

MANAGEMENT LETTER
AUD-FM-20-27

To the Chief Financial Officer and Inspector General of the U.S. Department of State:

Kearney & Company, P.C. (referred to as “we” hereafter), has audited the consolidated financial statements of the U.S. Department of State (Department) as of and for the year ended September 30, 2019, and has issued our report thereon, dated January 17, 2020.¹ In planning and performing our audit of the Department’s consolidated financial statements, we considered the Department’s internal control over financial reporting and the Department’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements. Our auditing procedures were designed for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurances on internal control or compliance. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control over financial reporting or on the Department’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements.

During our audit, we noted certain matters related to internal control over financial reporting that we considered to be significant deficiencies and certain matters relating to compliance that we considered to be reportable under 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 Bulletin No. 19-03, “Audit Requirements for Federal Financial Statements.” These items are not repeated in this letter because they are explained in detail in our report on the Department’s FY 2019 consolidated financial statements.

Our procedures were designed primarily to enable us to form an opinion on the Department’s consolidated financial statements and therefore may not have identified all internal control weaknesses and instances of noncompliance that may exist. Although not considered to be material weaknesses, significant deficiencies, or reportable instances of noncompliance, we noted certain other matters involving internal control, operations, and noncompliance. These findings are summarized in Appendix A and are intended to assist the Department in strengthening internal controls and improving operating efficiencies.

We appreciate the courteous and professional assistance provided by Department personnel during our audit. These findings were discussed in detail with appropriate Department officials, and management’s response to a draft of this report is presented in its entirety in Appendix B.

¹ OIG, *Independent Auditor’s Report on the U. S. Department of State FY 2019 and FY 2018 Consolidated Financial Statements* (AUD-FM-20-18, January 2020).



This letter is intended solely for the information and use of Department management, those charged with governance, and others within the Department and the Office of Inspector General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
April 13, 2020

MANAGEMENT LETTER COMMENTS

REPEATED MANAGEMENT LETTER COMMENTS

During the audit of the U.S. Department of State’s (Department) FY 2018 consolidated financial statements, Kearney & Company, P.C. (referred to as “we” hereafter), identified matters that were reported in a management letter.¹ As described in Table 1, the severity of three issues included in the FY 2018 management letter has decreased, and we consider the items closed. Six issues remain open, and we have updated these issues with information obtained during the audit of the Department’s FY 2019 consolidated financial statements. The severity of one of the six issues increased and was included in our Report on Internal Control Over Financial Reporting.²

Table 1: Current Status of Prior-Year Management Letter Findings

FY 2018 Management Letter Findings	FY 2019 Status
Insufficient Fund Balance With Treasury Reconciliation Process	Repeat
Inaccurate Personnel Data for Foreign Service National Employees	Repeat
Inadequate Control Over Personnel Records and Actions	Repeat
Inaccurate Supporting Data for the Asbestos Remediation Estimate	Repeat
Ineffective Compensating Controls for GEMS Segregation of Duties	Repeat
Accounting for Real Property Transactions With the General Services Administration	Repeat - Report on Internal Control
Insufficient Vendor Invoice Approvals	Closed
Accounting for Federal Advances	Closed
Accounting for Prepaid Education Expenses	Closed

I. Fund Balance With Treasury

Insufficient Fund Balance With Treasury Reconciliation Process

Fund Balance with Treasury (FBWT) reflects the available funds in an agency’s accounts with the Department of the Treasury (Treasury) for which the agency is authorized to make expenditures and pay liabilities. Each agency appropriation, receipt, or other fund account is assigned a Treasury Account Fund Symbol. Agencies must promptly reconcile their FBWT accounts on a regular and recurring basis to ensure the integrity and accuracy of their internal and Government-wide financial data.

The Department maintains two cash reconciliation reports: the Global Financial Services – Charleston Cash Reconciliation Report and the Financial Reporting Analysis Cash Reconciliation Report. These reports document final balances for each Treasury Account Fund Symbol for the applicable accounting period. Because of the disaggregated nature of the Department’s operations, the FBWT reconciliation process involves the reconciliation of

¹ OIG, *Management Letter Related to the Audit of the Department of State FY 2018 Consolidated Financial Statements* (AUD-FM-19-16, April 2019).

