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TO: Janie L. Payne, General Deputy Assistant Secretary and Chief Human Capital Officer, A  
Jemine A. Bryon, Chief Procurement Officer, N  
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//s//

FROM: Thomas R. McEnanly, Director, Financial Audits Division, GAF

SUBJECT: Review of HUD's Property and Equipment.

## **HIGHLIGHTS**

### **What We Audited and Why**

We performed an audit of the U.S. Department of Housing and Urban Development's (HUD) property and equipment. We performed this audit as a result of recurring findings relating to HUD's property and equipment reported in the fiscal years 2004 through 2008 management letters<sup>1</sup>. Our objective was to determine whether HUD properly recorded and tracked the acquisition and disposal of its capitalized and accountable property and equipment.

### **What We Found**

Not all purchases of accountable equipment were recorded in HUD's inventory management system, the Facilities Integrated Resource Management System (FIRMS). There were 683 pieces of unrecorded equipment found during HUD's 2009 annual physical inventory, which had not been reported to the Office of

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<sup>1</sup> A management letter is used to communicate deficiencies and other matters noted during the audits that have an effect on the financial statements that is less than material but more than inconsequential.

Facilities and Management Services<sup>2</sup> (OFMS) for barcoding and recording in FIRMS when it was acquired. When equipment is not barcoded and recorded, its location cannot be verified, and it becomes more susceptible to theft. Additionally, HUD lacked sufficient purchase documentation for accountable equipment in FIRMS. From a sample of 29 acquisitions, HUD was only able to provide documentation for 13. When no documentation is available, the authorization of the acquisition cannot be verified, and the purchase cost cannot be determined.

HUD properly tracked and recorded the disposal of equipment that had been recorded in FIRMS. Sufficient documentation was provided for each of the sampled 30 pieces of equipment that were disposed of during 2009. HUD also properly recorded and tracked its capitalized equipment.

FIRMS is not in compliance with the Joint Financial Management Improvement Program requirements for property management systems. It does not distinguish between capitalized and expensed equipment, nor does it interface with other HUD systems.

## What We Recommend

We recommend that the Deputy Assistant Secretary of the Office of the Chief Human Capital Officer (1) work with the Office of the Chief Information Officer to develop and implement a system which would allow OFMS to identify when equipment is purchased; (2) update and reissue the standard operating procedures for reporting the purchases and lease (when applicable) of equipment and implement a set of standard operating procedures for users of purchase cards, including procedures for but not limited to notifying OFMS of the purchase and delivery/receipt of accountable and sensitive equipment, so that the items can be recorded and barcoded by OFMS; (3) coordinate with the Office of the Chief Financial Officer, Office of the Chief Information Officer, and Office of the Chief Procurement Officer to develop and implement system interfaces, including but not limited to interfaces between FIRMS and the General Ledger and the acquisition system; and (4) develop and implement a process that can distinguish between capitalized and expensed equipment in FIRMS.

We further recommend that the Chief Procurement Officer and Chief Information Officer work with OFMS to ensure that their employees are properly trained in the procedures for identifying which equipment needs to be reported and are aware of the requirement to report the purchase and in some instances, the lease of equipment to OFMS.

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<sup>2</sup> HUD's Office of Administration, now the Office of the Chief Human Capital Office, is undergoing reorganization. As part of the reorganization the Office of Administrative and Management Services was renamed the Office of Facilities and Management Services.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided our results to the Chief Human Capital Officer, Chief Information Officer, and Chief Procurement Officer during the audit. We also provided our discussion draft audit report to the Chief Human Capital Officer, Chief Information Officer, Chief Procurement Officer, and HUD staff during the audit. We held an exit conference with HUD staff on August 3, 2010.

We asked the Chief Human Capital Officer, Chief Information Officer, and Chief Procurement Officer to provide comments on our discussion draft report by August 11, 2010. The Office of the Chief Human Capital Officer coordinated HUD's response and provided written comments, dated August 10, 2010, that generally agreed with our findings and recommendations. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix A of this report.

