

**MANAGEMENT LETTER**  
**AUD-FM-IB-16-15**

To the Board of Governors and the Inspector General of the Broadcasting Board of Governors:

Kearney & Company, P.C. (referred to as “we” hereafter), has audited the consolidated financial statements of the Broadcasting Board of Governors (BBG) as of and for the year ended September 30, 2015, and has issued our report thereon dated November 16, 2015.<sup>1</sup> In planning and performing our audit of BBG’s consolidated financial statements, we considered BBG’s internal control over financial reporting and BBG’s compliance with certain provisions of 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 BBG’s internal control over financial reporting or on BBG’s compliance with certain provisions of 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 a material weakness or 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 OMB Bulletin No. 15-02, “Audit Requirements for Federal Financial Statements.” These items are not repeated in this letter, as they are explained in detail in our report on BBG’s FY 2015 financial statements.

Our procedures were designed primarily to enable us to form an opinion on BBG’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 and operations. These findings and recommendations, which are summarized in Appendix A, are intended to assist BBG in strengthening internal control and improving operating efficiencies.

We appreciate the courteous and professional assistance provided by BBG personnel during our audit. These findings and recommendations have been discussed with appropriate BBG officials. Comments from BBG management on this report are presented in Appendix B.

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<sup>1</sup> OIG, *Independent Auditor’s Report on the Broadcasting Board of Governors 2015 and 2014 Financial Statements* (AUD-FM-IB-16-14, Nov. 2015).



This letter is intended solely for the information and use of BBG management, those charged with governance, and others within BBG 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 &amp; Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia  
January 15, 2016

**MANAGEMENT LETTER COMMENTS**

**COMMENTS REPEATED FROM PRIOR YEAR**

During the audit of the Broadcasting Board of Governors (BBG) FY 2014 financial statements, Kearney & Company (referred to as “we” hereafter) identified matters that were reported in a management letter.<sup>1</sup> As described in Table 1, the severity of four issues included in the FY 2014 management letter has decreased, and we consider these items closed. One issue from the FY 2014 management letter remained open, and we have updated this issue with information obtained during the audit of BBG’s FY 2015 financial statements.

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

FY 2014 Management Letter Findings	FY 2015 Status
Accounting for Leases	Closed
Maintenance of Time and Attendance Documentation	Repeat
Presentation of the Statement of Net Cost	Closed
Requirements for Financial Disclosure Reports	Closed
Documentation Not Provided in a Timely Manner	Closed

**I. Payroll**

**Time and Attendance Documentation**

BBG’s Civil Service and Foreign Service Officers are paid by Defense Finance and Accounting Services (DFAS). These payments are made based upon time and attendance (T&A) information input by BBG officials into DFAS’s payroll system, Defense Civilian Pay System (DCPS). Each employee prepares a timesheet and confirms that the T&A information, including leave taken, is accurate for the current pay period. Once the timesheet is signed by the employee, the T&A Supervisor reviews each timesheet and certifies that it is accurate. Once certified, timekeepers enter the data from the timesheet into DCPS.

During the FY 2014 financial statement audit, we found that BBG was not compliant with T&A policies and procedures outlined in the Broadcasting Administration Manual. Specifically, for 8 of 45 (18 percent) timesheets tested, BBG was unable to provide evidence that a T&A Supervisor had approved the timesheet. Additionally, in 10 of 35 (29 percent) instances in which annual or sick leave was taken, BBG was unable to provide evidence that the employee had

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<sup>1</sup> *Management Letter Related to the Audit of the Broadcasting Board of Governors 2014 Financial Statements* (AUD-FM-IB-15-09, Feb. 2015).

requested leave or a Supervisor had approved the employee's leave in accordance with BBG policy.

During the FY 2015 financial statement audit, BBG officials stated that BBG had not modified processes to address deficiencies identified in the FY 2014 audit. Based on this information, we did not perform timesheet testing during the FY 2015 financial statement audit.

BBG did not have an effective process to ensure that BBG employees and supervisors were following T&A policies, including the requirement to maintain leave records. BBG officials stated that BBG plans to implement an electronic T&A approval system in FY 2016, which would automate the certification process and eliminate certain types of inconsistencies. However, the implementation of the system has been delayed because of resource and personnel limitations.

Failure to properly certify timesheets and approve leave increases the risk that employees will be compensated for hours not worked. Additionally, inaccurate leave balances may result in improper payments when employees separate from employment.

### Recommendation

We recommend that BBG develop and implement a process to ensure that responsible officials approve and retain time and attendance and leave records in accordance with policy. If delays with the development of the automated time and attendance approval system continue, BBG should develop and implement a manual process to ensure compliance with time and attendance and leave policy.

## **NEWLY IDENTIFIED COMMENTS**

During the audit of BBG's FY 2015 financial statements, additional matters came to our attention that had not been previously reported in the FY 2014 internal control report or management letter.

