



Audit Report



OIG-17-028

FINANCIAL MANAGEMENT

Management Letter for the Audit of the Gulf Coast Ecosystem
Restoration Council's Financial Statements for Fiscal Year 2016

December 16, 2016

Office of
Inspector General

Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 16, 2016

**MEMORANDUM FOR JUSTIN EHRENWERTH, EXECUTIVE DIRECTOR
GULF COAST ECOSYSTEM RESTORATION COUNCIL**

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Management Letter for the Audit of the Gulf Coast
Ecosystem Restoration Council's Financial Statements for
Fiscal Year 2016

I am pleased to transmit the attached subject management letter. Under a contract monitored by our office, RMA Associates, LLC (RMA), an independent certified public accounting firm audited the financial statements of the Gulf Coast Ecosystem Restoration Council as of September 30, 2016, and for the year then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

As part of its audit, RMA issued the attached management letter dated November 11, 2016, that discusses matters involving internal control over financial reporting that were identified during the audit, but were not required to be included in the auditors' report.

In connection with the contract, we reviewed RMA's management letter and related documentation and inquired of its representatives. RMA is responsible for the letter and the conclusions expressed in the letter. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted government auditing standards with respect to this management letter.

Should you have any questions, please contact me at (202) 927-0009 or Mark S. Levitt, Manager, Financial Audit, at (202) 927-5076.

Attachment

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Management Letter on the Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Year 2016

November 2016

RMA Associates, LLC

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MANAGEMENT LETTER

November 11, 2016

To: Mr. Justin Ehrenwerth
Executive Director
Gulf Coast Ecosystem Restoration Council

and

Ms. Mary Pleffner
Chief Financial Officer
Gulf Coast Ecosystem Restoration Council

CC: Mr. Eric M. Thorson
Office of the Inspector General
U.S. Department of Treasury

Dear Mr. Ehrenwerth and Ms. Pleffner:

We have audited the financial statements for the Gulf Coast Ecosystem Restoration Council (the Council) as of and for the year ended September 30, 2016, and have issued our reports thereon dated November 11, 2016. In planning and performing our audit of the financial statements, in accordance with 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. 15-02, *Audit Requirements for Federal Financial Statements*; we considered internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Although not considered to be significant deficiencies or material weaknesses, we noted other internal control matters that we identified during the audit but that may be of sufficient importance to merit management's attention. The findings and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the Council's internal control or result in other operating efficiencies.

Management's response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We appreciate the courteous and professional assistance that the Council personnel extended to us during our audits. We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Gulf Coast Ecosystem Restoration Council and its Office of Inspector General and is not intended to be and should not be used by anyone other than these specific parties.

RMA Associates

Exhibit A

Financial Reporting

Finding 1: Insufficient Documented Tests of Operating Effectiveness

During fiscal year 2016, the Council completed its corrective action plans and was able to remediate the prior-year significant deficiency, however the Council could expand on documenting policy in alignment with OMB Circular A-123 (July 2016)- *Management's Responsibility for Enterprise Risk Management and Internal Control*.

It would be a good business practice to perform tests of operating effectiveness of internal controls, through monitoring, by evaluating internal control at the process, transaction, or application level. Tests of controls ordinarily include procedures such as inquiries of appropriate agency personnel; inspection of documents, reports, or electronic files, indicating performance of the control; observation of the application of specific control; and reperformance of the application of the control by the senior assessment team.

Such tests of operating effectiveness can assist management in more easily identifying control deficiencies.

This process is not currently documented within the Council's policies and procedures.

Recommendation:

We recommend that management expand the *Risk Management and Internal Control Assessment and Structure Handbook* to include guidance under OMB Circular A-123, Appendix A: Internal Controls over Financial Reporting, in order to expand on the Council's tests of operating effectiveness and monitoring of internal controls.

Management Response:

Please reference Appendix A of this letter.