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## BACKGROUND AND OBJECTIVE

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The U.S. Department of Housing and Urban Development's (HUD) financial management systems indicate that HUD has \$256 million in property, plant, and equipment (PP&E). Federal financial management guidance on property management requirements defines PP&E as consisting of tangible assets, including land, that have an estimated useful life of 2 years or more; are not intended for sale in the ordinary course of operations; and have been acquired or constructed with the intention of being used or being available for use by the entity. In the Federal Government, PP&E includes but is not limited to office equipment, computer hardware/software, buildings, land, museum collections, and national defense PP&E. HUD's polices provide for capitalized PP&E and noncapitalized PP&E or accountable equipment. HUD defines capitalized PP&E as equipment that has a useful life of greater than 1 year, retains its identity, and has an acquisition cost of \$25,000 or greater for a single item or \$100,000 or greater for a group purchase. Accountable equipment is equipment which must be inventoried and tracked by HUD. Accountable equipment includes capitalized equipment, noncapitalized equipment with a value of \$1,000 or above, and sensitive items that require special control and accountability due to an unusual rate of loss, theft, misuse, or security considerations. Sensitive equipment is usually easily portable, expensive new technology, and/or adaptable to personal use.

The Office of Facilities and Management Services (OFMS) is responsible for Departmental policy and procedures related to PP&E, coordinating the physical inventory, maintaining accountability through the inventory and reconciliation process, and reporting excess property to the General Services Administration (GSA). OFMS uses the Facilities Integrated Resource Management System (FIRMS) to monitor and track HUD's PP&E. HUD's accountable equipment is given a barcode and recorded in FIRMS by OFMS at acquisition for monitoring and tracking purposes. OFMS coordinates a physical inventory on an annual basis. During the physical inventory, handheld scanners are used to read the barcodes attached to each piece of equipment to verify its existence and use. OFMS also looks for accountable equipment that was not barcoded and recorded at acquisition during the inventory process. Items that are found during the inventory are given a barcode and recorded in FIRMS. FIRMS is also used to generate reports on capitalized PP&E and depreciation for financial reporting as well as surveys and reports on personal property for use by HUD and the GSA.

Public Law 107-217, also known as the Property Act, revised, codified, and enacted without substantive change certain general and permanent laws, related to public buildings, property, and works, as Title 40, United States Code, "Public Buildings, Properties, and Works." Title 40 requires executive agencies to (1) maintain adequate inventory controls and accountability systems for property under its control, (2) continuously survey property under its control to identify excess property, and (3) promptly report excess property to the Administrator of General Services. In addition, each executive agency must submit a report on personal property containing (1) the acquisition cost of the property, (2) the recipient of the property, and (3) other information the Administrator may require.

The Joint Financial Management Improvement Program (JFMIP) is a joint undertaking of the U.S. Department of the Treasury, the Government Accountability Office (GAO), the Office of Management and Budget, and the Office of Personnel Management, working in cooperation with other agencies to improve financial management practices in the Government. The Program was given statutory authorization in the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 65 as amended). In December 2004, JFMIP was renamed the Financial Systems Integration Office (FSIO). One of FSIO's main responsibilities was core financial systems requirements development, testing, and product certification. On March 16, 2010, OMB announced that FSIO would be dissolved, effective March 31, 2010, after the release of a draft core financial system requirement document. The JFMIP/FSIO documents will be maintained on the CFO Council's web site and serve as advisory requirements for acquisition purposes. The cover pages of the system requirement documents retained the JFMIP name and numbering scheme and continue to be referred to as JFMIP documents.

GAO issued report GAO-04-520R, entitled, "Department of Housing and Urban Development: Lack of Accountability for Computer Equipment Leaves These Assets Vulnerable to Loss or Misappropriation," on April 23, 2004. GAO found that HUD did not have adequate internal controls to maintain accountability over its computer equipment, consistently record the purchase of computer equipment, or perform regular inventories.

HUD's Office of Inspector General's (OIG) Financial Audit Division has been performing reviews of HUD's property and equipment since 2004 and determined that these findings apply to all of HUD's property and equipment, not just the computer equipment. As a result, OIG issued findings and recommendations regarding weaknesses in the internal control over HUD's property and equipment in the fiscal years 2004 through 2008 management letters.

