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Description of document: Four Washington Metropolitan Transit Authority (WMATA) Inspector General (OIG) reports, 2009-2010

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Source of document: Office of General Counsel  
PARP Administrator  
Washington Metropolitan Area Transit Authority  
600 Fifth Street, NW  
Washington, D.C. 20001

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September 19, 2012

Re: PARP Request No. 12-0236

This is in response to your request for a copy of the following records: 1) CAM 10-005 Adv. Memo on Energy Conservation Measures; 2) CAM 10-12 Alert Memorandum on Project Oversight; 3) CAM 10-024 Evaluation of Pre-Award Financial Data; 4) CAM 10-032 Adv. Memo - contract 3Z800B; 5) CSA 11-001 Employee Safety in the Office of Track & Structures Systems; 6) IO 10-001 Internal Controls - Review of Excess Bus Revenue; 7) IO 10-002 Review of Controls over Storeroom Operations and 8) IO 11-001 Review of Monthly Reports on Bus Ridership and Revenue. Your request was processed pursuant to the Public Access to Records Policy (PARP), which can be viewed on our website at [http://www.wmata.com/about\\_metro/public\\_rr.cfm](http://www.wmata.com/about_metro/public_rr.cfm).

Enclosed is a copy of CAM Reports 10-005, 10-032 and 10-12. These reports were previously released in our decision to you for PARP request #10-0450.

Report #IO-10-002 is available on our website at [http://www.wmata.com/about\\_metro/docs/CombinedFinalStoreroomReportwithAttachment.pdf](http://www.wmata.com/about_metro/docs/CombinedFinalStoreroomReportwithAttachment.pdf)

Report #IO-11-001 is available on our website at [http://www.wmata.com/about\\_metro/docs/Bus\\_Ridership\\_Revenue\\_Final\\_Report\\_100710.pdf](http://www.wmata.com/about_metro/docs/Bus_Ridership_Revenue_Final_Report_100710.pdf)

Enclosed is a copy of Audit Report #10-001 Internal Controls: Review of Excess Bus Revenue. Pursuant to PARP Exemption 6.1.1 (safety and security), we have redacted detailed information regarding the location of our facilities and procedures followed at those facilities. In accordance with PARP Exemption 6.1.4 (confidential commercial information), we have redacted contractor financial information.

In accordance with PARP Exemption 6.1.5 (qualified commercial privilege and Deliberative Process Privileges), we have withheld CAM 10-024 because it is an

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600 Fifth Street, NW  
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202/962-1234

By Metrorail:  
Judiciary Square—Red Line  
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Red, Green and  
Yellow Lines  
By Metrobus:  
Routes D1, D3, D6, P6,  
70, 71, 80, X2

A District of Columbia,  
Maryland and Virginia  
Transit Partnership

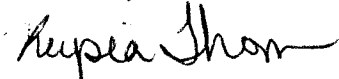
Page 2

internal document that contains evaluations and recommendations that were used in our contract negotiation process. The Report also contains confidential commercial information, which is exempt in accordance with PARP Exemption 6.1.4.

If you wish to appeal WMATA's decision, in accordance with WMATA's PARP § 9.1, you may file a written appeal of the action with the Chief of Staff within 30 business days of the date of this denial letter. The appeal panel will inform you of its determination concerning the appeal within 30 business days of receipt of the appeal. Further details about our appeals process can be found on our website.

There is no charge for the enclosed records because the first two hours of staff time and minor copying are free. Future correspondence regarding your request should be directed to my attention and should reference the PARP request number above. You may also contact me at 202-962-2058 or [kthom@wmata.com](mailto:kthom@wmata.com).

Sincerely,



Keysia A. Thom  
PARP/Privacy Policy Administrator

Enclosures

# M E M O R A N D U M

**SUBJECT:** Prenegotiation Examination of  
Proposal submitted by PEPCO ES  
Contract SF7016/PTB  
Implementation of Energy Conservation  
Measures in WMATA Facilities

**DATE:** July 31, 2009



**FROM:** OIG – Helen Lew [REDACTED]

**IN REPLY:** [REDACTED]

**TO:** PRMT – [REDACTED]

**REFER TO:** OIG Memo CAM 10-005

Pursuant to a request from the Office of Procurement and Materials Management (PRMT), OIG agreed to review the sole source proposal submitted by PEPCO Energy Services (PEPCO ES) to implement various energy conservation measures in WMATA facilities. The objective of OIG's review was to determine the reasonableness of PEPCO ES' proposed implementation cost.

