# OCIO Response to Draft Report

**U.S. Department of Labor**

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210

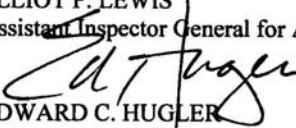MAR 3 0 2011

MEMORANDUM FOR ELLIOT P. LEWIS
                     Assistant Inspector General for Audit

FROM:               EDWARD C. HUGLER
                     Deputy Assistant Secretary for
                     Administration and Management

SUBJECT:         Ineffective Accounting for Sensitive Information Technology
                     Hardware and Software Assets Placed DOL at Significant
                     Risk: Draft Report No. 23-11-001-07-001

This responds to the above-described draft report dated March 24, 2011. The stated audit objective was to determine the Department's ability to account for its inventory of sensitive Information Technology (IT) hardware and software.

This draft audit report was one of four delivered to the Department's Chief Information Officer (CIO) in the past few business days—all with due dates for management's reply set for March 29 or 30, 2011. As a result, management was afforded only a few business days for the preparation of final responses. Management acknowledges that we were contacted at the staff level and recently participated in meetings on a discussion draft of this report. However, for the most part, very little of the input offered—which was focused on balance and fairness—was adopted in the draft report. For completeness, we have captured the major topics of our input in the comments below.

At the outset, management acknowledges that there are deficiencies in the property management system and is prepared to take corrective action. However, the report contains erroneous assumptions that form a misleading portrayal of the issues and the severity of the associated risks:

- Use of the Term "Sensitive" IT Assets. All DOL IT assets are not "sensitive" and the use of this term is misused throughout the report. The security sensitivity of an IT asset is based on the type of data that is stored or processed on the asset as well as the function of the asset. The draft report does not explain if or how the security sensitivity of information stored or processed on IT assets was evaluated during the audit.

- No Acknowledgement that the E-Procurement System (EPS) Was Not Intended to be Part of DOL's E-Property Management System (EPMS), Page 3 and subsequent pages. Beginning with the section on "Procurement" on page 3, the draft report focuses on EPS as part of the Department's EPMS and on functions that EPS was never intended to

perform. Focus should be placed on the inventory "process and results," which can be improved, rather than an automated procurement system that is performing within its design parameters. Notably, the report never acknowledges that EPS is performing as designed and continues the misleading notion that EPS should be something other than what it is—a system for procuring certain goods and services. It is not the function of EPS to account for all assets—nor can it do so. For example, DOL purchase card users have the ability to purchase IT assets up to $3,000 without using EPS. Over $2 million in such assets were acquired using purchase cards in FY 2010. This should be corrected in the final report.

In addition, page 11 of the draft report states that "[t]here was no electronic interconnection between EPS and EPMS." The statement is factually correct, but there is no requirement that the systems be connected and electronic integration of the two systems is not part of the design. The statement implies the Department is required to have the systems connected and that integration of the two systems is the only acceptable way to account for the Department's IT assets. This is an incorrect statement and should be corrected in the final report.

- Lack of Relevance of EPS Errors to EPMS, Page 4. Page 4 of the draft report provides and example of an EPS data input error by stating that a $1 million procurement action was coded as $77 million. However, the report fails to explain how an error in EPS is relevant to EPMS, a system not connected to EPS. It implies without explanation that the Department incorrectly procured goods or services worth $1 million at a cost of $77 million, which is not the case. Since EPS is not part of the Department's inventory system, it is not clear how the coding error in EPS is relevant to the stand alone EPMS. OASAM has requested the background information on this finding so that it can be investigated to clarify the meaning of the error. It is quite possible that there is an error, but that a system user made a mistake in entering data which was later corrected.

- Mischaracterization of a Significant Deficiency, Page 12. The draft report states the DOL information security program has worsened as a result of the deficiencies identified in the audit and, with no analysis, concludes that the issues identified in the report meet the definition of a significant deficiency under FISMA. It is management's view that the information provided does not warrant the classification of a significant deficiency.

Be assured that nothing in this response is intended to suggest that management does not take seriously the recommendations of the OIG. With the caveats outlined above, management accepts the spirit of the recommendations in the audit report and will take the following actions:

**Recommendations**

*1. Assess and take appropriate measures to ensure reports of lost, missing, or stolen sensitive IT assets have not resulted in loss of sensitive (PII) information in accordance with US-CERT and DOL Information Breach Policy and Procedures.*

*Response:* OASAM will review existing property systems for enhancements/modifications to ensure adequate controls for inventory accounting and reporting IT assets. This will include short-term measures and longer-term solutions. By the 4th quarter of FY 2012 OASAM will have an interim mitigation plan underway to improve the accountability of IT assets, pending a longer-term solution. After making a determination of the enhancements/modifications required, and contingent on funding availability, changes to the property management program will be implemented to improve property accountability. The review, development and implementation are expected to be complete within 18 – 24 months, or in the 3rd quarter of FY 2012.

*2. Perform a full inventory of the Department's IT assets that is accurate and complete including an update of the information into a viable inventory management system.*

*Response:* As part of the interim solution described above, OASAM will issue a call for a DOL agencies to conduct a full inventory of reportable personal property, including information technology assets, to be completed by the 4th quarter of FY 2012.

*3. Consolidate all inventory systems throughout DOL to eliminate duplication, realize cost savings, and strengthen inventory and security controls over IT assets.*

*Response:* This recommendation does not take into account that the Office of Job Corps maintains its own independent, contractor-operated system for property maintained at Job Corps centers. The more appropriate recommendation should be that the inventory process conforms with DLMS Chapter 2, Section 100, which provides that DOL will utilize an enterprise-wide property management system (EPMS) to record, track, and verify information pertaining to accountable property through decentralized oversight by the OASAM's Business Operations Center. The DLMS also states the "...policy applies to all DOL agencies and offices nation-wide regarding accountability for tracking and maintaining current property records. The Job Corps Center property will be centrally managed by the Employment and Training Administration, Office of Job Corps."

OASAM will consolidate all inventory systems making EPMS the one authoritative source for asset inventory control and oversight, with the exception of the Job Corps Center inventory as required by DLMS Chapter 1, Section 100, by the 4th quarter of FY 2012.

*4. Perform required reviews of program agencies' inventory practices and procedures to ensure full participation in the inventory process across the Department and compliance with Federal information system requirements.*

*Response:* In accordance with the policy established by DLMS-9, Chapter 300, Paragraph 306 A (2), the Chief Information Officer will periodically review agencies' information resources accountability and inventory practices to ensure they meet all legal requirements.

*5. Develop policies for disposal of sensitive IT assets that presently lack coherent policy.*

*Response:* OASAM will issue updated policy guidance for the disposal of sensitive IT assets by the 4th quarter of FY 2011.

*6. Integrate a reliable electronic procurement system with a viable inventory system along with the financial systems to ensure seamless interoperability*

*Response:* This recommendation goes beyond the scope of the audit by recommending how to specifically remedy the issues identified in the report. While such an integrated solution may be desirable, it is inappropriate to limit management's options. The more appropriate recommendation should be to implement processes to ensure the Department can account for its assets in accordance with DOL policy.

With this in mind, the Department will continue to review and implement systems, policies and procedures that serve to integrate its electronic procurement, inventory management and financial management systems, in line with funding availability.


cc:     T. Michael Kerr, Chief Information Officer
        Al Stewart, Procurement Executive
        Thomas Wiesner, Deputy Chief Information Officer