² OIG, *Independent Auditor’s Report on the U.S. Department of State 2019 and 2018 Consolidated Financial Statements* (AUD-FM-20-18, January 2020).

disbursements and collections processed both domestically and overseas as well as through third parties.

The Department records unreconciled differences identified during the FBWT reconciliation process in a suspense account until the discrepancies are resolved. A suspense account is a temporary account used by agencies to record transactions with discrepancies until a determination is made on the proper disposition of the transaction. Treasury allows entities with a justifiable business need to submit a request to use suspense accounts, which are only to be used as a temporary holding place for transactions that must be cleared within 60 days.

We identified 20 variances between Treasury and Department fund balances during a review of the June 30, 2019, Financial Reporting Analysis Cash Reconciliation Report. These variances amount to a net difference of approximately \$1.3 million and an absolute difference of approximately \$2.5 million.

We also found that the Department had a net balance of approximately \$2.7 million in three suspense accounts that had not been resolved within 60 days, as required. We determined that the account balances for these accounts remained unchanged during the first three quarters of FY 2019.

During FY 2019, the Department took action to resolve variances in its FBWT accounts. Specifically, the Department dedicated resources to monitor and remediate variances. Although the Department eliminated 72 percent of its unreconciled fund balances, additional refinements to its reconciliation procedures are needed. In addition, for older variances, the Department did not have a complete history of transactions that it could compare with Treasury information because data from previous financial systems were not available to the staff performing the reconciliations.

Finally, the Department does not have effective monitoring controls in place to identify, research, and resolve suspense activity approaching or exceeding 60 days old, which also contributes to FBWT variances.

Failure to implement timely and effective reconciliation processes could do the following:

- Increase the risk of fraud, waste, and mismanagement of funds.
- Affect the Department's ability to effectively monitor budget execution.
- Affect the Department's ability to accurately measure the full cost of its programs.
- Result in erroneous financial statements.

This issue was initially reported in our FY 2009 management letter.

II. Payroll and Related Liabilities

The Department's workforce includes Civil Service, Foreign Service, and Foreign Service National (FSN) staff. FSN employees are generally paid in local currency, and their salaries and benefits are based on local prevailing practice, which is documented in each post's Local

Compensation Plan. FSN employees are paid using the Global Foreign Affairs Compensation System (GFACS). Civil Service and Foreign Service employees are paid according to standard Federal Government pay scales, using the Consolidated American Payroll Processing System.

Inaccurate Personnel Data for Foreign Service National Employees

Human resources information for FSNs, such as date hired, transfers, grade increases, and date of separation, is maintained in one of two Department information systems deployed at overseas posts: WebPass or the Overseas Personnel System (OPS).³ When a personnel action is initiated for an FSN, the post enters the information into WebPass or OPS. The FSN personnel information is then submitted to a Global Financial Services Center, where officials manually enter the information into GFACS.

We assessed the completeness of employee information in WebPass or OPS and GFACS for all overseas posts that provide voluntary severance or supplemental lump sum after-employment benefits. We used automated audit techniques to compare the total number of employees and the names of employees in WebPass or OPS and GFACS. Table 2 shows the results of our testing for FY 2019 as well as the results of our testing from FY 2018 for comparative purposes.

Table 2: Total Number of Employees in WebPass or OPS and GFACS

Employees Reviewed	FY 2019 Employees	FY 2018 Employees
Employees in both WebPass or OPS and GFACS	25,759	25,285
Employees in WebPass or OPS who were not in GFACS	770*	784
Employees in GFACS who were not in WebPass or OPS	187	287

* FSNs in Yemen comprised 575 employees (75 percent) in WebPass but not GFACS. No reduction in force occurred in Yemen during FY 2018. As of July 20, 2019, the Department had not updated WebPass data to accurately reflect the number of employees in Yemen.

For the employees included in WebPass or OPS and GFACS, we performed additional testing to identify data inconsistencies related to the date of birth, service computation date, and annual salary fields. Table 3 shows the results of our testing for FY 2019 as well as the results of our testing from FY 2018 for comparative purposes.

Table 3: Data Inconsistencies Between WebPass or OPS and GFACS

Exceptions Identified	FY 2019 Exceptions	FY 2018 Exceptions
Date of birth was not consistent	534	551
Service computation date was not consistent	3,079	3,087
Annual salary was not consistent	2,324	2,866
Employer agency was not consistent	28	65

³ In FY 2018, the Department began the implementation of OPS, a new human resources system that will supersede WebPass and have the capability of interfacing with GFACS. As of July 20, 2019, OPS had been implemented at 150 posts worldwide.