Finding 2: Incomplete Implementation of Safeguards and Countermeasures Resulting from FISMA Review

In FY16, the Council underwent an Information Technology (IT) Risk Assessment in accordance with the Federal Information Security Modernization Act of 2014 (FISMA). As a result of the review, three vulnerabilities were identified in the areas of Management, Operational, and Technical Security. These vulnerabilities were considered moderate risk by the risk assessment team:

1. **Information System Security Policy, Standards, Procedures and Guidelines**
2. **IT Infrastructure Components**
3. **Information Technology Personnel**

The Council has documented, but not fully implemented, its remediation efforts. The Council has also documented monitoring procedures to test the operating effectiveness of system security procedures within the *Risk Management and Internal Control Assessment and Structure Handbook*. However, management has not begun these procedures as of 9/30/2016. Therefore, the above identified vulnerabilities allow for unauthorized / improper manipulation of financial information through exploitation of a lack of design or lack of operating effectiveness of controls.

Recommendation:

We recommend that management should:

1. **Information System Security Policy, Standards, Procedures and Guidelines**
 Continue its tests of operating effectiveness over these implemented controls through execution of documented procedures.
2. **IT Infrastructure Components**
 Consider its existing Memoranda of Understanding (MOU) with other Federal entities as an effective remediation to this vulnerability. Specifically, the following Federal entities host and maintain the majority of IT infrastructure components:

IT Component	Host
Financial Reporting	Administrative Resource Center (ARC) under the U.D. Department of treasury's Bureau of Fiscal Service
Restoration Assistance and Awards Management System (RAAMS/ Council's grants management system)	National Technical Information Service (NTIS) Data Center
Email/ Collaboration Services	National Oceanic and Atmospheric Administration (NOAA)
Website	Department of Interior (DOI) web server

- 3. Information Technology (IT) Personnel** Consider its existing MOU with other Federal entities as an effective remediation to this vulnerability. Specifically, the Federal entities, identified in Recommendation #2, provide the IT personnel to adequately maintain the IT infrastructure.

Management Response:

Please reference Appendix A of this letter.

Appendix A: Management's Response to Management Letter Findings



Gulf Coast Ecosystem Restoration Council

November 18, 2016

Eric M. Thorson
Inspector General, U.S. Department of the Treasury
Washington, DC 20022

Re: Response to the 2016 Management Letter

Dear Inspector General Thorson,

Management concurs with the two findings as identified below, and will take appropriate actions to remediate the findings.

Finding 1: Documented Controls have been Implemented for an Insufficient Period of Time

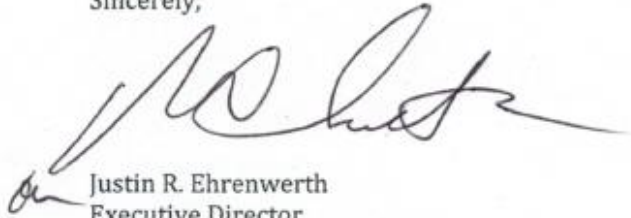
Recommendation: The *Risk Management and Internal Control Assessment and Structure Handbook* should be expanded to include guidance under OMB Circular A-123, Appendix A: Internal Controls over Reporting, in order to expand on the Council's tests of operating effectiveness and monitoring of internal controls. Council concurs with and will implement the recommendation.

Finding 2: Incomplete Implementation of Safeguards and Countermeasures Resulting from FISMA Review

- 1. Information System Security Policy, Standards, Procedures and Guidelines**
Recommendation: The Council should continue its tests of operating effectiveness over these implemented controls. Council concurs with and will implement the recommendation.
- 2. IT Infrastructure Components**
Recommendation: The Council should consider its existing relationships with other Federal entities as an effective remediation to this vulnerability. Council concurs that it requires an IT infrastructure, but has been unable to establish its infrastructure through MOUs with other federal entities and is acquiring the necessary infrastructure through contractual agreements.
- 3. Information Technology (IT) Personnel**
Recommendation: The Council should consider its existing relationships with other

Federal entities as a potential remediation to this vulnerability. The Council is using its existing relationships with other Federal entities for its website and grants system hosting, but is recruiting an IT security professional to ensure its responsibilities for IT security are met, oversee its contractor support services, and coordinate with its agency partners.

Sincerely,



Justin R. Ehrenwerth
Executive Director
Gulf Coast Ecosystem Restoration Council

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