



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the  
Inspector General

November 15, 2018

Report No. 4A-CF-00-18-024

### MEMORANDUM FOR MARGARET M. WEICHERT

Acting Director

FROM:

NORBERT E. VINT  
Acting Inspector General

A handwritten signature in black ink, reading "Norbert E. Vint", is positioned to the right of the printed name.

SUBJECT:

Audit of the Office of Personnel Management's Fiscal Year 2018  
Consolidated Financial Statements

This memorandum transmits Grant Thornton LLP's (Grant Thornton) report on its financial statement audit of the U.S. Office of Personnel Management's (OPM) Fiscal Year 2018 Consolidated Financial Statements and the results of the Office of the Inspector General's (OIG) oversight of the audit and review of that report. OPM's consolidated financial statements include the Retirement Program, Health Benefits Program, Life Insurance Program, Revolving Fund Programs (RF) and Salaries & Expenses funds (S&E).

### **Audit Reports on Financial Statements, Internal Controls and Compliance with Laws and Regulations**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires OPM's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency's financial statements in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Grant Thornton to audit OPM's consolidated financial statements as of September 30, 2018 and 2017. The contract requires that the audit be performed in accordance with generally accepted government auditing standards and the Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

Grant Thornton's audit report for Fiscal Year 2018 includes opinions on the consolidated financial statements and the individual statements for the three benefit programs. In addition, Grant Thornton separately reported on internal controls and on compliance with laws and regulations. In its audit of OPM, Grant Thornton found:

- The consolidated financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- Grant Thornton's report identified one material weakness in the internal controls:

➤ Information Systems Control Environment

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- Grant Thornton's report did not identify any significant deficiency.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- Grant Thornton's report identified instances of non-compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), as described in the material weakness, in which OPM's financial management systems did not substantially comply with the Federal financial management systems requirements. The results of Grant Thornton's tests of FFMIA disclosed no instances in which OPM'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.

## **OIG Evaluation of Grant Thornton's Audit Performance**

In connection with the audit contract, we reviewed Grant Thornton's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the CFO Act for ensuring the quality of the audit work performed, we conducted a review of Grant Thornton's audit of OPM's Fiscal Year 2018 Consolidated Financial Statements in accordance with GAS. Specifically, we:

- provided oversight, technical advice, and liaison to Grant Thornton auditors;
- ensured that audits and audit reports were completed timely and in accordance with the requirements of Generally Accepted Government Auditing Standards (GAGAS), OMB Bulletin 19-01, and other applicable professional auditing standards;
- documented oversight activities and monitored audit status;
- reviewed responses to audit reports and reported significant disagreements to the audit follow-up official per OMB Circular No. A-50, Audit Follow-up;

- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on OPM's financial statements or internal controls or on whether OPM's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996 or conclusions on compliance with laws and regulations. Grant Thornton is responsible for the attached auditor's report dated November 14, 2018, and the conclusions expressed in the report. However, our review disclosed no instances where Grant Thornton did not comply, in all material respects, with the generally accepted GAS.

In accordance with the OMB Circular A-50 and Public Law 103-355, all audit findings must be resolved within six months of the date of this report. The OMB Circular also requires that agency management officials provide a timely response to the final audit report indicating whether they agree or disagree with the audit findings and recommendations. When management is in agreement, the response should include planned corrective actions and target dates for achieving them. If management disagrees, the response must include the basis in fact, law or regulation for the disagreement.

To help ensure that the timeliness requirement for resolution is achieved, we ask that the CFO coordinate with the OPM audit follow-up office, Internal Oversight and Compliance (IOC), to provide their initial responses to us within 60 days from the date of this memorandum. IOC should be copied on all final report responses. Subsequent resolution activity for all audit findings should also be coordinated with IOC. The CFO should provide periodic reports through IOC to us, no less frequently than each March and September, detailing the status of corrective actions, including documentation to support this activity, until all findings have been resolved.

In closing, we would like to thank OPM's financial management staff for their professionalism during Grant Thornton's audit and our oversight of the financial statement audit this year.

If you have any questions about Grant Thornton's audit or our oversight, please contact me, at 606-1200, or you may have a member of your staff contact Michael R. Esser, Assistant Inspector General for Audits, at [REDACTED].