In both FY 2019 and FY 2018, the Department tested a judgmental sample of the discrepancies and reported that WebPass or OPS contained more accurate information on each employee's date of birth and service computation date and GFACS contained more accurate salary information. We re-performed the Department's testing and confirmed its conclusions regarding the most accurate sources of FSN employee information.

We found that posts were processing personnel actions inconsistently. In certain instances, posts were not notifying the responsible Global Financial Services Center in a timely manner about personnel actions that had been processed. Additionally, we noted instances in which data submitted to the responsible Global Financial Services Center were not updated in GFACS to reflect changes made in WebPass or OPS. We also found instances in which approved personnel actions were not accurately entered into GFACS, once the information was provided to the Global Financial Services Center, because of data entry errors. The Department did not have a control in place to ensure that all post-approved personnel actions included in WebPass or OPS, such as a process to regularly reconcile the data between the applications, were also entered into GFACS.

The Department estimates a liability to include in its annual financial statements for after-employment benefits offered to some FSNs. The reasonableness of the liability estimate related to after-employment benefits relies on accurate underlying employee demographic data. Without accurate and complete FSN employee data, the Department may not be able to efficiently or accurately calculate its annual liability for after-employment benefits. The Department was able to adjust its liability estimation methodology to address the discrepancies identified during our testing through manual manipulation of data in GFACS and WebPass or OPS.

In addition, the risk of improper payments exists if payroll and benefit payments are calculated on the basis of inaccurate data. The lack of reconciliation between GFACS and WebPass or OPS may result in errors and inconsistencies remaining undetected and uncorrected for long periods of time.

The issue was initially reported in our FY 2012 Report on Internal Control.

Inadequate Control Over Personnel Records and Actions

Insufficient, Inconsistent, or Incorrect Personnel Record Documentation

The Office of Personnel Management requires agencies, including the Department, to maintain up-to-date, complete, and correct personnel records for each employee. These records should include all benefit election forms as well as any elections resulting in deductions to an employee’s pay. In addition, the Department is required to review time and attendance submissions for accuracy. Maintaining up-to-date personnel records and reviewing time and attendance submissions for accuracy helps ensure that employees are compensated only for actual hours worked and benefits earned.

To verify the accuracy of Civil Service and Foreign Service employee salaries and benefits, we reviewed personnel records for a sample of 45 employees. Table 4 shows the discrepancies identified during our testing in FY 2019 and FY 2018 for comparative purposes.

Table 4: Discrepancies in Personnel Records

Discrepancy	FY 2019 Exceptions	FY 2018 Exceptions
Request for Leave or Approved Absence Form (Standard Form [SF] 71) was not provided	21	1
Life Insurance Election Form (SF-2817) was not provided	3	1
Federal Employees’ Group Life Insurance election selected on the SF-2817 was not the same as the election on the employee’s Notification of Personnel Action	0	3
Health Benefit Election Form (SF-2809) was not provided	4	1
Thrift Savings Plan withholding amount on the employee’s Earnings and Leave Statement did not match the calculated amount using the withholding percentage from the Thrift Savings Plan Election Form	12	0

Each bureau and post has been delegated the authority to approve personnel actions and time and attendance data, enter information into the personnel system, and submit information to payroll service centers in either Charleston, SC, or Bangkok, Thailand. We found that bureaus and posts were processing personnel actions and time and attendance data inconsistently. Additionally, bureaus and posts did not always submit information to the payroll service centers in either Charleston or Bangkok in a timely manner, or at all. Moreover, the Department did not sufficiently oversee and review the documentation maintained in personnel files and time and attendance reports.

Poor administrative control over the payroll cycle and lack of sufficient and updated supporting documentation in the Official Personnel File may lead to errors in employee pay, improper benefit elections, or increased benefit costs. Incomplete personnel records prevent the timely receipt of sufficient and accurate documentation when requested and hinder the prompt identification and remediation of errors.

This issue was initially reported in our FY 2009 management letter.

Improper and Untimely Processing of Personnel Actions

The Department processes personnel actions when an employee is hired or an existing employee has a change in personnel status, such as resignation, retirement, or promotion. These personnel actions are documented either on the SF-50 (Notification of Personnel Action) or the Joint Form (JF) 62A (Personal Services Contracting Action).

