

CFO RESPONSE TO DRAFT AUDIT REPORT

CFO Reply

DATE: November 14, 2004

TO: Robert Seabrooks, Assistant IG for Auditing

FROM: Thomas Dumaresq, Chief Financial Officer

SUBJECT: FY 2005 Financial Statement Audit Report

The Small Business Administration (SBA) is in receipt of the draft Independent Public Accountant (IPA) reports from Cotton and Company, LLP, including the auditor's opinion and separate reports on internal controls and compliance with laws and regulations. As you know, the IPA audit of the Agency's financial statements and related processes is a core component of SBA's financial management program.

Overall we are very pleased that the SBA has received an unqualified audit opinion from the independent auditor. We believe the unqualified opinion accurately reflects the quality of the Agency's financial statements and our improved accounting, budgeting and reporting processes. As you know, the SBA has worked hard over the past several years to address the many findings from our independent auditor. Our core financial reporting data and processes have been substantially improved and we are proud that the results of our efforts have been confirmed by the independent auditor.

The IPA's draft Report on Internal Control retains one material weakness that was included in last year's report: financial management and reporting controls. While we are disappointed that all of the progress we feel we have made in this area did not result in reducing it to a reportable condition, we understand that additional improvements are needed. We are committed to maintaining the strong momentum established this year to improve the Agency's financial management processes and results in FY 2006.

We appreciate all of your efforts and those of your colleagues in the Office of the Inspector General as well as those of Cotton & Company, LLP. Overall the audit process was considerably smoother than in prior years, which reflects our joint efforts to establish and meet an aggressive yet manageable timeline for the many deliverables required by the financial reporting and audit process. Overall we feel our financial management capacity has improved considerably this year and we are proud of what we have accomplished. We continue to be committed to excellence in financial management and look forward to making more progress in the coming year.