November 6, 2006

MEMORANDUM TO: Jesse L. Funches
Chief Financial Officer

FROM: Stephen D. Dingbaum **/RA/**
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE BUDGET FORMULATION PROCESS (OIG-05-A-09)

REFERENCE: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM DATED OCTOBER 30, 2006

Attached is the Office of the Inspector General's analysis and status of recommendations as discussed in the agency's response dated October 30, 2006. Recommendations 1 through 3 are resolved. Please provide an updated status of the resolved recommendations by June 29, 2007.

If you have any questions or concerns, please contact me on 415-5915.

Attachments: As stated

cc: Michael Johnson, OEDO
Melinda Malloy, OEDO
Patricia Tressler, OEDO

Audit Report
Audit of the Budget Formulation Process
OIG-05-A-09

Status of Recommendations

Recommendation 1: Clarify, in coordination with the Executive Director for Operations, the roles and responsibilities of the Chief Financial Officer and Executive Director for Operations in the budget formulation process.

DCFO Response Dated October 30, 2006: These recommendations will be addressed in a revised Management Directive and Handbook 4.7, Planning, Budgeting, and Performance Management (MD 4.7). MD 4.7 is under development and scheduled to be issued for intra-agency review and comment in February 2007, and finalized in May 2007. Issuance of this management directive and handbook will complete agency actions on the Office of the Inspector General's recommendations from this audit.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, and determines that it clarifies the roles and responsibilities of the Chief Financial Officer and Executive Director for Operations in the budget formulation process.

Status: Resolved.

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Status of Recommendations

<u>Recommendation 2</u>: Document the decision-making process and roles and responsibilities of the Program Review Committee.

DCFO Response Dated October 30, 2006: These recommendations will be addressed in a revised Management Directive and Handbook 4.7, Planning, Budgeting, and Performance Management (MD 4.7). MD 4.7 is under development and scheduled to be issued for intra-agency review and comment in February 2007, and finalized in May 2007. Issuance of this management directive and handbook will complete agency actions on the Office of the Inspector General's recommendations from this audit.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, and determines that it documents the decision-making process and roles and responsibilities of the Program Review Committee.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Document the budget formulation process to ensure a logical, comprehensive sequencing of events that provides for obtaining early Commission direction and approval.

DCFO Response Dated October 30, 2006: These recommendations will be addressed in a revised Management Directive and Handbook 4.7, Planning, Budgeting, and Performance Management (MD 4.7). MD 4.7 is under development and scheduled to be issued for intra-agency review and comment in February 2007, and finalized in May 2007. Issuance of this management directive and handbook will complete agency actions on the Office of the Inspector General's recommendations from this audit.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, and determines that it documents the budget formulation process to ensure a logical, comprehensive sequencing of events that provides for obtaining early Commission direction and approval.

Status: Resolved.