PEPCO ES responded to Request for Proposal (RFP) No. SF7016/PTB. The RFP was issued to implement Energy Conservation Measures (ECMs) in WMATA facilities. PEPCO ES submitted a proposal to implement 16 (sixteen) ECMs in 7 (seven) WMATA facilities. To date PEPCO ES has submitted three different cost proposals. Initially the proposed implementation cost was for \$16 million, which PEPCO ES subsequently increased to \$22 million. PEPCO ES later reduced its proposed implementation cost to \$5 million after being notified of our pending audit.

Due to the fluctuation of PEPCO ES' proposed cost from \$16 million to \$22 million and then to \$5 million, and also PEPCO ES' failure to provide sufficient support, we have withdrawn from the engagement.

If PRMT decides to continue with this project, we suggest that the PRMT representatives obtain a properly developed proposal from PEPCO ES that is supported with sufficient and appropriate documentation.

Washington  
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Rapid Rail Authority



# M E M O R A N D U M

**SUBJECT:** Review of Proposal  
Submitted by Diversity Services  
Subcontractor to Parsons Brinckerhoff, Inc.  
Task 05-3Z800B-BPPD-3  
Development Related Ridership Study

**DATE:** May 20, 2010



**FROM:** OIG - [REDACTED]

**IN REPLY:** CO - [REDACTED]  
**REFER TO:** OIG Memo CAM 10-032

**TO:** PRMT - [REDACTED]

Pursuant to a request from the Office of Procurement (PRMT) to perform an examination of Diversity Services (Diversity), Subcontractor to Parsons Brinckerhoff, Inc. (Parsons), for Task 05-3Z800B-BPPD-3, "Development Related Ridership Study." We have made repeated efforts to obtain documentation necessary to initiate a review of the proposal. Formal requests were submitted to Parsons representative, [REDACTED] in an attempt to obtain the needed documentation for their subcontractor Diversity.

Due to the lack of a response and our not having access to the financial records of Diversity related to the subject proposal, we are precluded from conducting an audit. We suggest the Contracting Officer notify Diversity's representative of WMATA's audit rights. If Diversity subsequently agrees to provide the necessary audit access to verify its proposal, we will schedule an audit at that time consistent with available staff resources and priorities.

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# M E M O R A N D U M

**FINAL ALERT MEMORANDUM**  
**Contract Audit No. CAM 10-120**



**SUBJECT:** Project Oversight over  
ERG Transit Systems, Inc. (ERG)  
And Northrop Grumman Information  
Technology, Inc. (NGIT)

**DATE:** March 10, 2010

**FROM:** IG/OIG – Helen Lew /s/

**TO:** DGMA/CFO – Carol D. Kissal

The purpose of this Final Alert Memorandum is to bring to your attention serious internal control weaknesses in the Washington Metropolitan Area Transit Authority's (WMATA) oversight over the ERG Transit Systems, Inc. (ERG) and Northrop Grumman Information Technology, Inc. (NGIT) project.

On May 30, 2003, contract CO5034 was awarded to ERG for the operation of the Regional Customer Service Center (RCSC). The contract was part of the effort to embark on a regional fare collection program for transit agencies in the greater Washington/Baltimore region. Since the inception of contract CO5034, there have been over ten (10) modifications awarded to ERG for additional and/or supplemental labor. NGIT is a subcontractor of ERG for the purpose of providing staffing to operate the RCSC.

The Office of Inspector General (OIG) issued an audit report (OIG-08-025) entitled *Review of Issues and Concerns on ERG Contract* dated April 29, 2008, that outlined the causes of project delays and the status of the ERG project. Also, in December 2008, the Director of the Office of SmarTrip brought to OIG's attention some concerns and findings about the ERG contract and invoicing process. She requested that OIG investigate the findings.