The objective of this audit was to determine whether HUD properly recorded the acquisition and disposal of its capitalized and accountable property and equipment.

## RESULTS OF AUDIT

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### Finding 1: HUD Lacked Control Over the Acquisition of Accountable Equipment

Not all accountable and sensitive equipment acquired by HUD was recorded in HUD's property management system, FIRMS. This problem occurred because HUD staff lacked the knowledge of the requirement and procedures to report acquisitions of equipment to the Office of Facilities and Management Services (OFMS). As a result, HUD had no assurance that its accountable equipment had been recorded, leaving it vulnerable to loss and misappropriation.

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#### **HUD Employees Failed To Follow Procedures for Reporting Accountable Equipment**

We reviewed the results of HUD's calendar year 2009 physical inventory. There were 683 pieces of previously unrecorded accountable equipment discovered during the inventory process. These items were not reported to OFMS in accordance with HUD Handbook 2200.1, chapter 9, which states that other HUD offices and employees are responsible for informing OFMS about the procurement of accountable property. Therefore, these items had not been barcoded or recorded in FIRMS. HUD cannot maintain adequate inventory controls over property under its control as required by U.S.C. Title 40, Subtitle I, Chapter 5 when the office responsible for recording and monitoring HUD's property and equipment is unaware of acquisitions.

From interviews with staff from the program offices involved in the acquisition of equipment, we determined that there was a general lack of awareness of the requirement to report and procedures for reporting the purchase of accountable equipment to OFMS. This condition could lead to accountable equipment going unrecorded and significantly increase the risk of loss or misappropriation.

#### **HUD Lacked Documentation for the Acquisition of Accountable Equipment**

We requested the purchase documentation for a statistical sample of 29 of the 1,140 pieces of equipment acquired between October 1, 2008, and March 31, 2009. HUD was unable to provide adequate documentation, including the purchase authorization, purchase order, delivery receipt, etc., for 16 of the 29

items. The total cost of nine of these items was estimated at \$7,926. Purchase costs had not been estimated for the remaining seven items at the time of our review. All 16 of these items were accountable equipment, which had been found during the 2008 physical inventory. Additionally, during our review of the 2009 inventory results, we found that no cost information had been entered into FIRMS for 582 of the 683 found items. We were informed by OFMS that when equipment is found during the physical inventory, typically, there is no purchase documentation available. HUD's current inventory procedures state that while OFMS is responsible for maintaining an accurate account of HUD-owned equipment, it must rely on the Office of the Chief Procurement Officer, Office of the Chief Information Officer, and purchase card users for necessary information on acquisitions and disposals.

Data such as the acquisition date and cost must be estimated for equipment with no purchase documentation, leading to unreliable data. The data in FIRMS are used by HUD to identify needed and surplus equipment and to generate survey reports for GSA, which are to include the cost of the equipment. Unreliable data increase the risk of error and omission in these reports.

### **HUD's Handbook and Standard Operating Procedures Were Out of Date**

We reviewed HUD Handbook 2200.1, chapter 9, Personal Property Management, as well as the standard operating procedures for inventory. Both the handbook and standard operating procedures contain references to systems no longer in use and offices no longer in existence. Out-of-date references can lead to confusion, especially among new employees or those taking over new responsibilities.

### **HUD Properly Recorded Capitalized Equipment and the Disposal of All Equipment**

We found no evidence that the acquisition of capitalized equipment was unreported. Of the 683 pieces of equipment found during the 2009 physical inventory, none met the criteria of capitalized equipment. Additionally, none of the 16 acquisitions between October 1, 2008, and March 31, 2009, that were found during the 2008 physical inventory were capitalized equipment.

HUD properly recorded and maintained documentation for the disposal of equipment recorded in FIRMS. We reviewed a sample of 30 of the 2,040 pieces of equipment that were disposed of between October 1, 2008, and March 31, 2009. HUD was able to provide adequate documentation, the Standard Form-120,



Report of Excess Personal Property, which lists the item number and description of the equipment being disposed of, for each item in our sample.

