

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 over financial reporting 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. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that the USMS has taken corrective actions to improve the condition of its overall internal control framework, in response to the specific recommendations made in the other auditors' *Independent Auditors' Report on Internal Control over Financial Reporting* issued in connection with the audit of the USMS's financial statements as of and for the year ended September 30, 2005.
- 2. 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.
- 3. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that 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) accounts payable (and proper consideration of receipt and acceptance of goods and services), (b) grant advances and the grant-related accounts payable estimation methodology, (c) budgetary accounting for grant and non-grant obligations, (d) property management (e.g., real property, construction work-in-progress, the charging of construction costs to the proper budgetary resources, software-in-progress, leasehold improvements, and subsidiary property records), and (e) RA-related accrual accounting.
- 4. Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 3 in our prior financial statement audit report for FY 2003, OIG Report Number 04-13.
- 5. Resolved.** This recommendation can be closed when subsequent annual financial statement audit testing confirms that components' and the OSS's CIOs have submitted corrective action plans that focus on correcting deficiencies in entity-wide security, access controls, application software development and change controls/SDLC, service continuity, segregation of duties, system software, and other specific application control weaknesses discussed in the component auditors' reports on internal control and the general controls environment limited-distribution report. The Department's CIO should also require the corrective action plans to include a timeline that establishes when major events must be completed, and the Department's CIO should monitor and hold the components accountable for meeting these timeline milestone dates.