The OIG is currently reviewing modifications for additional and supplemental labor under contract CO5034. During this review, auditors identified serious irregularities. Both ERG and the Contracting Officer's Technical Representative (COTR) for contract CO5034 are not in compliance with the contract. Per the terms of the contract, "Detailed cost accounting records, time sheets[,] must be completed and maintained for each of the 'up-to' seven agents by name, date, and activity. Such time sheets must be completed daily and submitted to the Principal COTR ... on a weekly basis." On several occasions, ERG personnel submitted lump sum invoices for labor hours that did not include a breakdown of the individual names, hours, and amounts. ERG did not submit the required supporting documentation; nor was the COTR for WMATA requesting this data. As a result, these amounts cannot be properly cross-referenced to NGIT timesheets. This brings into question whether a proper invoice review was performed.

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Also, ERG exceeded the "not to exceed" amounts on some modifications. On some occasions, ERG would re-submit the exceeded amount under a different invoice, which was later paid by WMATA under a subsequent modification.

Despite the above improper actions by ERG, we found the COTR authorized the payments for labor without properly verifying those hours and allowed ERG to re-submit a new invoice for amounts exceeding the "not to exceed" amounts in the modification. Specifically, the COTR would authorize payments under old modifications that had exceeded the authorized limits, using a subsequent modification's funding that was not within the scope to pay for invoices and services provided by ERG. These payments were not only all outside of the authorized period and scope; they also did not have documented justifications. In some instances, new modifications overlapped with the prior modification in terms of dollars and time period without any indication whether the new modification superseded the prior one. In another situation, WMATA's COTR did not close out the original modification when the performing period was over or de-obligate unused funds. Instead of de-obligating the funds at the end of the performing period as required, the COTR subsequently authorized payments beyond the "not to exceed" amount of the modification.

Although nothing came to our attention to suggest customer service needs were not met, the lack of proper project management and oversight increased WMATA's risk of exposure to fraud, theft, and abuse of its assets. We suggest that the issue of proper project management and oversight regarding the ERG contract be given the highest priority to mitigate any risk of loss of assets to WMATA. We suggest that appropriate action be taken concerning billing invoices that cannot be properly crossed-reference and supported. We also suggest you develop and implement proper internal controls for the ERG contract, as well as other contractors doing business with WMATA to ensure they are performing in accordance with contract terms and that payments to them are proper.

#### Management Comment

In the Deputy General Manager for Administration/Chief Financial Officer's March 4, 2010, response to a draft of this Alert Memorandum, she indicated concurrence with our findings and suggestions. She further stated that while a majority of the inadequacies we identified occurred prior to the end of June 2008, management recognized their internal processes and controls could be improved. Management outlined some steps they have implemented or are in the process of implementing to address our suggestions. The complete text of management's response is included as attachment 1 of this report.

#### OIG comments

We wish to point out that while a majority of the inadequacies identified in our Alert Memorandum occurred prior to the end of June 2008, these control issues currently exist. Management's plan, if properly implemented, should address our concerns.

Administrative Matters

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office of Inspector General's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final Corrective Action Plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and suggestions contained in this report.

If you have any questions, please contact [REDACTED], Assistant Inspector General Audit, at [REDACTED] or me at [REDACTED]

/s/

Helen Lew  
Inspector General

Attachment

cc: Chief Procurement Officer – [REDACTED]  
CHOS - Shiva K. Pant  
COUN - Carol O'Keeffe

ATTACHMENT 1

**M E M O R A N D U M**



**SUBJECT:** Draft Alert Memorandum  
Contract Audit No. CAM 10-120

**DATE:** March 4, 2010

**FROM:** DGMA/CFO – Carol D. Kissal [REDACTED]

**TO:** OIG – Helen Lew

The Office of SmarTrip® (SMRT) has reviewed the Office of Inspector General's (OIG) draft Alert Memorandum, titled Project Oversight over ERG Transit Systems, Inc. (ERG) and Northrop Grumman Information Technology, Inc. (NGIT) dated February 19<sup>th</sup>, 2010. We appreciate the opportunity to provide comments on the memorandum and suggestions to improve contract oversight.