We selected samples from FY 2019 GFACS data of 20 payroll disbursements, 10 separated employee personnel actions, and 50 new-hire personnel actions. We also selected samples from the FY 2019 Consolidated American Payroll Processing System data of 45 payroll disbursements, 45 separated employee personnel actions, and 45 new-hire employee personnel actions. For each of the sample items selected, we reviewed the SF-50 or the JF-62A for proper and timely approvals. Tables 5 and 6 show the discrepancies identified during our testing as well as the results of our testing in FY 2018 for comparative purposes.

Table 5: GFACS Testing Discrepancies

Discrepancy	FY 2019 Exceptions*	FY 2018 Exceptions
Personnel actions in our payroll disbursement sample were not approved in the pay period following the effective date on the personnel action	0	14
Personnel action forms in our payroll disbursement sample were not provided	0	7
Personnel actions in our separated employee sample were not approved in the pay period following the effective date on the personnel action form	0	4
Personnel actions in our separated employee sample were not appropriately signed by a Certifying or Administrative Officer	0	2
Personnel actions in our new-hire employee sample were not approved in the pay period following the effective date on the personnel action form	1	1

* During our FY 2019 financial statement audit, we conducted GFACS testing at one post, Embassy Bogota, Colombia. During our FY 2018 financial statement audit, we conducted testing at five posts. This is one potential reason for fewer exceptions identified during the FY 2019 financial statement audit.

Table 6: Consolidated American Payroll Processing System Testing Discrepancies

Discrepancy	FY 2019 Exceptions	FY 2018 Exceptions
Personnel actions in our payroll disbursement sample were not approved in the pay period following the effective date on the personnel action form	5	1
Personnel actions in our separated employee sample were not approved in the pay period following the effective date on the personnel action form	13	8
Personnel actions in our new-hire employee sample were not approved in the pay period following the effective date on the personnel action form	6	2
Employees in our separated employee sample were not deactivated in the personnel system in the pay period following the SF-50 separation effective date	3	0
Employees in our separated employee sample were paid incorrectly following the SF-50 effective date	3	0

Each bureau and post has been delegated the authority to approve personnel actions and enter the information into the personnel systems. We found that bureaus and posts were processing personnel actions inconsistently. The Department did not have a centralized process to ensure that bureaus and posts were approving employee actions and entering the information into the personnel system in a timely manner.

The potential for improper payment exists if personnel actions are not processed properly or timely. In addition, the lack of proper oversight of personnel actions may result in errors remaining undetected and uncorrected for long periods of time. Untimely personnel actions are often processed retroactively, leading to supplemental payments being processed manually and increasing the risk of human error and decreasing efficiency.

This issue was initially reporting in our FY 2009 management letter.

III.Environmental Liability Associated With Asbestos Clean-Up

Inaccurate Supporting Data for the Asbestos Remediation Estimate

Asbestos is a mineral-based material that was widely used in construction during the 19th and early 20th centuries because of its affordability and resistance to fire, heat, and electrical damage. The Department owns buildings constructed when the use of asbestos in various building materials was common. Because of health concerns, many countries prohibited the use of asbestos in building materials in the 1980s and 1990s. The Department’s Bureau of Overseas Buildings Operations (OBO) periodically assesses posts to identify buildings that have asbestos-containing building materials (ACBM). Upon completion of this analysis, the results for each post are recorded in OBO’s asbestos management database, FAC Apps. Because of the significance of its property inventory and the lack of property-specific estimates, the Department uses a cost-modeling technique to estimate asbestos-abatement costs. The data in FAC Apps are used as the starting point for the Department’s asbestos remediation cost model.

In FY 2015, the Department implemented a new process for overseas post officials to alert OBO of necessary updates to a post’s asbestos data. For example, overseas posts can notify OBO that ACBMs have been remediated during facility renovations. The notifications are executed by submitting an ACBM change request in FAC Apps. On the basis of the request, OBO may then update the post’s data or perform independent ACBM inspections to confirm the requested changes.

To review the data in FAC Apps as of September 30, 2019, we requested that five selected posts⁴ confirm whether the FAC Apps data related to ACBMs were accurate and complete. Specifically, FAC Apps included 193 ACBMs at the 5 posts selected for testing. These 5 posts identified 41 discrepancies related to the 193 ACBMs included in FAC Apps, as shown in Table 7.