Attachment

cc: Honorable Michael J. Rigas  
Deputy Director

Neal A. Patel  
Acting Chief of Staff

Kathleen M. McGettigan  
Chief Management Officer


Dennis D. Coleman  
Chief Financial Officer

Daniel K. Marella  
Deputy Chief Financial Officer

David A. Garcia  
Chief Information Officer

Mark W. Lambert  
Associate Director, Merit System Accountability and Compliance

Janet L. Barnes  
Director, Internal Oversight and Compliance

  
Chief, Risk Management and Internal Control

Kathie Ann Whipple  
Acting General Counsel



Grant Thornton LLP  
1000 Wilson Boulevard, 14<sup>th</sup> Floor  
Arlington, VA 22209  
T 703.847.7500  
F 703.848.9580  
[www.GrantThornton.com](http://www.GrantThornton.com)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Margaret M. Weichert, Acting Director  
United States Office of Personnel Management

Norbert E. Vint, Acting Inspector General  
United States Office of Personnel Management

### Report on the financial statements

We have audited the accompanying financial statements of United States Office of Personnel Management (the “Agency”), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements, as well as the individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2018 and 2017, and the related individual statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the individual financial statements.

### Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express opinions 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 Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinions on the financial statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Office of Personnel Management as of September 30, 2018 and 2017, and its net cost, changes in net position, and budgetary resources for the years then ended, as well as, the individual financial positions of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2018 and 2017, and their individual net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### **Other matters**

##### ***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis (Section 1) and the combining schedule of budgetary resources by major budgetary account be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management is responsible for preparing, measuring, and presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Revolving Fund Programs, Salaries and Expenses and Eliminations columns in the consolidating and combining financial statements as of and for the years ended

September 30, 2018 and 2017 (Schedules 1 through 4) and the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) columns in the consolidating statements of net cost for the years ended September 30, 2018 and 2017 (Schedule 2) are presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual components, and are not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other information***

The Other Information (Section 3) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Management is responsible for preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the basic financial statements and the required supplementary information. We read the other information in order to identify material inconsistencies, if any, with the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 14, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Arlington, VA  
November 14, 2018



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT  
AUDITING STANDARDS***

Grant Thornton LLP  
1000 Wilson Boulevard, 14<sup>th</sup> Floor  
Arlington, VA 22209  
T 703.847.7500  
F 703.848.9580  
[www.GrantThornton.com](http://www.GrantThornton.com)

Margaret M. Weichert, Acting Director  
United States Office of Personnel Management

Norbert E. Vint, Acting Inspector General  
United States Office of Personnel Management

We have audited, 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 Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*, the financial statements of United States Office of Personnel Management (the “Agency”), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the years then ended, and the related notes to the consolidated financial statements, as well as the individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2018 and 2017, and the related individual statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the individual financial statements. We have issued our report, dated November 14, 2018, on the financial statements.

**Internal control over financial reporting**

**Management’s responsibility for internal control**

Agency management is responsible for maintaining effective internal control over financial reporting (“internal control”), including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s responsibility**

In planning and performing our audit of the financial statements, we considered the Agency’s internal control as a basis for designing audit procedures that are appropriate in the circumstances



for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

#### **Definition and inherent limitations of internal control**

An entity's internal control is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting provides reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control may not prevent, or detect and correct, misstatements due to fraud or error.

#### **Results of our consideration of internal control**

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the section titled Material Weakness – Information Systems Control Environment below, that we consider to be a material weakness in the Agency's internal control.

### **Material Weakness – Information Systems Control Environment**

In accordance with the Federal Managers' Financial Integrity Act of 1982 and the requirements of the Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Enterprise Risk Management and Internal Control*, Agency management is responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance. This includes establishing information systems (IS)

controls as management relies extensively on information systems for the administration and processing of its programs, to both process and account for their expenditures, as well as, for financial reporting. Lack of internal controls over these environments could compromise the reliability and integrity of the program's data and increases the risk of misstatements whether due to fraud or error.

Our internal control testing covered both general and application controls. General controls encompass the security management program, access controls (physical and logical), configuration management, segregation of duties, and service continuity or contingency planning. General controls provide the foundation for the integrity of systems including applications and the system software which make up the general support systems for an Agency's major applications. General controls, combined with application level controls, are critical to ensure accurate and complete processing of transactions and integrity of stored data. Application controls include controls over input, processing of data, and output of data as well as interface and other user controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of OPM's mainframe, networks, databases, applications, and other supporting systems and was conducted at headquarters.

During FY 2018, deficiencies noted in FY 2017 continued to exist and our testing identified similar control issues in both design and operation of key controls. We believe that, in many cases, these deficiencies continue to exist because of one, or a combination, of the following:

- Lack of centralized or comprehensive policies and procedures.
- The design of enhanced or newly designed controls did not completely address risks and recommendations provided over past audits.
- Oversight and governance was insufficient to enforce policies and address deficiencies.
- Risk mitigation strategies and related control enhancements require additional time to be fully implemented or to effectuate throughout the environment.

The information system issues identified in FY 2018 included repetitive conditions consistent with prior years as well as new deficiencies. The noted deficiencies in OPM's IS control environment in the areas of Security Management, Logical and Physical Access, Configuration Management and Interface / Data Transmission Controls, in the aggregate, are considered to be a Material Weakness.