SMRT concurs with the OIG's findings for this contract. While a majority of the inadequacies identified in your memorandum occurred through June 2008, SMRT recognizes that we can improve upon our internal processes and controls. The Contracting Officer's Technical Representative (COTR) responsible for oversight of this contract in the past during that timeframe is no longer with Washington Metropolitan Area Transit Authority (Metro or Authority). In fact, the new COTR, in conjunction with the office engineer, discovered some of the same irregularities and discrepancies you outlined during the process of familiarizing themselves with the contract and invoicing details. Identified concerns and findings were elevated in early December 2008 to the then recently appointed Director of SmarTrip®. The Director then formally requested the OIG to further investigate staff's findings.

The current SMRT COTRs have initiated and implemented the following general steps in order to avoid the recurrence of these types of issues, including, but not limited to:

- Only authorizing payment of invoices for goods and services that are in the performing period and within the authorized scope of services identified in the associated contract modification.
- Monitoring authorized modification dollar amounts during the performance period so that associated payments do not exceed the amount authorized in the modification.
- Close coordination of contract changes and modifications with the Procurement Office.



SMRT also concurs with the OIG's concern regarding ERG invoices for additional and supplemental labor, specifically relating to supporting time records associated with their subcontractor (NGIT) who is managing the Regional Customer Service Center. With regard to this issue, the COTR has taken the following immediate steps in order to resolve management of additional and supplemental labor:

- Request timesheets (or approved payroll time records) from ERG as stated in the respective contract modification.
- Coordinate with the Procurement Office such that all newly issued modifications do not overlap with prior modifications in dollar and time period.

Additionally, SMRT is in the process of implementing the following steps:

- Coordinate with the Procurement and Accounting Offices regarding the de-obligation of remaining unused funds on modifications
- Close the budget line item out at the end of the performance period associated with the modifications.

While we await the OIG's Final Alert Memorandum, SMRT will continue to be diligent in managing Metro's assets associated with management of assigned contracts to minimize WMATA's exposure to fraud, theft or abuse.

If you have any questions regarding this memorandum, please contact [REDACTED] at [REDACTED], or you may contact me directly at ([REDACTED])

cc: ACCT - [REDACTED]  
PRMT - [REDACTED]  
SMRT - [REDACTED]



**M E M O R A N D U M**



**SUBJECT: OIG Draft Report - Internal  
Controls: Review of Excess Bus  
Revenue**

**DATE: January 19, 2010**

**FROM: DGMA/CFO - Carol Dillon Kissal**

**TO: OIG - Helen Lew**

This is in response to the Office of Inspector General's (OIG) draft audit report, entitled "Internal Controls: Review of Excess Bus Revenue", dated January 12, 2010. After reviewing the draft audit report, we are pleased that [REDACTED] generally met the contract terms and provisions and that TRES had adequate controls over [REDACTED] for collecting, handling and accounting for excess bus revenues. We offer the following comments for your consideration prior to finalizing the audit report.

**Review of Results:**

Second paragraph of the above referenced section states "[REDACTED] management indicated that it was unrealistic to count and deposit excess bus revenue within [REDACTED] WMATA management agreed; the parties orally agreed to modify procedures". This statement does not completely and accurately encapsulate the actions taken by TRES. We request that the referenced statement be revised as follows to correctly and completely reflect the actions taken by TRES and the intent behind those actions [REDACTED]

**Finding 1 - Contract Terms and Provisions Generally Met Except for Two Areas:**

It is correct that the terms of the contract require [REDACTED] to process and deposit/credit the currency [REDACTED]. However, [REDACTED] credited WMATA's bank account the declared amount within [REDACTED], giving WMATA immediate access to almost all of its funds since the average accuracy rate between the actual and declared values of the funds was at least 99.5%. It is a standard practice to use declared value for receiving immediate deposit credit followed by a true-up once the funds are physically deposited in the bank.

In fact, this is similar to the practice followed by WMATA for cash revenues processed in-house.

