

APPENDIX A

OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The Department's management was provided a draft of the independent auditors' report on internal control and their comments on the findings and recommendations were considered in preparing this Analysis and Summary of Actions Necessary to Close the Report. Since management concurred with all of the recommendations, this report is being issued as resolved. We will continue to review the actions taken during future financial statement audits in order to assess whether the findings have been adequately addressed and recommendations implemented. Depending on the recommendation, it will be closed either when the action requested is completed or subsequent audit testing confirms the adequacy of corrective actions. In the case of a repeat recommendation, the report recommendation will be immediately closed upon report issuance, but will continue to be followed up in the prior report where the recommendation was initially made.

Internal Control Recommendation Number:

- 1. Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 1 in our prior financial statement audit report for FY 2003, OIG Report Number 04-13.
- 2. Resolved.** This recommendation can be closed when the Department has assessed the adequacy and completeness of its accounting and financial reporting policies and procedures, and issued new guidance and/or reiterated to components the existing policies in the areas of: (a) budgetary accounting (e.g., obligations/deobligations, unfilled customer orders), (b) property management (e.g., real property, construction work-in-progress, leasehold improvements, subsidiary property records, loss on disposal of assets), (c) accounts payable (e.g., accrual estimates, receipt and acceptance, unbilled goods and services), (d) advances to and from others, including under reimbursable agreements, and (e) expense and revenue recognition.
- 3. Resolved.** This recommendation can be closed when the Department has: (a) developed its implementation plan for the new Department-wide integrated financial management system that is in compliance with the U.S. Government Standard General Ledger, conforms with the financial management systems requirements of the Joint Financial Management Improvement Program, and can accommodate the requirements of applicable Federal accounting standards, (b) successfully implemented the system at the first component, and (c) successfully implemented a financial statement consolidation package to automate the compilation of the Department-wide financial statements.
- 4. Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 4 in our prior financial statement audit report for FY 2003, OIG Report Number 04-13.
- 5. Resolved.** This recommendation can be closed when subsequent audit testing confirms that OJP management has implemented policies and procedures related to the quality of grantee data, including: (a) ensuring grantee data recorded in IFMIS is complete, accurate, and valid (specifically with respect to the input of grant awards, subsequent adjustments, and ACH data and SF-269 information), (b) performing periodic monitoring of information in IFMIS to verify that information is current and accurate, (c) establish formal data quality procedures to review all grants regularly to ensure that grants are coded correctly in IFMIS, (d) establish formal review procedures to ensure that appropriate grants are included in the grant accrual calculation, and (e) implement continuous training of Control Desk staff to prepare them to recognize and code grants correctly, particularly with respect to distinguishing block grants from discretionary grants.

6. **Resolved.** This recommendation can be closed when subsequent audit testing confirms that OJP management has implemented policies and procedures related to grant monitoring, including:
(a) improving the monitoring procedures used to capture data that would quantify the effects of errors in grantees' SF-269 data or OJP's own data, (b) following up with grantees based on level of priority and in accordance with the timeframes established in its policy for site visit and Single Audit Act-identified issues, and (c) developing a monitoring program that includes assessing the risk of potential improper payments under grant programs, as well as non-grant payments.
7. **Resolved.** This recommendation can be closed when subsequent audit testing confirms that OJP management has implemented policies and procedures related to the grant accrual and advance calculation methodology, including (a) evaluating the assumptions utilized in the grant accrual and advance calculation methodology at the program level, and (b) analyzing the methodology for reasonableness at appropriate intervals, with documentation maintained to support the analyses.
8. **Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 2 in our prior financial statement audit report for FY 2000, OIG Report Number 01-07.