### **Security Management**

Appropriate security management controls provide reasonable assurance that the security of an Agency's IS control environment is effective. Such controls include, amongst others, security management programs, periodic assessments and validation of risk, security control policies and procedures, and security awareness training. We noted the following deficiencies during our review of OPM's security management controls:

- General Support Systems (GSSs) and application System Security Plans, Risk Assessments, Authority to Operate Packages and Information System Continuous Monitoring documentation were incomplete or not reflective of current operating conditions.
- OPM did not have a centralized process in place to track a complete and accurate listing of systems and devices to be able to provide security oversight or risk mitigation in the protection of its resources.
- OPM did not have a system in place to identify and generate a complete and accurate listing of OPM contractors and their employment status.
- A complete and accurate listing of Plan of Action and Milestones (POA&Ms) could not be provided. Additionally, documentation of the periodic review of POA&Ms did not exist.
- OPM did not have a system in place to identify and generate a complete and accurate listing of users with significant information systems responsibility.
- Control owners were unable to articulate the IT internal control environment for one of the six in-scope applications.

Without a comprehensive understanding of all devices, software and systems and the controls that have been implemented to protect those systems within OPM's boundaries, OPM is unable to provide comprehensive security oversight or risk mitigation in the protection of its resources. Furthermore, without comprehensive tracking of vulnerabilities or known system weaknesses, OPM is unable to determine whether appropriate action has been taken and whether they have been remediated within a timely manner. Further, the lack of insight into the presence of similar or aging vulnerabilities throughout all systems and devices connected to the network increases the risk of unauthorized access to sensitive information or system resources. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

### **Logical and Physical Access**

Access controls limit or detect inappropriate access to computer resources, protecting them from unauthorized modification, loss, and disclosure. Such controls include both logical and physical access controls. Logical access controls require users to authenticate themselves while limiting the files and other resources that authenticated users can access and actions they can execute. Physical access controls involve restricting physical access to computer resources and protecting them from intentional or unintentional loss or impairment. We noted the following deficiencies during our review of OPM's logical and physical access to controls:

- OPM did not comply with their policies regarding the periodic recertification of the appropriateness of user access.
- Users, including those with privileged access, were not appropriately provisioned and de-provisioned access from OPM's information systems.

- Physical access to one of the data centers is not appropriate.
- Financial applications assessed are not compliant with OMB-M-11-11 *Continued Implementation of Homeland Security Presidential Directive (HSPD) 12 Policy for a Common Identification Standard for Federal Employees and Contractors* or Personal Identity Verification (PIV) and OPM policy which requires the two-factor authentication.
- Password and inactivity settings for the general support systems and one of the six in-scope applications are not compliant with OPM policy.
- OPM could not provide a system generated listing of all users who have access to systems.
- System roles and associated responsibilities or functions, including the identification of incompatible role assignments were not documented.
- A comprehensive review of audit logs was not performed for the mainframe and four of the six in-scope applications which are mainframe based, or was not performed in a timely manner for one of the six in-scope applications that resides on the network.
- Memorandums of Understandings and Interconnection Service Agreements were not reviewed on an annual basis.
- Incident handling procedures were not applied for an event identified within the agency's alert and notification tool.

By not obtaining authorization for new hires and reassignments there is a risk that individuals are provided access to functions or data that is not required to perform their job responsibilities. This could allow for erroneous data entry or data changes. Further, by not removing access in a timely fashion, a terminated individual may be able to access systems or data. Finally, users who have the ability to perform functions outside of their job responsibilities or execute key processes or transactions from initiation to completion, increases the risk of inaccurate, invalid and/or unauthorized transactions being processed by the system. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

### **Configuration Management**

Appropriate configuration management controls provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Such controls include, amongst others, effective configuration management policies, plans, and procedures, proper authorization, testing, approval, and tracking of all configuration changes, and routine monitoring of the systems configuration. We noted the following deficiencies during our review of OPM's configuration management controls:

- OPM had not developed, approved, and disseminated comprehensive configuration management policies and procedures.
- OPM did not have the ability to generate a complete and accurate listing of modifications

made to configuration items to the GSS and applications.

- OPM did not maintain a security configuration checklist for platforms.
- Patches were not applied in a timely manner.

Without formalized and comprehensive configuration management policies and procedures; the inability to generate a complete and accurate listing of modifications made to production; and documentation of security configuration baselines, there is an increased risk of incomplete and / or inaccurate review and approval processes, audit trails of configuration changes, and configuration management documentation. This may in turn increase the risk that unauthorized or erroneous changes to OPM's information systems environment may be introduced without detection by system owners. The issue noted above presents a risk that unauthorized or erroneous changes could be introduced without detection by system owners.