Since the mix of the currency has changed materially over the last year and the bills of various denominations are comingled, TRES management decided that it would serve no logical purpose to [REDACTED] the currency and it would not be an effective control mechanism.

**Finding 2 - Internal Controls Over [REDACTED] are Adequate Except for Undocumented Deviations of Contractor's Scope of Work:**

We agree with your recommendation to issue a change order to modify the contract to reflect the deviations to the scope of work referenced in your findings. TRES will request PRMT initiate such a change order.

Please let us know if you require any additional information.

cc: TRES - [REDACTED]  
COUN - C. O'Keeffe  
CHOS - S. Pant  
PRMT - [REDACTED]

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# M E M O R A N D U M



## FINAL AUDIT REPORT WITH RECOMENDATIONS Internal Operations No. IO-10-001

**SUBJECT:** Internal Controls: Review of Excess  
Bus Revenue

**DATE:** January 27, 2010

**FROM:** OIG –Helen Lew /s/

**TO:** DGMA/CFO –Carol D. Kissal

This Final Audit Report entitled Internal Controls: *Review of Excess Bus Revenue*, presents the results of our limited scope audit of the Washington Metropolitan Area Transit Authority's (WMATA) contract with [REDACTED] for excess bus bus revenue processing services. The objectives of our audit were to determine: (1) whether the contractor performed work in accordance with contract terms and provisions and (2) assess the adequacy of WMATA's Office of Treasurer (TRES) internal controls over [REDACTED] for collecting, handling, and accounting for excess bus revenue.

### Background

TRES has the responsibility for collecting, processing and depositing cash from bus patrons who place their fares into the bus fare boxes. The bus fare boxes register the total cash received, type of payment, and number of bills by denomination. [REDACTED]

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The WMATA's *Single Audit Report for the year ended June 30, 2009*, dated October 22, 2009,<sup>1</sup> [REDACTED]

<sup>1</sup> Clifton Gunderson, LLP, Certified Public Accountants & Consultants, conducted the audit.

[REDACTED]

[REDACTED] According to TRES, the delays were due to staffing shortfalls, limitations on overtime effort, and variations in volume. The back log of bills that TRES did not count or deposit on the date received (hereafter, " *excess bus revenue*").

Based on a cost benefit analysis of the overtime labor costs, the impact on cash flow, and the forgone investment income, TRES concluded that it would be cost effective to hire an outside contractor to process any excess cash that could not be deposited in a timely manner.

On September 15, 2009, WMATA awarded a one year contract (Contract No. CQ92080) for \$116,250.00 with four one-year option periods to [REDACTED] to process excess bus revenue. The agreement requires WMATA to pay [REDACTED] [REDACTED] per bill processed ([REDACTED]). The contractor executed the contract on September 30, 2009. The contract was for only counting excess bus revenue; coin counting was not included.

**Audit Results**

We found that [REDACTED] generally met the contract terms and provisions. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

We also found that while TRES has adequate internal controls over [REDACTED] for collecting, handling, and accounting for excess bus revenue, it did not issue change order modifications to the contract to address the above deviations from the contractor's scope of work.

In the Deputy General Manager for Administration/Chief Financial Officer's January 19, 2012, response to a draft of this report, she concurred with our findings and recommendation.

**Finding 1- Contract Terms and Provisions Generally Met Except for Two Areas**

We found that the contractor generally met the contract terms and provisions, except for

[REDACTED]

**Contract Requirements Were Generally Met**

The terms of the contract require [REDACTED]

[REDACTED] is to provide daily reports to TRES on the actual unit counts for each bus garage. When comparing the actual count with the declared amount, the accuracy should not be less than 99.5 percent. [REDACTED] will provide TRES with the photo and signature of all contractor employees (messengers) who are to pick up the bus revenue. [REDACTED] is to supply a book of bar coded stickers to TRES for affixing on the plastic deposit bags. [REDACTED]

[REDACTED]

[REDACTED] In the event the revenue amount does not match the preset margin (99.5 percent), TRES will be contacted. TRES and [REDACTED] will address the concern in an appropriate manner to include but not limited to the count verifications, reviewing of videos of the process area, and isolating the revenue so it is not comingled with other currency.

