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Memorandum

Date: April 22, 2008

To: Acting Comptroller General – Gene L. Dodaro

From: Inspector General – Frances Garcia

Subject: Inspector General's Semiannual Report – October 1, 2007, through March 31, 2008

I am pleased to submit our semiannual report for the first half of fiscal year 2008.

Since October 2007, we issued 8 products:

- 5 reports with recommendations and
- 3 opinions on financial accomplishments.

The reports dealt with our reviews on information security, SES sensitive travel payments, transit benefits, reemployed annuitants, and accountable property.

Our ongoing work includes the calendar year 2007 performance audit inspection related to GAO's functional area of independence (including financial disclosure) and reviews on three human capital performance measures (new hire rate, acceptance rate, and retention rate), internal e-mail access, reemployed annuitants' contract follow-up, and GAO's diversity programs and activities. In addition, we continued to monitor GAO's internal Fraud, Waste, and Abuse Hotline, receiving and analyzing complaints and making appropriate referrals.

Lastly, we are monitoring implementation of IG recommendations and have included a summary of the status of open recommendations as an attachment. We are also monitoring GAO's actions to address recommendations made by its external auditors.

Attachment

cc: Ms. Harper
 Mr. Kepplinger

Attachment

Summary of IG Open Recommendations

Report title: Delayed Removal of Accountable Property

FY 2008   **Report date:** 3/12/2008

Addressee: Chief Human Capital Officer, Chief Information Officer

Description: IG review of supervisory access to employee e-mail.

Findings: IG identified two cases in the past year where the removal of laptop computers from vacant offices and deactivation of telephones were delayed by 6 weeks to 3 months. These delays occurred because HCO did not follow its procedures to promptly notify appropriate offices about two deceased employees. As a result, laptop computers were at increased risk to loss or theft and telephones were not disconnected. HCO is responsible for sending out an exit clearance e-mail in order to promptly notify clearance coordinators in ISTS, Financial Management, and Security and Safety. IG also found in HCO disagreement and confusion regarding who in HCO has responsibility for exit clearance e-mails of deceased employees.

Recommendation(s) and status:

Chief Human Capital Officer clarify who in HCO is the key contact on exit clearance e-mail issues and disseminate info agencywide so ISTS and others can expeditiously resolve questions or concerns about employees leaving GAO.	Comments due by May 12, 2008.
Chief Human Capital Officer clarify in writing which HCO office has responsibility for deceased employees' exit clearance e-mails and make sure staff clearly understand their responsibilities.	Comments due by May 12, 2008.
Chief Human Capital Officer have HCO staff review on a regular basis various separation-related agency documents and reports to ensure all exit clearance e-mails are being sent out.	Comments due by May 12, 2008.
CIO have ISTS staff monitor GAO notices & review on reg basis the *Pay Period Separations Section of HCO's Payroll/Personnel Mgmt Rpt* to ensure ISTS is aware of all employees leaving GAO & all laptop computers/telephones needing removal or deactivation.	Comments due by May 12, 2008.

Report title: Improved Controls Needed for GAO's Transit Benefit Program

FY 2008   Report date: 12/19/2007

Addressee: Executive Committee

Description: IG initiated this review in response to recent testimony by GAO's Forensic Audits and Special Investigations on its investigations of the overall federal transit benefits program and by other agency inspectors general that highlighted weaknesses in program controls and instances of employee fraud and abuse, such as intentionally falsifying benefit applications to receive excess benefits and selling their benefits through online auction sites.

Findings: Overall, IG found that GAO's program includes many of the recommended minimum controls. However, improvements in existing controls and new controls are needed, such as requiring employees to provide a breakdown of their normal commuting costs and ensuring that transit benefits are adjusted due to extended leave or travel. IG's review also identified instances of potential abuse, such as employees not adjusting their benefits to account for extended leave.