## Conclusion

HUD lacked control over its accountable equipment. HUD staff lacked an understanding of the requirement and procedures for reporting the acquisition of accountable equipment to OFMS. When OFMS is unaware of the acquisition of accountable equipment, the equipment does not get barcoded and recorded in FIRMS, increasing the risk of loss and misappropriation. This problem did not extend to acquisitions of capitalized equipment. Further, once accountable equipment had been barcoded and recorded, it was tracked, and disposals of equipment in FIRMS were properly recorded.

## Recommendations

We recommend that the General Deputy Assistant Secretary/Chief Human Capital Officer

- 1A. Work with the Office of the Chief Information Officer to develop and implement a system that would allow OFMS to identify when equipment is purchased.
- 1B. Update and reissue the standard operating procedures and HUD handbooks for reporting the purchases and lease (when applicable) of equipment and implement a set of standard operating procedures for users of purchase cards, including procedures for but not limited to notifying OFMS of the purchase and delivery/receipt of accountable and sensitive equipment, so that the items can be recorded and barcoded by OFMS.

We recommend that the Chief Information Officer

- 1C. Work with OFMS to ensure that Office of the Chief Information Officer employees involved in the acquisition of equipment are aware that the purchase and in some cases, the lease of equipment must be reported and are properly trained in the procedures for identifying and reporting accountable equipment.

We recommend that the Chief Procurement Officer

1D. Work with OFMS to ensure that Office of the Chief Procurement Officer employees involved in the acquisition of equipment are aware that the purchase and in some cases, the lease of equipment must be reported and are properly trained in the procedures for identifying and reporting accountable equipment.

## Finding 2: HUD's Property Management System Had Weaknesses

FIRMS is not fully compliant with the Joint Financial Management Improvement Program (JFMIP) requirements for property management systems. Specifically, FIRMS does not differentiate between capitalized and expensed (noncapitalized) equipment, nor does it interface with other HUD systems. Noncompliance with the JFMIP requirements for property management systems increases the risks of errors and omissions in reports generated by FIRMS.

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### **FIRMS Is Not Fully Compliant With JFMIP Requirements for Property Management Systems**

In conflict with the JFMIP requirements for property management systems, FIRMS does not distinguish between capitalized and expensed equipment, nor does it interface with any other HUD system. The lack of a way to distinguish between capitalized and expensed equipment in FIRMS creates the need for users to manually determine which category a piece of equipment falls into, increasing the risk of errors and omissions in HUD's financial statements. The lack of interfaces between FIRMS, HUD's core financial system, and HUD's acquisition systems creates the need for manual reconciliations among the systems, increasing the risk of errors and omissions. An interface between FIRMS and HUD's acquisition system would also help eliminate the lack of notification that occurs when accountable equipment is acquired (see finding 1).

### **Conclusion**

Absent a mechanism for distinguishing between capitalized and expensed equipment and interfaces with other HUD systems, FIRMS is not fully compliant with the JFMIP requirements for property management systems. Bringing its property management system into compliance with the JFMIP requirements will improve HUD's internal controls over its property and equipment.

### **Recommendations**

We recommend that the General Deputy Assistant Secretary/Chief Human Capital Officer

- 2A. Coordinate with the Office of the Chief Financial Officer, Office of the Chief Information Officer, and Office of the Chief Procurement Officer to develop

and implement system interfaces, including but not limited to interfaces between FIRMS and the core financial system and the acquisition system.

2B. Develop and implement a process that can distinguish between capitalized and expensed equipment in the property management system.

## SCOPE AND METHODOLOGY

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To accomplish our objective, we reviewed applicable laws and regulations, HUD handbooks, standard operating procedures, and inventory records. We also interviewed HUD staff involved in the acquisition and inventory processes. Our audit generally covered the period October 1, 2008, through May 1, 2010.