Our analysis found that the average accuracy rate between the declared and actual amount for the months of October and November 2009 was exactly 99.5 percent. However, comparisons on a daily basis often were more or less than 99.5 percent. According to the Fare Box Repair Manager, the variations were possibly due to a change in the fare system software, currency stuck in a fare box on one day and then deposited on a later date, or malfunctioning fare boxes.

[REDACTED]

**Contract Requirements Were Not Met in Two Areas**

[REDACTED]

[REDACTED] We brought this matter to the attention of TRES management. As a result, TRES and [REDACTED] agreed orally that the contractor would deposit/credit the declared amount in WMATA's bank account within [REDACTED]. The declared amount would provide WMATA immediate access to the fund. A credit or debit adjustment is made, as appropriate, after the contractor processes and counts the excess bus revenue.

[REDACTED]

[REDACTED]

**Management Comment**

Management concurred with the finding. However, management did not think the wording of the finding completely and accurately encapsulated the actions taken by TRES regarding the processing and deposit of excess bus revenue.

### **OIG's Comment**

The language change management requested was included in our draft report under the caption *Contract Requirements Were Not Met in Two Areas*.

### **Finding- 2 Internal Controls Over ██████ Control Can Be Improved**

We found that TRES had adequate internal controls over ██████ for collecting, handling, and accounting for excess bus revenue. We also found that internal controls at ██████ to be adequate. Access to the contractor's facility, building entrance, and currency room working area was restricted, requiring screening and identification for entry. We found that there was proper documentation to track and record money received at the ██████ facility. However, TRES did not submit change order modifications to address the previously mentioned deviations from the contractor's scope of work.

A change order is required to document other agreements of the contracting parties to modify the terms of the contract, for example, a supplemental agreement for work outside the scope of the contract. Only a Contracting Officer or an authorized representative acting within the scope of the Contracting Officer's delegated contract authority is authorized to execute a contract modification on behalf of WMATA. Failure to follow the terms of the contract could result in misinterpretations between the contracting parties on what agreements were made to address contract deviations.

### **Recommendation**

We recommend that TRES request Office of Procurement and Materials (PRMT) to modify the contract by issuing a change order to reflect agreements made to the contract's scope of work relating to the 24 hour and weight requirements.

### **Management Comment**

Management concurred with our findings. TRES will request PRMT to initiate the change order.

### **OIG's Comment**

The corrective actions which management has taken or plans to take should address our recommendation.

### **Objective, Scope and Methodology**

The objectives of our review were to determine: (1) whether the contractor performed work in accordance with contract terms and provisions and (2) assess the adequacy of WMATA's Office of Treasurer (TRES) internal controls over [REDACTED] for collecting, handling, and accounting for excess bus revenue. Our initial review period was October and November 2009. We expanded our review to include September 2009 for comparing TRES and [REDACTED] accuracy rates. The audit was conducted from October 2009 through December 2009. We held an exit conference with management personnel in TRES on January 7, 2009.

To accomplish our objectives, we interviewed representatives from TRES, Metro Transit Police Department, PRMT, Bus Maintenance, and Office of Accounting. We also interviewed a representative from [REDACTED]. [REDACTED]

[REDACTED] We reviewed WMATA's procurement manual, accounting manual, contract files, and data files. We analyzed declared probed amounts with the actual amounts counted by [REDACTED].

We conducted our audit in accordance with *Government Auditing Standards*, appropriate to our scope. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit includes assessments of applicable internal controls and compliance requirements of laws and regulations when necessary to satisfy our audit objectives. We believe that our audit provides a reasonable basis for our conclusion.

### **Administrative Matters**

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office Of Inspector General's Audit Accountability and Resolution Tracking System. Department

policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this report.

We appreciate the cooperation and assistance extended by your staff during our audit.

If you have any questions, please contact [REDACTED], Assistant Inspector General for Audits, at (202) 962-[REDACTED] or me at (202) 962-[REDACTED].

/s/

Helen Lew  
Inspector General

Attachment

cc: COUN Carol O'Keefe  
CHOS Shiva Pant  
MTPD [REDACTED]