Recommendation(s) and status:

CAO incorporate commuting costs verification & home address validation into rev process for all new applications (incl implemen of new benefit application form) & any subsequent chgs that affect benefit amts & doc analyses in employees' transit ben files.	CAO included cost verification and address validation into revised transit benefit form; will work with ISTS on data validation check by Sept. 30, 2008.
CAO at least annually identify transit ben recipients w/LWOP, extended lv/trav, or address chgs; provide reminders to adjust/chg ben amts if they don't incur commuting expense equal to or greater than existing monthly ben amt; & doc any resulting action.	CAO will determine cut-off threshold and work with HCO to obtain quarterly reports of employees on extended leave and LWOP by Sept. 30, 2008.
CAO periodically provide a specific reminder to field office employees of their responsibilities under the program.	CAO will create a GAO-wide communication strategy including field office responsibilities by Sept. 30, 2008.
CAO develop a quarterly process for reconciling transit benefits distributed by field offices that shows for the quarter & cumulative for FY amt of fare media recd from DOT, etc., and amt of benefits DOT issued by employee, etc. (see 12/19/07 rept).	CAO will develop a procedures manual including a process for reconciling field office transit benefits.

Attachment

CAO revise the process for calculating unearned transit benefits for employees leaving GAO or otherwise canceling program participation to consider the actual monthly costs incurred up to the amount of their monthly benefit.

CAO has revised calculating process; posted on travel web page; will include in new transit benefit manual by Sept. 30, 2008.

CAO modify GAO's transit benefit order to include eligibility requirements for reemployed annuitants.

CAO is updating GAO Order 2820.1, Transit Benefit Program, to include eligibility requirements for reemployed annuitants by Sept. 30, 2008.

CAO ensure that all instances of potential unearned benefits referred to FM during our review are analyzed to determine collection amounts and possible disciplinary action for these employees.

CAO will analyze all instances referred to FM and determine with GC and HCO on any actions to take by Sept. 30, 2008.

Report title: Strengthening Management Oversight of the Knowledge Transfer/Retention Program

FY 2008   Report date: 2/4/2008

Addressee: Executive Committee

Description: GAO established this program to retain the expertise of retiring employees so they could transfer knowledge, train and mentor new staff, and ensure the successful accomplishment of mission-critical responsibilities. The objectives of this review were to (1) evaluate GAO's overall implementation of the Knowledge Transfer/Retention Program, (2) assess the internal controls to manage the program, and (3) identify any potential misuse of the program's intended purpose and objectives that may put GAO at risk.

Findings: IG found (1) reemployment of annuitants under the program offers GAO additional flexibility and the policies and procedures are largely consistent with OPM regulations; (2) management oversight of the program should be strengthened to ensure all appointments are made in a manner consistent with GAO orders, controls are put in place to address compliance with GAGAS requirements and other GAO policies, and efforts are made to mitigate appearances of inconsistent treatment; and (3) HCO should maintain more accurate and complete data on program participants.

Recommendation(s) and status:

CHCO ensure retirees mtg criteria hired; assess success; key docs obtained/cent file; req docs; rev order reqmt for fin discl rpting/CPE; rev CPE order reqmt for RA; broader mgt oversight; compile status rpt/apptees, appts, length of appts, & divers mix.
Awaiting agency comments.

To ensure GAO management has complete oversight, CAO set up mechanism to coordinate and provide oversight of contracting with former reemployed annuitants.
Awaiting agency comments.

To ensure GAO engagements are GAGAS compliant, Team MDs examine role and responsibilities of reemployed annuitants to ensure that reemployed annuitants working on GAGAS-related engagements are compliant with CPE requirements.
Awaiting agency comments.

To ensure program is administered in a fair and equitable manner, MD, OOI, periodically review the program and provide advice, as necessary, to program managers.
Awaiting agency comments.

Attachment

Report title: Sensitive Payments: Strengthening Internal Controls Over SES Travel

FY 2008   Report date: 12/19/2007

Addressee: Executive Committee

Description: The objective of this assignment was to determine for SES fiscal year 2006 travel the effectiveness of GAO travel policies and processes, including whether GAO's internal controls provide reasonable assurance that travel authorizations and vouchers are properly classified, reported, and reviewed.

Findings: IG identified areas where internal controls can be strengthened. Some of the concerns identified with GAO's travel policies and processes apply to all GAO travel and not just SES travel. GAO's post-payment audits--an alternative control to FTR's requirement for approval of travel claims by the officials who authorized the travel-- are not effective. For 35 percent of all fiscal year 2006 SES trips, there is no documentation to prove that the required post-payment audit occurred.

Recommendation(s) and status:

Reassess & revise current parameter in TM--which allows expenditures to be 99% higher than authorized amounts--to be compatible w/new Delphi parameter; ensure revised parameters are included in A-123 Travel Cycle Memo & TM Voucher Audit Training Manual.

FM analyzing how much lower than 99 percent to recommend TM parameter reduction that is also not burdensome to travelers and approvers by Sept. 30, 2008.

