



Audit Report



OIG-10-032

Management Letter for Fiscal Year 2009

Audit of the Office of Thrift Supervision's Financial Statements

January 19, 2010

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

January 19, 2010

**MEMORANDUM FOR JOHN E. BOWMAN, ACTING DIRECTOR
OFFICE OF THRIFT SUPERVISION**

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Management Letter for Fiscal Year 2009
Audit of the Office of Thrift Supervision's
Financial Statements

I am pleased to transmit the attached management letter in connection with the audit of the Office of Thrift Supervision's (OTS) fiscal year 2009 financial statements. Under a contract monitored by the Office of Inspector General, Lani Eko & Company, CPAs, PLLC (Lani Eko), an independent certified public accounting firm, performed an audit of the financial statements of OTS as of September 30, 2009, and for the year then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

As part of its audit, Lani Eko issued and is responsible for the accompanying management letter that discusses certain matters involving internal control and its operation that were identified during the audit but were not required to be included in the auditor's reports.

In connection with the contract, we reviewed Lani Eko's letter and related documentation and inquired of its representatives. Our review disclosed no instances where Lani Eko did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audits at (202) 927-5076.

Attachment

2009

*Comments on Internal Control
and Other Matters*



*Office of Thrift
Supervision*



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Inspector General
U.S. Department of the Treasury

We have audited the financial statements of the U.S. Department of the Treasury, Office of Thrift Supervision (OTS) as of and for the years ended September 30, 2009 and 2008. In planning and performing our audit, we considered the OTS' internal control over financial reporting as a basis for designing our auditing procedures, obtained an understanding of the design effectiveness of internal controls, determined whether the internal controls have been placed in operation, assessed control risk, and performed tests of the OTS' internal controls for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OTS' internal control over financial reporting.

We noted certain matters involving internal control that are presented in the attachment to this letter for your consideration. These findings and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the OTS' internal controls or result in other operating efficiencies.

OTS' responses to our findings and recommendations have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Inspector General of the U.S. Department of the Treasury, the management of the OTS, the OMB, the Government Accountability Office and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Lani Eko & Company, CPAs, PLLC

October 30, 2009
Alexandria, Virginia

Office of Thrift Supervision
FY 2009 Financial Statement Audit Comments and Recommendations

1. Oversight of Travel Expenses

CONDITION

During our testing of disbursements, we reviewed a sample of 37 travel vouchers and noted that 29 travel vouchers had no documented evidence of official review and approval. We also noted that mileage reimbursements for travel by OTS staff and consultants were not supported to ensure that the mileage amount claimed was accurate and valid.

LEC reviewed travel voucher categories that are eligible for management review under current OTS policies and procedures. Although reviews of travel vouchers were performed, we noted instances of reviews that were performed 5 to 11 months after the travel end dates.

CAUSE

During FY 2009, OTS management eliminated the requirement that OTS managers review or approve travel vouchers. In addition, OTS employees and consultants are not required to submit supporting documentation with their claims for travel reimbursements.

CRITERIA

Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states that control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

EFFECT

Without proper OTS management oversight of travel expense reimbursements, OTS is susceptible to risk of fraud, waste and/or abuse. In FY 2009, OTS travel and transportation expenses totaled approximately \$18 million.

RECOMMENDATION

We recommend that OTS develop and implement procedures to ensure adequate oversight of travel expenses.

MANAGEMENT RESPONSE

Beginning in fiscal year 2010, OTS managers or managers' designees, within 30 days of claims being filed, will review 100% of travel claims and certify that the travel was authorized, valid, and approved for official business. Finance and Acquisition Management will continue to audit all claims over \$2,500, all claims for international travel, all claims for travel by executive management, and 5% of the remaining claims.

Office of Thrift Supervision
FY 2009 Financial Statement Audit Comments and Recommendations

2. Access Controls Over Computer Resources

CONDITION

While OTS management had made significant improvements in logical access controls over the General Support System (GSS) and the OTS information resources, we noted the following logical access controls where additional improvements are needed to protect sensitive agency data. Specifically, improvements are needed in the following areas:

- **Review of Access Authorizations** - There are no documented procedures for provisioning user access to the financial applications managed by internal OTS logical access provisioning tools, and
- **User Account Reviews** - Periodic reviews to determine if system access is still appropriate are not performed for the financial applications managed by internal OTS logical access provisioning tools.

CAUSE

OTS does not document logical access control policies and procedures for the significant financial applications. OTS does not document physical access control policies and procedures for the data centers that support the significant financial applications.

CRITERIA

NIST Special Publication 800-53 (Revision 2), *Recommended Security Controls for Federal Information Systems* - ACCESS CONTROL POLICY AND PROCEDURES: The organization develops, disseminates, and periodically reviews/updates: (i) a formal, documented, access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and (ii) formal, documented procedures to facilitate the implementation of the access control policy and associated access controls.

EFFECT

By not enforcing adequate logical and physical access controls, the OTS exposed the General Support System (GSS), National Application Tracking System, Assessment Billing System and Furniture, Fixtures and Equipment System (Inventory Tracking System) to the risk that unauthorized individuals could gain access to sensitive information. Additionally, OTS' ability to protect sensitive data or equipment from theft or inadvertent disclosure would be compromised if an unauthorized person entered a restricted facility containing sensitive OTS equipment and data.

Office of Thrift Supervision
FY 2009 Financial Statement Audit Comments and Recommendations

RECOMMENDATION

We recommend that OTS: a) document its procedures of access authorizations for its financial applications; and b) perform periodic user account reviews to determine if system access is still appropriate for its financial applications;

MANAGEMENT RESPONSE

We believe that OTS's policies for physical and logical access are adequate, well documented, and effectively enforced. Directive 12111, Physical and Environmental Protection Policy, 8/17/09, addresses physical access controls. Directive 12112, Access Control Policy, 8/17/19, addresses logical access controls. Together, these policies require permission from system owners for access to systems and periodic review of access lists. Physical controls include tracking access to and escorting uncleared personnel in controlled spaces.

We believe that, OTS's procedures, though sufficient, are informal and can be strengthened through documentation. Our CIO will be tasked to produce written procedures for implementing the access control policies. Additionally, Information, Technology, and Facilities (ITF) staff will test the procedures and ensure that access control lists are periodically reviewed by system owners. ITF Staff with access to controlled spaces will be instructed to log their entrances and exits, and the Director of Security will be assigned responsibility for reviewing logs of access to controlled spaces.