To achieve our objective we relied in part on computer processed data from the Department's property management system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We requested the supporting documentation for a statistical sample of 29 of the 1,140 pieces of equipment acquired and a sample of 30 of the 2,030 pieces of equipment disposed of by HUD from October 1, 2008, through March 31, 2009. Supporting documentation for acquisitions included purchase authorizations, forms HUD-718 (Reservation of Funds), and delivery receipts. Supporting documentation for the disposal of equipment included Standard Form-120, Report of Excess Personal Property. The samples were selected using a confidence level of 90 percent, a precision level of 10 percent, and an expected error level of 10 percent using the computer assisted audit tool (CAATS) software Audit Control Language (ACL).

We reviewed the results of the 2009 physical inventory. We extracted the 458 items that could be identified as information technology equipment using the CAATs tool from the list of 683 items found during the inventory and selected a statistical sample of 20. We coordinated with the Office of the Chief Information Officer to determine that these items were the property of HUD and were not owned by HUD's information technology contractor. The sample was selected using ACL with a confidence level of 90, a precision level of 5 percent, and an expected error rate of 1 percent.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Up-to-date written policies and procedures,
- Safeguarding resources,
- Compliance with laws and regulations, and
- Compliance with Federal system requirements.

We assessed the relevant controls identified above.

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, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## Significant Deficiency

Based on our review, we believe that the following items are significant deficiencies:

- HUD lacked up-to-date policies and procedures for reporting the acquisition of equipment to OFMS. There was also a general lack of awareness of the

requirement and procedures for reporting acquisitions to OFMS (see finding 1).

- FIRMS is not fully compliant with the JFMIP requirements for property management systems (see finding 2).

# APPENDIXES

## Appendix A

### AUDITEE COMMENTS AND OIG'S EVALUATION

#### Ref to OIG Evaluation

#### Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-3000

Chief Human Capital Officer

AUG 10 2010

MEMORANDUM FOR: Thomas R. McEnany, Director of Financial Audit Division, GAF  
FROM: *Karen B. Jackson*  
Janie L. Payne, Chief Human Capital Officer, A  
SUBJECT: Response to Office of the Inspector General's Draft Audit Report,  
Draft Report on Review of HUD's Property and Equipment  
Final Response

This memorandum provides a final response to the recommendations directed to the Office of the Chief Human Capital Officer (OCHCO), included in the Office of the Inspector General's (OIG's) draft audit report transmitted on July 19, 2010, entitled "Draft Report on Review of HUD's Property and Equipment".

The draft audit report contains six recommendations and no questioned costs. For ease of review, the audit report recommendations are restated in bold and are followed by OCHCO's response.

**We recommend that the General Deputy Assistant Secretary/Chief Human Capital Officer:**

**1A. Work with the Office of the Chief Information Officer (OCIO) to develop and implement a system which would allow Office of Facilities Management Services (OFMS) to identify when equipment is purchased.**

Agree. The OCIO has developed and implemented a tracking system using SharePoint for all purchase card purchases within their program offices. OFMS has reviewed the system and agrees the system could be modified to meet the Department's need for capturing purchase card purchases that affect accountability of Department assets. Once all stakeholders concur on the use of this system, OFMS will move forward on the redesign and implementation.

In addition, OFMS will continue to coordinate with OCIO to develop and implement systems interfaces if these are deemed feasible. The interfaces between FIRMS and the General Ledger (HUDCAPS) and the acquisition systems (HPS and SPS) would allow OFMS to identify purchases that are made without a purchase card.

Comment 1



Ref to OIG Evaluation

Auditee Comments

**Comment 2**

**1B. Update and reissue the standard operating procedures and HUD handbooks for reporting Purchases and lease (when applicable) of equipment and implement a set of standard operating procedures for users of purchase cards, including procedures for but not limited to notifying OFMS of the purchase and delivery/receipt of accountable and sensitive equipment, so that the items can be recorded and bar coded by OFMS.**

Agree. The OFMS has begun the process of updating the standard operating procedures (SOPs). OFMS will form working groups to develop new SOPs for all facets of Personal Property including the acquisition of accountable property using a purchase card. The working groups will be comprised of representatives from offices that are impacted or have input into the process, including OCIO, OCPO, and OCFO.