Expeditiously update & issue Temporary Duty Travel Order; clarify in section on Indirect Travel for Personal Convenience that govt credit cards cannot be used when on personal travel; incorporate Guidelines for Travel Mgmt as part of GAO's travel policy.

FM has updates to TDY order beyond IG which need officewide and union review by FY 2009.

Direct that FM working with ISTS create a new criteria for sampling travel vouchers--fully audit all SES constructive travel vouchers; revise the Voucher Audit Training Manual to reflect this new criteria.

FM working with MOSC to develop methodology for SES constructive travel and voucher audit training manual will be updated by Sept. 30, 2008.

Revise Voucher Audit Training Manual to include steps necessary to address reasonableness of travel costs, clarify partial audits need completion dates in audit log & completed in 5 business days, & provide examples of "good" constructive travel vouchers.

FM and Field Operations to revise the voucher audit training manual by Sept. 30, 2008.

Attachment

Require that reviewers of post-payment audit examine each audit log on a weekly basis and that FM staff review all audit logs on a frequent basis to ensure audits are completed in a timely manner.

MDFO has established quarterly reviews of the audit logs. FM and A-123 reviews will also review audit logs by Sept. 30, 2008.

Identify ways of making the post-payment audit process more effective, including how to add the concept of the reasonableness of travel costs to the audit process.

FM will develop procedures including reasonableness of travel costs without overburdening staff by Sept. 30, 2008.

Direct FM officials to expeditiously review the three travel vouchers with questionable costs and obtain any funds owed to the agency, as appropriate.

FM and field staff are reviewing the three travel vouchers and will contact appropriate travelers by Sept. 30, 2008.

Expeditiously implement the proposed training plan for authorizing officials, travelers, administrative staff who help draft the authorizations and vouchers, and post-payment auditors.

FM to update travel training plan and the resources required to implement the plan by Sept. 30, 2008.

Report title: Fiscal Year 2006 Performance Measures for Internal Operations

FY 2007   Report date: 5/17/2007

Addressee: Executive Committee

Description: Starting in FY 2006, GAO adopted two internal operations measures to assess GAO's performance related to how well its internal administrative services help employees to (1) get their jobs done and (2) improve the quality of their work life. The performance measures are directly related to GAO's goal 4 strategic objectives of "continuously enhancing GAO's business and management processes and becoming a professional services employer of choice." The overall objective of this assignment was to determine whether GAO's procedures and internal controls provide reasonable assurance that public reporting of the internal operations performance measure is reliable. IG analyzed the performance measures against a set of nine specific attributes that GAO sets as criteria for evaluating the effectiveness of other agencies' performance measures.

Findings: IG found that the performance measures are well aligned with goal 4's strategic objective of maximizing the value of GAO by being a model federal agency and a world-class professional services organization. However, two of the nine key attributes were not met–the objectivity and reliability of the internal operations performance measures could be improved to further refine and strengthen them. The reliability of the measures is affected by the low response rates and the objectivity of the measures is impacted by the fact that the low response rates are not disclosed when GAO publicly reports on these measures in its annual Performance and Accountability Report. Overall, the FY 2006 performance measures for internal operations reported in the Performance and Accountability Report are reasonable and the methods used to measure performance are appropriate. IG made two recommendations to the Chief Administrative Officer.

Recommendation(s) and status:

To improve reliability, CAO should work with ARM and Gartner to identify and develop additional mechanisms to increase response rates and to further learn about nonrespondents.	CAO has implemented ARM recs to increase survey response rates including reminders to complete survey in Management News, Notices, etc.; Gartner agreed with these recs. CAO plans to consider ways to learn more about nonrespondents by Sept. 30, 2008.

Attachment

Report title: Briefing on GAO's Compensatory Time for Travel

FY 2007   Report date: 11/15/2006

Addressee: Chief Administrative Officer, Chief Human Capital Officer

Description: Performed an evaluation of GAO's compensatory time for travel program and practices and tested compliance with its policies and procedures.

Findings: IG's review showed that overall there is no suggestion of waste, fraud, and/or abuse. However, the review showed employee noncompliance with various aspects of GAO's CTT policies and procedures due to confusion and/or lack of understanding about the program and its rules. For example, only 21 percent of the employees in our sample accurately completed all aspects of the required forms and 62 percent did not include an estimate of CTT in Travel Manager. There were also problems with obtaining prior approval, entering the correct maxiflex schedule, claiming CTT for flights that exceeded the allowed time, and claiming travel during normal working hours. In addition, IG found that some CTT certification forms could not be found and that CTT accruals did not match entries in the database and some accruals were rounded incorrectly. Finally, T&A officials accepted CTT claims that were not approved by supervisors.

