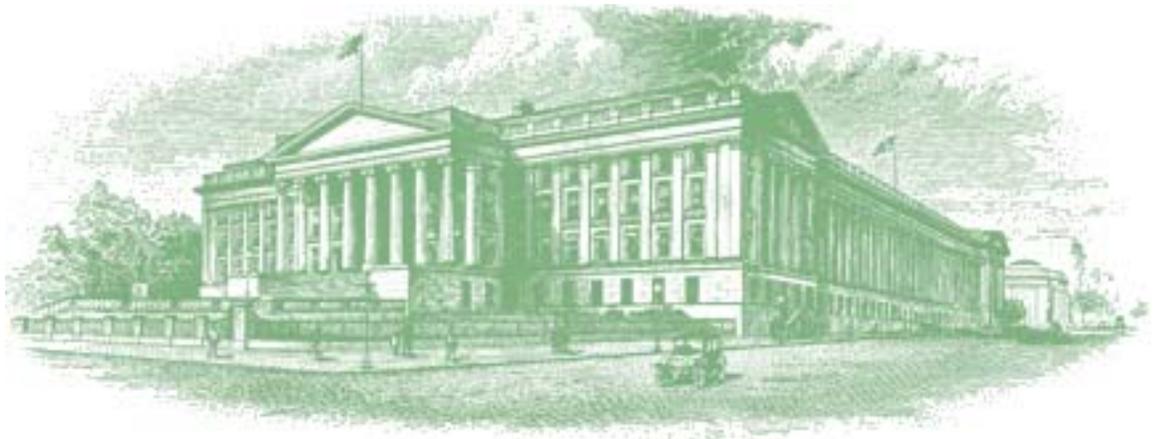




Audit Report



OIG-11-053

Management Letter for the Audit of the Office of Thrift
Supervision's Fiscal Years 2010 and 2009 Financial Statements

December 17, 2010

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 17, 2010

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

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Management Letter for the Audit of the
Office of Thrift Supervision's Fiscal Years
2010 and 2009 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 years 2010 and 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, 2010 and 2009, and for the years 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 a matter involving internal control and its operation that was identified during the audit but was 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

2010

Comment 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, 2010 and 2009. 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 a matter involving internal control that is presented in the attachment to this letter for your consideration. The finding and recommendation, which have been discussed with the appropriate members of management, are intended to improve the OTS' internal control or result in other operating efficiencies.

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 29, 2010

Alexandria, Virginia

Office of Thrift Supervision
Comment and Recommendation

Travel Expense Authorization

CONDITION

During our testing of disbursements, we noted two instances of travel vouchers not being properly authorized by approving officials. The travels occurred in FY 2009; however the disbursements were made in FY 2010. In FY 2009, OTS policy did not require management review and approval of employees travel vouchers. OTS has modified its policy and now requires management review and approval of travel vouchers.

In addition, we noted one instance where an employee travel voucher was not properly supported.

CAUSE

During FY 2009, OTS management eliminated the requirement that OTS managers review or approve travel vouchers. In addition, OTS management did not properly enforce its travel policy.

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.

RECOMMENDATION

We recommend that OTS follow its policies and procedures and adhere, as appropriate, to the internal control criteria established by GAO to ensure proper oversight of the employee travel expense payment and reimbursement process.

Attachment

MANAGEMENT RESPONSE

OTS management concurs with findings and recommendation. Beginning in fiscal year 2010 Management implemented new policies and procedures requiring OTS managers review and approval of all travel vouchers. As an integral part of internal control OTS management supports the adherence to current travel policies and procedures.