## **II. Payroll**

### **Untimely Processing of Personnel Actions for Separated Employees**

BBG's payroll service provider, DFAS, uses DCPS to process payroll. Although DFAS is responsible for processing payroll, BBG's Human Resources office is responsible for entering accurate and timely personnel actions in the DFAS human resource system, Defense Civilian Personnel Data System (DCPDS). When employees separate from BBG, their names should be moved to an inactive status in DCPDS until the employees' final separation payments are processed. After the employees' final payments are processed, the employees' names should be moved to an inactive status in DCPS.

To assess whether BBG processes personnel actions for separated employees timely, we obtained a list from BBG’s Human Resources office of 84 separated employees and compared it with reports from DFAS. Of the 84 employees identified as being separated, we identified five employees (6 percent) who were still in DFAS. The five exceptions related to employees who separated during April and May 2015. Although the five employees were in DFAS, none of the employees had been inappropriately compensated because the BBG official responsible for processing each employee’s time and attendance manually identified the employee as not having worked during the pay period.

The untimely processing of personnel actions occurred primarily because BBG does not have a process to ensure that personnel actions are processed timely. In addition, BBG does not have written policies and procedures for processing personnel actions for separated employees. Although BBG’s time and attendance process manually prevented the separated employees from continuing to receive pay, the risk of improper payment increases when separations are not processed in a timely manner.

Recommendation

We recommend that BBG:

- Establish written policies and procedures relating to the processing of separating employees.
- Develop and implement a process to ensure that personnel actions are processed in a timely manner.

**III. Information Technology**

**Inadequate Removal of Separated Users From the Accounting System**

BBG uses several financial management systems to compile information for financial reporting purposes. BBG’s main domestic financial management and accounting system is Momentum, which is run by an external service provider. The external service provider is responsible for maintaining a number of IT controls for Momentum. However, BBG administrators are responsible for providing authorized BBG network users access to the Momentum application. These administrators also maintain control of user accounts, access privileges, and security settings for the application. Access control is a way of limiting access to a system by limiting a user’s access and privileges to systems or information. Once a user is granted access to Momentum, access can be prevented through two processes.

To assess BBG’s process of removing employees’ Momentum access upon separation from BBG, we obtained a list of 92 separated employees from BBG’s Human Resources office and compared it with a list of active Momentum users. Of the 92 employees identified as being separated, we identified one user account (1 percent) that had not been deactivated in

Momentum. The employee separated in February 2015. Although the account was not deactivated, the user did not access Momentum after his or her separation date.

BBG has a process in place for Human Resource officials to notify BBG's Momentum system administrators of employee separations via email. However, the Momentum system administrators did not always manually deactivate user access as a result of these notifications. Rather, they relied on an automated feature within Momentum that locks user accounts after 60 days of account inactivity.

Poor controls over IT security can affect the integrity of financial system applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. IT weaknesses increase the risk that BBG will be unable to accurately report financial data. Although accounts are automatically locked after a period of time, promptly deactivating user accounts upon separation eliminates the ability of a separated employee to access BBG's financial management system.

#### Recommendation

We recommend that BBG reinforce the requirement with system administrators to promptly deactivate Momentum user access upon an employee's separation from the agency.

## Broadcasting Board of Governors Response



BROADCASTING BOARD OF GOVERNORS  
UNITED STATES OF AMERICA

January 15, 2016

Mr. Norman P. Brown  
Assistant Inspector General for Audits  
Office of Inspector General  
U.S. Department of State


Dear Mr. Brown:

We have received and reviewed the findings and recommendations contained in the draft report *Management Letter Related to the Audit of the Broadcasting Board of Governors' (BBG) 2014 and 2015 Financial Statements*. Overall, we agree with the findings and recommendations, and will apply our resources to implement changes addressing them. Enclosed please find BBG's responses to each of the issues identified by the Auditors.

BBG is fully committed to resolving the outstanding findings and recommendations, and will monitor the progress of each remediation.

Thank you for the opportunity to respond. If you have additional questions or concerns, please feel free to contact the BBG OIG Compliance Office, Jeffrey Young (202.203. [REDACTED] (b) (6)) or Susan Andross (202.382. [REDACTED] (b) (6)).

Sincerely,

  
John F. Lansing  
Chief Executive Officer

Enclosure

## **I. Payroll**

### **Time and Attendance Documentation**

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During the FY 2014 financial statement audit, we found that BBG was not compliant with T&A policies and procedures outlined in the Broadcasting Administration Manual. Specifically, for 8 of 45 (18 percent) timesheets tested, BBG was unable to provide evidence that a T&A Supervisor had approved the timesheet. Additionally, in 10 of 35 (29 percent) instances in which annual or sick leave was taken, BBG was unable to provide evidence that the employee had requested leave or a Supervisor had approved the employee's leave in accordance with BBG policy.