Recommendation(s) and status:

Recommendation	Status
HCO should periodically audit CTT accruals to verify that policies and procedures are followed and make necessary and timely corrections when errors are found.	HCO performs audits (as needed) and will assign the post-review of CTT to its newly-created Analysis and Systems Center by July 30, 2008.
HCO should consider developing an alternative to the current form 535A that provides sufficient space for complex travel, provides examples of creditable CTT, and minimizes ambiguity.	HCO plans to reconvene or establish a team to study the feasibility of modifying the Form 535A by Sept. 30, 2008.
GAO units should offer refresher training on CTT policies and procedures.	HCO will send a reminder notice to employees about the on-line CTT training that is available. Please note that the available training is not up to date and will not be updated until Sept. 30, 2008.
Unit managers should ensure that 535A forms are in compliance with GAO policies.	HCO will ensure that the on-line training and the web information clearly delineate unit managers' responsibilities. HCO plans to do this after incorporating the final OPM regulations for CTT in the GAO order by Sept. 30, 2008
Unit managers should ensure that employees include estimates of estimated CTT accrual in Travel Manager, as required.	HCO will ensure that the on-line training and the web information clearly delineate unit managers' responsibilities by Sept. 30, 2008.

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Supervisors that sign the forms 535A should become familiar with GAO's policies and procedures for CTT.

HCO will ensure that the training course and HCO's web page provide a summary of GAO's CTT policies and procedures after finalizing the CTT order by Sept. 30, 2008.

Attachment

IG's Mandated Follow Up on Recommendations Made by Others

Report title: Clifton Gunderson Management Letter Report for Fiscal Year 2007 Financial
Statement Audit

FY 2008   Report date: 11/7/2007

Addressee: Comptroller General

Description: Clifton Gunderson made observations and suggestions to GAO management related
to internal controls in eight areas: (1) financial reporting; (2) personnel and payroll
processing; (3) accrual methodology; (4) property, plant, and equipment; (5) Travel
Manager database support; (6) Travel Manager audit logging; (7) system security plan
in System Signer Web Service; and (8) segregation of duties in Human Resources
Information System (HRIS).

Findings: (1) Financial Management System (FMS) is outdated and does not comply with much
of the posting logic for recording transactions consistent with the U.S. Standard
General Ledger (USSGL) at the transaction level, GAO's trial balance also does not
comply with the USSGL crosswalk requirements and does not properly classify and
distinguish between intragovernmental and with public balances, and FACTS II
preparation process needs to be linked to financial statement preparation process;
(2) documentation in the employees' payroll folders is incomplete or missing; (3)
GAO does not have a formalized process in place to analyze and validate the
reasonableness of its own accrual methodology based on relevant assessment
factors and assumptions; (4) inadequate controls over capital and accountable
personal property; (5) Travel Manager application utilizes Oracle 8i database
management system but the Error Correction Support discontinued and the lack of
support for Oracle 8i exposes the GAO to additional security risks as the database is
no longer supported to test for the presence of any new vulnerabilities and/or errors
for which critical patches will be developed; (6) the integrity of the Travel Manager
audit log can be compromised with unauthorized users having access to the audit
logs; (7) the system security plan for the System Signer Web Service has not been
updated to reflect the results of the risk assessment and the security test and
evaluation; and (8) the implementation of controls to periodically review all awards
made in HRIS that have been initiated and approved by the same person is not
operating effectively.

Recommendation(s) and status:

Ensure posting logic for recording transactions in
new Oracle Fin System's gen ledger is consistent
w/USSGL at transaction level & amts posted to
proper accts at inception of trans & GAO ensure FY
ending bal auto roll fwd as begin bal in subsequent
FY.

GAO has worked closely (and will continue to)
with DOT/ESC to ensure posting logic for
recording GAO Delphi transactions is USSGL
compliant and appropriate FY end balances
automatically roll forward to subsequent FY.

Attachment

Consider streamlin fin rpting processes so maj of recording entries is automated; manual adj journal entries used for limited trans; valid recur entries currently entered manually should have trans codes set up to prevent errors in posting material trans.

