.

Management updated the STAR application and database audit logging procedures to reflect the use of NetIQ and Tripwire. The STAR Operating System is monitored using Tripwire to detect any unauthorized changes to the baseline configuration, including STAR's application source code. Additionally, when access is added or updated to the STAR application, an email is sent to the STAR Information System Security Officer to ensure that the update was appropriate.

However, the events that are logged for the Oracle Database are documented in the STAR Auditing and Logs policy. The Oracle Database audit log entries are written to SYSLOG, which are sent to Fiscal Service's Centralized Tripwire logging server to be stored. The process for monitoring the logs through NetIQ or Tripwire for the Oracle database is not documented.

*Departmental Offices (DO) Information Technology Security Policy Handbook* (DO P-910), dated April 11, 2016, section 3.7.5, states

AU-6: Audit Review, Analysis, and Reporting

General Policy: DO information system ISSOs shall review audit records weekly. Review shall include an analysis of indications of inappropriate or unusual activity; any suspicious activity or suspected violations are investigated and findings are reported to the appropriate officials to take necessary actions.

Treasury Department Publication (TD P) 85-01, *Department of Treasury Information Technology Security Program*, Appendix A, "Minimum Standard Parameters," AU-6, states:

**AU-6 AUDIT REVIEW, ANALYSIS, AND REPORTING**

Control: The organization:

- a. Reviews and analyzes information system audit records [at frequency in accordance with a risk based decision and documented in the System Security Plan] for indications of [Bureau-defined inappropriate or unusual activity]; and
- b. Reports findings to [Bureau-defined personnel or roles].

ODCP management has not coordinated with U.S. Department of the Treasury's Fiscal Service to ensure that the Oracle Database audit logs are monitored.

Without the timely review of audit data, the risk increases that unauthorized activity is not monitored, therefore increasing the risk that unscrupulous, unauthorized, or inappropriate activity could be performed, which could lead to a compromise in data confidentiality, integrity, and availability.

**RECOMMENDATIONS**

**U.S. Department of the Treasury  
Office of D.C. Pensions  
FY 2017 Management Letter Comment**

We recommend that ODCP management:

1. Coordinate with Fiscal Service to develop a process to facilitate ODCP's monitoring and review of the Oracle database audit logs.
2. Document and implement the process to monitor the audit logs for the Oracle Database in compliance with the DO, *Information Technology Security Policy Handbook*, DO P-910.

**MANAGEMENT RESPONSE:**

- Management concurs with this finding.
  1. ODCP will coordinate with Fiscal Service to implement automated mechanisms to integrate audit review and reporting processes for the database logs.
  2. ODCP will coordinate with Fiscal Service to update the database auditing and logs document with the implemented process.

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