During the FY 2015 financial statement audit, BBG officials stated that BBG had not modified processes to address deficiencies identified in the FY 2014 audit. Based on this information, we did not perform timesheet testing during the FY 2015 financial statement audit.

BBG did not have an effective process to ensure that BBG employees and supervisors were following T&A policies, including the requirement to maintain leave records. BBG officials stated that BBG plans to implement an electronic T&A approval system in FY 2016, which would automate the certification process and eliminate certain types of inconsistencies. However, the implementation of the system has been delayed due to resource and personnel limitations.

Failure to properly certify timesheets and approve leave increases the risk that employees will be compensated for hours not worked. Additionally, inaccurate leave balances may result in improper payments when employees separate from employment.

### **Recommendation**

We recommend that the Broadcasting Board of Governors (BBG) develop and implement a process to ensure that responsible officials approve and retain time and attendance and leave records in accordance with policy. If delays with the development of the automated time and attendance approval system continue, BBG should develop and implement a manual process to ensure compliance with time and attendance and leave policy.

### **BBG Response (01/15/16)**

**BBG concurs with the Management Letter findings and recommendation. BBG is currently in the process of implementing WebTA, an electronic self-entry Time and Attendance approval system. WebTA will be configured to the agency's T&A requirements and will include edit**



checks necessary prior to certification and approval of an individual's T&A submission. WebTA will be the system of record for certified T&A submissions and leave records. A phased-in agency-wide implementation approach by area is expected to be completed in fiscal year 2016. DFAS will continue to be the system of record for payroll processing until the WebTA payroll interface with NFC is completed.

#### **NEWLY IDENTIFIED COMMENTS**

During the audit of BBG's FY 2015 financial statements, additional matters came to our attention that had not been previously reported in the FY 2014 internal control report or management letter.

#### **II. Payroll**

##### **Untimely Processing of Personnel Actions for Separated Employees**

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The untimely processing of personnel actions occurred primarily because BBG did not have a process to ensure that personnel actions were processed timely. In addition, BBG did not have written policies and procedures for processing personnel actions for separated employees. Although BBG's time and attendance process manually prevented the separated employees from continuing to receive pay, the risk of improper payment increases when separations are not processed in a timely manner.

##### **Recommendation**

We recommend that the Broadcasting Board of Governors:

- Establish written policies and procedures relating to the processing of separating employees.
- Develop and implement a process to ensure that personnel actions are processed in a timely manner.

BBG Response (01/15/16)

**BBG concurs with the Management Letter findings and recommendation. Written policies and procedures relating to the processing of personnel actions for separating employees will be developed, and the Office of Human Resources (OHR) is committed to doing so in order to cut down on delays in the processing of these actions. OHR's hope is that finalized Standard Operating Procedures (SOPs) will be completed within the next six months so that all OHR employees understand what actions need to be taken and to ensure that these actions are processed efficiently and timely.**

**III. Information Technology**

**Inadequate Removal of Separated Users from the Accounting System**

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BBG has a process in place for Human Resource officials to notify BBG's Momentum system administrators of employee separations via email. However, the Momentum system administrators did not always manually deactivate user access as a result of these notifications. Rather, they relied on an automated feature within Momentum that locks user accounts after 60 days of account inactivity.

Poor controls over IT security can affect the integrity of financial system applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. IT weaknesses increase the risk that BBG will be unable to accurately report financial data. Although accounts are automatically locked after a period of time, promptly deactivating user accounts upon separation eliminates the ability of a separated employee to access BBG's financial management system.

**Recommendation**

We recommend that the Broadcasting Board of Governors reinforce the requirement with system administrators to promptly deactivate Momentum user access upon an employee's separation from the agency.

**BBG Response (01/15/16)**

The Agency concurs with the recommendation and has already acted to reinforce the deactivation requirement with system administrators. However, we disagree with any assessment that the BBG's current process creates a vulnerability related to removal of separated employees from the accounting system.

BBG always strives to strengthen its internal controls. Accordingly, when this issue was first raised with us, we undertook to review our processes. We believe the current controls (which are not described accurately above) are effective as evidenced by a 1 percent testing exception result. Currently, when an employee is departing the agency there is an established exit process for the employee to check out through the Finance Office via the use of an exit checklist. A portion of the exit process involves notification by the Reporting Team to the Systems Team of the departing employee so a review of systems access is conducted and access terminations processed. As a result of our process review, we modified it to require that any departing employee be coded as inactive in Momentum, regardless of whether their status has already changed to deactivated due to inactivity. This process change results in a user being required to initiate a new access request form with a supervisor's signature before system access can be re-established – something a separated employee would be unable to do.

To back up our exit process we have also coordinated with Human Resources for the systems team to receive an employee separation report each pay period which they will cross reference with the exit process listing and terminate access as appropriate.

Additionally, the periodic review of Momentum users has been adjusted to quarterly from bi-annually. This process involves reviewing log-in activity and coding any deactivated users to an inactive status. This ensures only active users maintain access to the financial system.