**We recommend that the Chief Information Officer:**

**1C. Work with OFMS to ensure that Office of the Chief Information Officer employees involved in the acquisition of equipment are aware that the purchase and in some cases, the lease of equipment must be reported and are properly trained in the procedures for identifying and reporting accountable equipment.**

**Comment 1**

Agree. The OCIO will work with the OFMS to ensure that OCIO employees, involved in the acquisition of equipment, are aware that the purchasing and leasing (when applicable) of accountable equipment must be reported. In addition, OCIO will work with OFMS to ensure that staff is properly trained in identifying accountable equipment.

Agree. The OFMS will issue instructions on how to account for property with reference to existing SOPs and meet with OCIO, OCPO, OCFO, and others to review procedures and training as necessary.

**We recommend that the Chief Procurement Officer:**

**1D. Work with OFMS to ensure that Office of the Chief Procurement Officer employees involved in the acquisition of equipment are aware that the purchase and in some cases, the lease of equipment must be reported and are properly trained in the procedures for identifying and reporting accountable equipment.**

**Comment 1**

Agree. The OCPO will work with OFMS to ensure all OCPO employees are trained on new procedures that may be developed by OFMS within 3 months issuance of such guidance.

Agree. The OFMS will issue instructions on how to account for property with reference to existing SOPs and will meet with OCIO, OCPO, OCFO and others to review procedures and train if necessary.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

**We recommend that the General Deputy Assistant Secretary/Chief Human Capital Officer:**

**2A. Coordinate with the Office of the Chief Financial Officer, Office of the Chief Information Officer, and Office of the Chief Procurement Officer to develop and implement system interfaces, including but not limited to interfaces between FIRMS and the core financial system and the acquisition system.**

Agree. Representing the General Deputy Assistant Secretary/Chief Human Capital Officer, OFMS will continue to coordinate with OCFO, OCIO, and OCPO to develop and implement systems interfaces, if deemed feasible. The interfaces between FIRMS and the General Ledger (HUDCAPS) and the acquisition systems (HPS and SPS) would allow OFMS to identify purchases that are made without a purchase card.

Agree. The OCPO's solicitation for a new commercial off-the-shelf (COTS) enterprise-wide HUD Integrated Acquisition Management System (HIAMS) requested vendors to provide an opportunity to interface with HUD's FIRMS system and financial systems. While HIAMS will have the capability to track purchases to the line item level, given the nature of the COTS aspect of the product and that FIRMS is not a standard system, it could be financially infeasible to develop an interface between the two systems to automatically report equipment purchases. However, we will not know if it is cost effective until after the acquisition of HIAMS is completed, which is anticipated before the end of 2010. If the capability to track accountable equipment purchases through an interface is not feasible, OCPO will provide support to OFMS and OCFO in ensuring that the appropriate information is reported and recorded in FIRMS.

**We recommend that the General Deputy Assistant Secretary/Chief Human Capital Officer:**

**2B. Develop and implement a process that can distinguish between capitalized and accountable equipment in the property management system.**

Agree. The development and implementation of the process which allows the system to distinguish between accountable (capitalized) and accountable (expensed) equipment was completed in the last FIRMS release v7.3. The release was issued May 2010.

Thank you for your continued cooperation. If you have any questions regarding this response, please contact Linda A. Allen, Audit Liaison Officer, at (202) 402-5156.

### **OIG Evaluation of Auditee Comments**

- Comment 1** We appreciate the Department's cooperation during the audit and recognize their efforts to quickly address the findings and recommendations noted in our report.
- Comment 2** OFMS provided us with copies of the updated standard operating procedures at the exit conference on August 3, 2010. We have not performed an evaluation of the updated standard operating procedures. We believe the establishment of the working groups will improve interoffice communications and contribute to resolving the findings noted in our report.
- Comment 3** HUD provided us with evidence that the functionality to distinguish between capitalized and non-capitalized equipment has been added to FIRMS. We recognize HUD's timely efforts in addressing this finding and recommendation. We will evaluate the software changes in the audit resolution process.