#### **Interface / Data Transmission Controls:**

Interface / data transmission controls provide for the timely, accurate, and complete processing of information between applications and other feeder and receiving systems on an on-going basis. We noted the following deficiencies during our review of OPM's interface / data transmission controls:

- Controls are not in place to validate that data transmitted to applications is complete and accurate.
- Comprehensive interface / data transmission design documentation is not in place.

Without documentation specifying the data fields being transmitted from one system to another, as well as controls in place to validate that all data from the source system was transmitted to the target system in appropriate formats, incomplete or inaccurate data may transfer between systems which may impact the completeness, accuracy, and validity of data.

#### **Recommendations**

We recommend that the Office of the Chief Information Officer (OCIO), in coordination with system owners, enforce and monitor the implementation of corrective actions to:

#### **Security Management**

- Review and update system documentation (System Security Plans and Authority to Operate Packages) and appropriately document results of Risk Assessments and Information System Continuous Monitoring) in accordance with agency policies and procedures.
- Enhance processes in place to track the inventory of OPM's systems and devices.
- Implement a system or control that tracks the employment status of OPM contractors.
- Assign specific individuals with overseeing and monitoring POA&Ms to ensure security weaknesses correspond to a POA&M, and are remediated in a timely manner.

- Establish a means of documenting a list of users with significant information system responsibilities to ensure the listing is complete and accurate and the appropriate training is completed.
- Conduct a risk assessment to identify current gaps in defining and implementing controls necessary to achieve the NIST baseline for the system. Then, develop, document, and implement controls to achieve full compliance with the baseline.

### **Logical and Physical Access**

- Ensure policies and procedures governing the provisioning and de-provisioning of access to information systems are followed in a timely manner and documentation of completion of these processes is maintained.
- Perform a comprehensive periodic review of the appropriateness of personnel with access to systems.
- Ensure policies and procedures governing the provisioning and de-provisioning of access to the data center are followed in a timely manner and documentation of completion of these processes is maintained.
- Implement physical security access reviews to ensure access to the data center is limited to appropriate personnel.
- Implement two-factor authentication for applications.
- Document access rights to systems to include roles, role descriptions and privileges or activities associated with each role and role or activity assignments that may cause a segregation of duties conflict.
- Review audit logs on a pre-defined periodic basis for violations or suspicious activity and identify individuals responsible for follow up or elevation of issues to the appropriate team members for review. The review of audit logs should be documented for record retention purposes.
- Establish a means of documenting all users who have access to systems.
- Configure password and inactivity parameters to align with agency policies.
- Review and update Interagency Service Agreements and Memorandums of Understanding in accordance with agency policies and procedures.
- Perform reconciliations to validate that all events noted within the alert and notification tool were appropriately escalated or contained a valid business justification indicating rationale for why escalation is not necessary.

### **Configuration Management**

- Establish comprehensive configuration management policies and procedures that include roles and responsibilities and outline details supporting authorization, testing and documentation requirements.
- Establish a methodology to systematically track all configuration items that are migrated to production and be able to produce a complete and accurate listing of all configuration items for both internal and external audit purposes, which will in turn support closer monitoring and management of the configuration management process.
- Enforce existing policy developed by OPM, vendors or federal agencies requiring mandatory security configuration settings and implement a process to periodically validate the settings are appropriate.
- Establish a process to validate patches, updates, and fixes are applied in a timely manner.

### **Interface / Data Transmission Controls:**

- Implement controls to validate that data transmitted to applications is complete and accurate.
- Develop interface / data transmission design documentation that specifies data fields being transmitted, controls to ensure the completeness and accuracy of data transmitted, and definition of responsibilities.

### **Views of Responsible Officials and Planned Corrective Actions**

The Agency concurs with the findings and recommendations described above and will implement a corrective action plan to address these deficiencies in the new fiscal year.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*. Noncompliance may occur that is not detected by these tests.

#### **Management's responsibility**

Agency management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

#### **Auditor's responsibility**

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and disclosures, and perform certain other limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements.



**Results of our tests of compliance**

Under the Federal Financial Management Improvement Act (“FFMIA”), we are required to report whether the Agency’s financial management systems substantially comply with FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the federal financial management systems requirements, applicable federal accounting standards, and the *United States Standard General Ledger* (“USSGL”) at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly we do not express such an opinion. Our work on FFMIA would not necessarily disclose all instances of lack of compliance with FFMIA requirements.

The results of our tests of FFMIA Section 803(a) requirements disclosed instances, as described above in the section titled Material Weakness – Information Systems Control Environment, in which the Agency’s financial management systems did not substantially comply with the Federal financial management systems requirements.

The results of our tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance with the applicable Federal accounting standards and the application of USSGL at the transaction level.

**Agency’s response to findings**

The Agency’s response to our findings, which is described in the section titled Views of Responsible Officials and Planned Corrective Actions, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency’s response.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Arlington, VA  
November 14, 2018