



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

FEB 04 2010

MEMORANDUM

TO: INL/RM – Mr. Robert S. Byrnes

FROM: OIG/DIG – Harold W. Geisel 

SUBJECT: Report on the *Independent Review of the U.S. Department of State's Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report (AUD/FM-10-17)*

The subject report is attached for your review. Your bureau did not make comments on the draft report.

OIG appreciates the cooperation and assistance provided by your staff during this review. If you have any questions, please contact Evelyn R. Klemstine, Assistant Inspector General for Audits, at klemstinee@state.gov or Gayle Voshell, Audit Director, at (703) 284-2681 or by e-mail at voshellg@state.gov.

Attachment: As stated.

cc: INL/RM – Anthony Gresko



United States Department of State
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Office of Inspector General

Independent Review of the U.S. Department of State's
Accounting and Authentication of FY 2009 Drug
Control Funds and Related Performance Report
(AUD/FM-10-17)

The Office of Inspector General (OIG) has reviewed the accompanying management assertions included in the Bureau of International Narcotics and Law Enforcement Affairs *Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report*. This report was prepared in accordance with the Office of National Drug Control Policy's (ONDCP) *Drug Control Accounting* circular, dated May 1, 2007. Department of State (Department) management is responsible for the assertions included in the report.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

Based on our review, OIG cannot attest to the reliability of the following assertions made by Department management in the accompanying report:

- [T]he drug methodology used to calculate obligations of prior year budgetary resources is reasonable, that the data presented is complete, and that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations are derived.
- [A]ll the information presented for the Bureau for International Narcotics and Law Enforcement Affairs is true and correct.

The obligation information included in the report is obtained from the Department's accounting system. During the audit of the Department's FY 2009 financial statements, an independent public accountant identified a material weakness related to the Department's financial reporting processes. For instance, the auditor reported that the Department lacked a budgetary financial reporting system that is integrated with the financial management system, which forces the Department to use a manual, labor-intensive process to develop the statement of budgetary resources. During the compilation process, multiple manual

adjustments are required to be posted. The auditor also identified a significant deficiency related to controls over unliquidated obligations. Specifically, the auditor reported that the Department's internal controls were not sufficient to ensure that unliquidated obligations are consistently and systematically evaluated for validity.

Except for the issues noted above, nothing came to OIG's attention that caused it to believe that the other management assertions included in the report were not fairly stated, in all material respects, based upon the ONDCP *Drug Control Accounting* circular.

The OIG report is intended solely for the information and use of Department management, ONDCP, and the U.S. Congress, and it is not intended to be and should not be used by anyone other than these specified parties.



Harold W. Geisel
Deputy Inspector General