Table 7. Post Asbestos Accuracy and Completeness Testing Exceptions

Post	Number of ACBMs Reported in FAC Apps	Number of Exceptions Reported	Details of Exceptions
Embassy Tokyo	48	3	- 3 ACBMs had been remediated
Embassy Bangkok	56	0	- Not Applicable
Embassy Seoul	85	34	- 33 ACBMs had been remediated - 1 newly identified ACBM
Consulate Johannesburg	4	4	- 4 ACBMs noted as asbestos free
Kabul	0	0	- Not Applicable
Total	193	41	

For the exceptions identified, we reviewed a listing of ACBM change requests that had been submitted to OBO by the five posts selected for testing from October 1, 2018, through September 30, 2019. We found that none of the 41 exceptions had been communicated by the posts to OBO through the change request process prior to our audit work. One ACBM in Bangkok had been remediated in April 2015. The post communicated this change to OBO in August 2019 (after our audit had begun); however, the ACBM remained included in the Department’s environmental liability as of September 30, 2019.

In addition to obtaining data from 5 posts, we reviewed 14 exceptions that we identified during the FY 2016, FY 2017, and FY 2018 financial statement audits to determine whether OBO had

⁴ For testing, Kearney selected the three posts with the largest asbestos liabilities (Embassy Tokyo, Japan; Embassy Bangkok, Thailand; and Embassy Seoul, Korea) and the post with the most exceptions identified during the audit of the FY 2018 consolidated financial statements (Consulate Johannesburg, South Africa). Kearney also selected the post with the largest net amount of reported property (Embassy Kabul, Afghanistan). Kabul responded to our request for data and confirmed that the post has no ACBMs.

corrected the FAC Apps data, as needed.⁵ As shown in Table 8, we found that OBO had not corrected the status of 3 of 14 ACBMs reviewed as of September 30, 2019.

Table 8. Correction of Prior-Year Audit Exceptions (Analysis of FY 2016, FY 2017, and FY 2018 Exceptions That Were Outstanding as of September 30, 2018)

Fiscal Year of Post Visit	Post	Number of Exceptions Remaining as of September 30, 2019	Number of Exceptions Outstanding as of September 30, 2018
2016	Manila	0	5
2016	Rome	0	2
2017	Brasilia	0	1
2017	Brussels	0	1
2017	Panama	0	2
2018	Johannesburg	3	3
Total		3	14

The Department does not have an effective process to ensure that its asbestos remediation liability estimate is based on the most current conditions at overseas posts. At the majority of overseas posts where we have historically identified exceptions, facility surveys were performed several years prior to our testing.⁶ Although the Department developed a process for posts to notify OBO of necessary updates of FAC Apps data, we found posts did not always use this process. In addition, the Department did not always consider the results of prior audits to identify items that required updates.

Inaccurate or outdated underlying data regarding the presence of asbestos in its facilities may limit the Department’s ability to produce a reasonable asbestos remediation estimate. Specifically, when facility records do not accurately reflect the removal of ACBMs, asbestos remediation liability estimates will be overstated.

This issue was initially reported in our FY 2013 management letter.

⁵ Specifically, we selected for review any exception identified during the FY 2016, FY 2017, and FY 2018 financial statement audits that OBO had not corrected in FAC Apps to reflect the correct status as of September 30, 2018.

⁶ Johannesburg, South Africa, was last surveyed in 2016 (2 years prior to our site visit); Panama City, Panama, in 2017 (same year as our site visit); Brussels, Belgium, in 2008 (9 years prior to our site visit); Brasilia, Brazil, in 2011 (6 years prior to our site visit); Rome, Italy, in 2004 (12 years prior to our site visit); and Manila, Philippines, in 2006 (10 years prior to our site visit).

IV. Information Security

Ineffective Compensating Controls for GEMS Segregation of Duties

The Global Employment Management System (GEMS) is the Department's corporate human resources management information system, which provides comprehensive employment data for Civil and Foreign Service employees. Personnel actions are executed by the Department using the SF-52 (Request for Personnel Action) and SF-50 (Notification of Personnel Action) when an employee is hired or an existing employee has a change of status, such as resignation, retirement, or promotion. The SF-52 is used to initiate the personnel action and the SF-50 is used to finalize the personnel action. The entire process is completed in GEMS to ensure proper documentation and process workflow.

