



JUL 8 2010

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

FROM: 
JAMES L. TAYLOR
Chief Financial Officer

SUBJECT: The Office of the Chief Financial Officer's response to the Office of
Inspector General's Alert Memorandum
Report Number: 22-10-018-13-001, Dated June 23, 2010

In January of this year DOL's New Core Financial Management System (NCFMS) became operational, replacing our previous accounting system, DOLAR\$, first implemented in 1989. NCFMS, a financial management line of business shared service provider system, has brought necessary modernization to DOL's core financial management functions; but not without challenges. As you are aware, these issues have delayed the Department's timely submission of interim unaudited financial statements for the second quarter of this fiscal year (FY).

Your Alert Memorandum dated June 23, 2010 emphasized the OIG's concern that second quarter financial data had not been made available to your auditors (KPMG) by the June 11, 2010 deadline, and that KPMG might not be able to complete a full scope audit of the Department's consolidated financial statements and issue an opinion by the November 15, 2010 deadline established by OMB. Your memorandum concluded that: *"At a minimum, the Department needs an audited consolidated balance sheet in order to receive a full scope audit on all its consolidated financial statements, once NCFMS is fully operational. Therefore it is critical that the Department continue its efforts to remediate the issues encountered with NCFMS."*

The OCFO is working diligently to resolve the NCFMS implementation issues. Additional staff has been assigned to this high priority effort, with a primary focus on the production of timely, accurate and complete annual financial statements for FY 2010. This highly focused approach has reduced the staff time available to complete various time intensive analyses requested by the audit team, and this approach will continue throughout the rest of the fiscal year. However, we believe these reallocations of staff resources are necessary to allow the OCFO to resolve the remaining NCFMS implementation issues as quickly as possible, and to produce the annual consolidated financial statements in accordance with our agreed upon timeline.

To allow us to better focus our efforts on the integrity of the financial statement data, we must also reduce the number of prepared by client (PBC) schedules and reconciliations we produce for the auditors, as indicated on the Exception PBC List for FY 2010, attached. Even with these reductions, OCFO staff will provide over 850 schedules and reconciliations to the auditors in support of this year's audit effort. (See PBC List for FY 2010, attached.)

I would like to discuss these changes with you at your earliest convenience, so that the work of the auditors can be supplemented and rescheduled as necessary. Our overriding objective is the production of accurate and complete annual financial statements for FY 2010, in a timely manner, which allows you to complete your audit work and the Department to meet OMB's November 15, 2010 deadline for submission of the Agency Financial Report for FY 2010.

Thank you for your cooperation and support, as we work together to improve the Department's financial management.

*Attachments: Exception PBC List for FY 2010
PBC List for FY 2010*

cc: Joseph L. Donovan, Jr., OIG
Sean Gilkerson, OIG
Daniel J. Lacey, OCFO
Yoko Albayrak, OCFO

Auditor's Note: The attachments included with OCFO's response contain sensitive information and will not be posted.