



United States Department of State  
and the Broadcasting Board of Governors

*Inspector General*

SEP -8 2005

MEMORANDUM

TO: DS – Ambassador Richard J. Griffin

FROM: OIG – Howard J. Krongard, Inspector General *HJK*

SUBJECT: Concerns About Changes in Cyber Security Roles and Responsibilities  
(AUD/FM-05-40)

During the audit of the Department's FY 2004 financial statements, an external auditor, working at the direction of the Office of Inspector General (OIG), identified concerns related to the certification and accreditation (C&A) process. These issues were discussed in a draft report, *Concerns About Changes in Cyber Security Roles and Responsibilities*, which was sent to your bureau and the Bureau of Information Resource Management (IRM) for comment. Based on the comments received, OIG has decided not to issue a report. However, OIG would like to bring the issues identified by the contractor to your attention.

Financial statement auditing standards<sup>1</sup> require auditors to assess the adequacy of internal controls, including controls related to information technology, during financial statement audits. The external contractor made these assessments and identified significant weaknesses related to information system security, which were reported as a material weakness in the financial statement audit opinions from FY 1997 through FY 2003.

During the audit of the Department's FY 2003 principal financial statements, an information technology firm, working for the external financial statement auditor, found that the Department's C&A process had significantly improved. The firm concluded that the Department's progress was due mainly to the establishment of the Office of Information Assurance in IRM and the consolidation of C&A and other information technology security responsibilities under its auspices. In the audit opinion for the Department's FY 2003 statements, the external auditor noted that the Department's work toward correcting the information system security weakness had advanced sufficiently to downgrade the material weakness to a reportable condition.<sup>2</sup>

<sup>1</sup> Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

<sup>2</sup> *Audit of the U.S. Department of State 2003 and 2002 Principal Financial Statements*  
(AUD/FM-04-12, Dec. 2003).

In 2004, OIG learned that the Department planned to restructure cyber security roles and responsibilities, which included giving DS the responsibility for performing systems-related site evaluations and verification activities at domestic and overseas sites in accordance with performance requirements to be developed by IRM. In a June 24, 2004, memorandum, OIG informed DS and IRM of its concerns about the planned changes. OIG strongly encouraged the bureaus to maintain their progress and momentum by reconsidering the decision to restructure the roles and responsibilities. OIG reiterated its concerns in its 2004 report performed in compliance with the Federal Information Security Management Act (FISMA).<sup>3</sup>

During the audit of the FY 2004 financial statements, the information technology firm performing the assessment of C&A agreed with OIG's concerns. The firm indicated that the restructuring could cause the Department to lose the momentum it generated during its initial C&A effort. In response to the information technology firm's findings, both IRM and DS officials stated that the security firm's assessment was conducted before the restructured roles and responsibilities had matured to a point that they could be adequately assessed. IRM and DS felt that additional work should be performed before a formal report was issued.

On the basis of the Department's comments, OIG is not issuing a report at this time. However, OIG plans to monitor the Department's reorganization of cyber security responsibilities during the FY 2005 FISMA review. In addition, OIG has already notified you that the external auditor will follow up on the system security reportable condition during the audit of the Department's FY 2005 financial statements. The external contractor has stated that if the follow up work indicates that progress has not been sustained, the current reportable condition related to information technology security may be elevated to a material weakness, after appropriate consideration of the resulting risks to the Department's financial management systems.

If you have any questions, please contact Mark W. Duda, Assistant Inspector General for Audits, at (202) 663-0372, or Gayle Voshell, Director of the Financial Management Division, at (703) 284-2698.

cc: DS/SI – Mr. Donald R. Reid  
DS/SI/CS – Ms. Mary Sue Holland  
DS/MGT/PPD – Ms. Brenda W. Ferry

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<sup>3</sup> *Review of the Information Security Program at the Department of State (IT-A-04-08, Sept. 2004)*