Internal controls are important for personnel information systems, which maintain a significant amount of personally identifiable information and are susceptible to fraud. One key component of internal control is segregation of duties (SoD), which ensures responsibilities are assigned to different individuals to segregate incompatible functions. SoD includes segregating the responsibilities for initiating, authorizing, processing, recording, and reviewing transactions, system configurations, and security administration activities. A user's access to an information system should allow for functional capabilities that are consistent with the employee's position and responsibilities. If an organization is unable to properly segregate functions that are typically considered incompatible, the organization should design, document, and implement alternative, compensating controls to address or mitigate the associated risk.

The Department established a user role within GEMS that allows a user to initiate (SF-52) and process (SF-50) personnel actions without any additional review or approval. In response to a prior-year audit finding, during FY 2019 the Department implemented a compensating control that requires bureau Executive Directors, Human Resource Service Providers, or their designees to review monthly reports detailing personnel actions processed by members of their staff with this user role for appropriateness. As of September 27, 2019, approximately 35 percent of GEMS users were assigned this user role.

We selected a random sample of 45 Civil and Foreign Service employees newly hired as of June 30, 2019. We reviewed the most recent personnel actions for each employee selected to determine the existence of an appropriate SoD between the officials who initiated and processed the transactions. We found that 42 of 45 (93 percent) personnel actions tested were executed entirely by the same person using the aforementioned user role.

We then performed steps to determine whether the Department effectively executed its compensating control. We found that the Department consistently distributed monthly reports of personnel actions involving the use of the user role to designated personnel for review. However, the Department could not provide evidence that the designated official consistently reviewed the monthly reports and confirmed that the personnel actions were appropriate.

Although the Department developed a compensating control related to this established user role, we found that the control was not sufficient. Specifically, the Department did not require

designated bureau officials to acknowledge receipt of monthly activity reports and to provide their assessment of the appropriateness of the personnel actions. As a result, the Department did not have an effective process to mitigate the risk associated with establishing and assigning a user role that allows a user to initiate (SF-52) and process (SF-50) personnel actions without any additional review or approval.

Improper SoD controls surrounding user roles without effective compensating controls may lead to fraud or unauthorized transactions to financial and personnel records. Within personnel information systems, inadequate SoD increases the risk that inappropriate personnel actions may be approved without being identified. Specifically, an employee with a certain GEMS user role could initiate and process a personnel action (e.g., promotion) without any additional review or approval from another individual.

This issue was initially reported in our FY 2018 management letter.

NEW MANAGEMENT LETTER COMMENTS

During the audit of the Department's FY 2019 consolidated financial statements, additional matters came to our attention that were not previously reported in the FY 2018 management letter.

V. Information Technology

Ineffective GEMS Configuration Change Management Process

Information system configuration change management involves the systematic proposal, justification, development, testing, approval, and implementation of configuration changes, including upgrades and modifications. The Department uses several tracking tools⁷ to control the configuration change management process for GEMS. For example, the Department uses one tracking tool to manage the development and testing of configuration change requests and a different tool to manage the implementation of approved requests. The different tracking tools include some unique fields that can be used to document and monitor the status of each configuration change. For example, the tracking tools include fields to describe the purpose and type of each configuration change request as well as fields to track the date each change was requested, the status of each change, the date each change was approved to be put into production, and the date of implementation.

We requested a list of GEMS configuration changes implemented during FY 2019 to determine whether the Department followed its internal policies and procedures. We found that the list of GEMS configuration changes implemented during FY 2019 that was provided by the Department was not accurate. Specifically, we selected a sample of 33 GEMS configuration

⁷ Tracking tools refer to dedicated applications or software packages designed to control or manage the lifecycle of a configuration change request for one or more information systems. Agencies often customize tracking tools to fit their specific needs. Common aspects of tracking tools include access-based roles and responsibilities, standardized process flows, status tracking, and records management.

changes that the Department identified as implemented during FY 2019 and found that 7 of 33 items (21 percent) had not been implemented. For the remaining 26 items, we requested documentation to determine whether the Department complied with its internal configuration change management policies related to testing and obtaining approval prior to implementation. The Department was unable to provide supporting documentation for 6 of 26 items (23 percent).