Adopted proven, existing bus/acctg proc in operational use & USSGL compliant; new acctg code structure allows addl detail eliminating nec for manual reallocations of payroll data; adoption of defined DOT/ESC fin stmt proc shd signif decrease manual proc.

Establish routine of preparing interim fin stmts for FY 08 to fine tune preparation & analysis procedures to comply w/OMB requirements and adjust acctg procedures before year-end to correct cause of errors identified in interim fin stmts.

Agree comparative interim stmts would improve analysis of accts and help reduce year-end closing and reconciliation efforts; goal is to begin preparing quarterly interim stmts now that GAO Delphi is implemented; stmts not comparative until FY 09.

Develop or enhance mgmt's review process of transactions to ensure recording, processing, & summarization of budgetary events are accurately & completely reflected in their Statement of Budgetary Resources (SBR).

GAO Delphi system captures both proprietary & budgetary trans info to appropriate USSGL accts which feed into the SBR; through interim fin stmts, plan to review/verify resulting SBR summarizations & confirm OMB A-136 compliance.

Develop a formalized process to perform the quarterly budgetary to proprietary reconciliation to research and resolve identified differences in a timely manner.

GAO Delphi has variety of sys integrity rpts that are utilized to perform budgetary/proprietary reconciliation activities; rpts executed on ad hoc basis & included in end of month processing cycle; Delphi generates draft fin stmts on monthly basis.

Perform an overall review of the SBR to determine whether statements comply with authoritative guidance such as OMB Circulars A-11 and A-136.

Will review the new GAO Delphi system statements' compliance with authoritative guidance.

Perform detailed reconciliations of the budgetary data between the general ledger, SF-133 (FACTS II) submission and the SPR to identify and resolve differences in a timely manner.

GAO Delphi will move to effectively utilize the system integrity reports on a proactive basis to identify and resolve reconciliation issues and will include timely reconciliation as a requirement.

Record all financial transactions in gen ledger, including budgetary upward & downward adjustments; amts recorded should be supported by subsidiary detail rpts that can be interfaced w/gen ledger system to avoid inconsistencies in financial statements.

GAO Delphi will help to ensure proper posting of financial transactions into the general ledger from the subsidiary ledgers.

Develop a formal process to analyze/validate reasonableness/relevance of accounts payable accrual methodology annually; changes in funding level, spending pattern, & disbursement pattern should be taken into acct as part of annual assessment.	Will explore the development of such an analysis; performed analysis-type activities, identifying changes in funding/spending levels; w/conversion to Delphi, performed significant rev of open obligations which enhanced info available on valid of accruals.
ISTS develop and implement internal quarterly inventory procedures to track and account for property that is in their possession.	Conducting a limited inventory of our data-storage devices as we move them into more tightly controlled facilities.
ISTS consider consolidating storage areas to a secured room(s) to improve inventory control and asset security.	Moving all data storage devices into more tightly controlled facilities; further consolidation planned to move all logistics & hardware mgmt functions to B-124.
ISTS utilize card key entry to access areas.	GAO in proc of chging tech used for card key entry sys, implementation of addl entry pad unlikely in short term; addl controls being placed on keys expected for current inventory storage areas; plans being made for grad card key access to areas in B-124.
ISTS consider utilizing means for recording who is accessing those areas and when (sec cameras or more sophisticated card key reader system).	Protocols being developed to place access controls for areas that must continue to use regular key access in short term; addl controls within B-124; protocols for existing sec cameras being examined to ensure they continue to meet needs.
ISTS consider replacing manual log book w/electronic version where a bar code scanner is used by employee to identify the equipment checked out and in by technician under a specific work order.	Paper log book is currently being replaced w/electronic scanning approach that ensures that unauthorized staff cannot alter records.
Upgrade the Travel Manager database to a version that is still supported by Oracle.	Risk accepted to maintain stable TM application to build travel interface into new Delphi sys; plans to define/cost out approach for upgrading/replacing TM during FY 2008; will need to continue to accept risk during this period of time.
Compensating controls be applied to ensure the integrity of TM application.	TM Sys admin functions will not work unless sys admin have write access to directory which audit log is stored; no capability to store log in different location; TM commercial product/no ability to modify sys feature; seeking controls for FY 2008.

Attachment

Sys Signer Web Service (SSWS) security plan be updated to reflect results of the sec test & evaluation (ST&E) and risk assessment (RA).

Work to update this plan is currently in progress.