

Independent Auditor's Report on Financial Statements

Inspector General, Department of the Treasury, and
the Comptroller of the Currency:

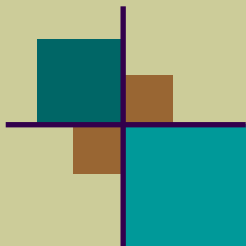
We have audited the accompanying balance sheets of the Office of the Comptroller of the Currency (OCC) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position and budgetary resources for the years then ended. These financial statements are the responsibility of the management of OCC. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OCC as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1, OCC has restated its Balance Sheet as of September 30, 2006 to include Civil Monetary Penalties due to the Federal government to more closely align its presentation with that of the Department of the Treasury's financial statement presentation.

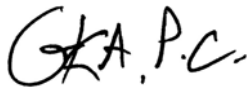
The information in Sections III through X of OCC's fiscal year 2007 Annual Report is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of



measurement and presentation of this information. However, we did not audit this information, and we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included in Sections I, II, and XIII of OCC's fiscal year 2007 Annual Report is presented for purposes of additional analysis and is not a required part of the financial statements. We did not audit this information, and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 31, 2007, on our consideration of the OCC's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws, regulations, and contracts. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audits.

A handwritten signature in black ink that reads "GKA, P.C." in a cursive, stylized font.

October 31, 2007

Independent Auditor's Report on Internal Control over Financial Reporting

Inspector General, Department of the Treasury, and
the Comptroller of the Currency:

We have audited the balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as “financial statements” of the Office of the Comptroller of the Currency (OCC) as of and for the year ended September 30, 2007, and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the OCC’s internal control over financial reporting by obtaining an understanding of the design effectiveness of OCC’s internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers’ Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control over financial reporting. Consequently, we do not provide an opinion on internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily disclose all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Under standards issued by the American Institute of Certified Public Accountants, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the OCC’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote

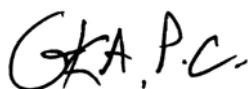
likelihood that a misstatement of the OCC's financial statements that is more than inconsequential will not be prevented or detected by the OCC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the OCC's internal control. We noted a certain matter discussed in Exhibit 1 involving the internal control over financial reporting and its operation that we consider to be a significant deficiency. However, we do not believe this significant deficiency is a material weakness.

We also noted another matter involving the internal control and its operation that we reported to management of OCC in a separate letter dated October 31, 2007.

Finally, with respect to internal control related to performance measures determined by management to be key and reported in Section III through X and XIII of the OCC's fiscal year 2007 Annual Report, we obtained an understanding of the design of internal control relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide an opinion on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

This report is intended solely for the information and use of the Management of the OCC, the Department of the Treasury Office of Inspector General, the Government Accountability Office, OMB, and the U.S. Congress, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



October 31, 2007

**Exhibit 1: Significant Deficiency—
Improvements Needed in Information Technology General Controls over
OCC’s Financial Systems.**

**Improvements Needed in Information Technology General Controls over OCC’s
Financial Systems. (Repeat Condition)**

In our fiscal year (FY) 2006 audit, we identified weaknesses in the areas of entity-wide security program planning and management, access controls, service continuity, and application software development and change control. We reported these weaknesses to management in our report on internal control over financial reporting (report). Since these weaknesses were identified, OCC has made progress by devoting the resources for resolving these weaknesses within its information technology (IT) environment as evidenced by OCC’s Plan of Actions and Milestones (POAM) and our verification of correction of many of the prior year issues. However, in our review this year we noted certain weaknesses in OCC’s IT general controls. These weaknesses are summarized below. Detailed findings and related recommendations will be provided to management in a separate Sensitive But Unclassified management report dated October 31, 2007.

Entity-Wide Security Program Planning and Management

Entity-wide security program planning and management provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity’s computer-related controls. As a result of our FY 2007 audit, we concluded that OCC needs to strengthen its controls over implementation of requirements pertaining to the administration of the security awareness training; recordkeeping of users’ access agreements; completion of exit process for terminated employees; and testing and updating its computer incident response capability.

Access Controls

Access controls limit and/or detect access to computer resources (data, programs, equipment, and facilities). This protects these resources against unauthorized modification, loss and disclosure. During our FY 2007 audit, we determined that OCC needs to strengthen its controls over implementation of requirements pertaining to the password configuration setting for one of its systems; revoking unnecessary access accounts; and recordkeeping of management approval and recertification of access to sensitive areas.

Service Continuity

Service continuity controls ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected. As a result of our FY 2007 audit, we determined that OCC needs to strengthen its controls over implementation of requirements pertaining to the performance of a cost-benefit analysis to support its selection of an off-site storage close to the main processing facility; maintenance of consistency between Contingency Planning documents; finalizing the Information Technology Recovery Plan (ITRP); development of a formal emergency response training program for Data Center personnel; and mitigation of the risk associated with the overheating of the Data Center telecommunication room until the planned air conditioner installation takes place.

System Software

System software is a set of programs designed to operate and control the processing activities of computer equipment. Controls are aimed at reducing exposure to security vulnerabilities. In FY 2007, we determined that: OCC needs to strengthen its controls over proper approval and recordkeeping of access authorization forms for domain or system administrators; consider upgrading to a newer version of PeopleSoft that will run on a server that has better security for server authenticated accounts; and update \$SMART Database production server with software for which the vendors provide support.

Application Software Development and Change Control

Application software development and change controls prevent unauthorized programs or modifications to an existing program from being implemented. Our FY 2007 audit revealed that OCC needs to fully implement the necessary Microsoft Systems Management Server capabilities to automatically and promptly detect and remove unauthorized personal and public domain software from OCC systems (desktops).

MANAGEMENT'S RESPONSE

OCC's management concurs with the significant deficiency described in this report. Corrective actions are underway to address each recommendation and management is confident that they will be able to rectify these deficiencies before the next annual report cycle is completed.

OCC's response has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Independent Auditor's Report on Compliance with Laws and Regulations

The Inspector General, Department of the Treasury, and
the Comptroller of the Currency:

We have audited the balance sheets and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as “financial statements” of the Office of the Comptroller of the Currency (OCC) as of and for the years ended September 30, 2007 and 2006, and have issued our report thereon dated October 31, 2007. We conducted our audits in accordance with: auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, the applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of the OCC is responsible for complying with laws and regulations applicable to the OCC. As part of obtaining reasonable assurance about whether the OCC’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain requirements referred to in the *Federal Financial Management Improvement Act (FFMIA) of 1996*. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to the OCC. However, our objective was not to provide an opinion on overall compliance with laws, regulations and contracts. Accordingly, we do not express such an opinion.

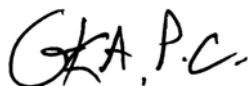
The results of our tests of compliance with laws, regulations and contracts described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04.

Under FFMIA, we are required to report whether the OCC’s financial management systems substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed one instance in which the OCC's financial management systems did not substantially comply with federal financial management system requirements related to information technology general controls, which is described in Exhibit 1 of our Report on Internal Control over Financial Reporting dated October 31, 2007.

The results of our tests disclosed no instances in which OCC's financial management systems did not substantially comply with applicable federal accounting standards and the United States Government Standard General Ledger at the transaction level.

This report is intended solely for the information and use of the Management of the OCC, the Department of the Treasury Office of Inspector General, the Government Accountability Office, OMB, and U.S. Congress and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "G.A.P.C." with a stylized flourish at the end.

October 31, 2007