Although the Department established unique fields within its GEMS tracking tools to document and monitor the status of configuration change requests, officials responsible for populating the data in the tracking tools did not consistently use these fields during FY 2019. If users entered correct tracking data in the tools, the Department would have been able to efficiently produce an accurate report detailing GEMS configuration changes. The Department did not have an effective internal quality control mechanism to ensure users entered accurate data in the GEMS tracking tools or to ensure users maintained required documentation within the GEMS tracking tools to support that users complied with policies and procedures for requesting, developing, testing, and implementing changes.

Controlling the proposal, justification, development, testing, approval, and implementation of configuration changes ensures that modifications to information systems do not adversely affect system security. In addition, effective configuration change management ensures that implemented configuration changes do not adversely affect the confidentiality, integrity, or availability of data processed in the information system. By failing to maintain information related to GEMS configuration changes, the Department may not be fully aware of all changes made to GEMS (i.e., the Department's configuration change management data may be incomplete) or of the potential impact of implemented changes to GEMS. Furthermore, the failure to consistently maintain documentation for implemented configuration changes may hinder the Department's ability to plan or evaluate new configuration change requests because the Department may not have all the details of work performed on prior changes.

Incomplete ILMS Periodic Access Review

The Integrated Logistics Management System (ILMS) provides end-to-end logistics and supply chain services for Department employees both domestically and at overseas posts. Employees with access privileges use ILMS for procurement, requisitioning, contract management, and asset management functions. ILMS directly interfaces with several other Department information systems, including the Department's primary accounting system.

We performed steps to determine whether Department personnel reviewed ILMS user accounts during FY 2019. We found that, although Department personnel conducted several review activities throughout FY 2019, the Department did not review access privileges for approximately 28 percent of the ILMS user accounts.

According to Department officials, the partial lapse of appropriations that occurred in FY 2019, as well as staffing shortages, were the primary contributing factors to the Department's failure to complete a review of access privileges for all ILMS user accounts. Additionally, during FY 2019, the number of ILMS user accounts that required review increased by approximately 18 percent. The Department's review process, which is manual in nature, is not mature enough to

overcome delays that may arise throughout the year or address significant increases in the number of users.

Periodically reviewing user accounts is an important security control to ensure only users with valid needs have proper, approved access privileges in the system. Users may leave the organization, change positions, or acquire new access privileges; therefore, it is important to periodically review system access listings to verify users have only the access and privileges needed to perform their job responsibilities. Unnecessary user access and privileges increases the risk to the confidentiality, integrity, and availability of the system and its data. Furthermore, inappropriately assigned or excessive access privileges increase the risk that erroneous transactions could be processed.



**United States Department of State
Comptroller
Washington, DC 20520**

UNCLASSIFIED

APR 07 2020

MEMORANDUM

TO: OIG Steve A. Linick
FROM: CGFS Jeffrey C. Mounts *Jeffrey C. Mounts*
SUBJECT: Draft Report – Management Letter Related to the Audit of the U.S. Department of State FY 2019 and FY 2018 Financial Statements

Thank you for the opportunity to review and comment on the Draft Report – Management Letter Related to the Audit of the U.S. Department of State FY 2019 and 2018 Financial Statements AUD-FM-20-XX).

The Bureau of the Comptroller and Global Financial Services (CGFS) does not have any substantive comments on the Draft Report and associated recommendations. We appreciate the efforts of the Office of Inspector General Audit Division (OIG/AUD) and the independent auditor Kearney & Company (Kearney) throughout the financial audit process. We are pleased that working collaboratively with your office and Kearney that we were able to close three of the prior year Management Letter findings. We will continue to strive for improvements in the areas noted in the Draft Report and appreciate your valuable input. The Department has benefitted significantly from the past ten years of Kearney's knowledge sharing and professionalism, and the excellent working relationships that you and Kearney maintained throughout the past annual audits of the financial statements.

cc: OIG/AUD – Norman P. Brown
Kearney & Company, P.C. – Mr. Kelly E. Gorrell
CGFS – Mr. William Davisson
CGFS – Mr. Joseph Kenny

UNCLASSIFIED

UNCLASSIFIED

-2-

Drafted: CGFS/OMA/FCR: BSchlaeppli
3/20/20 X605/0

Cleared: CGFS/EPRA: LHyland (Copied)
CGFS/OMA: BDavisson (3/27/20)
CGFS/OMA/FCR: PMcVicker (3/24/20)

UNCLASSIFIED