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United States General Accounting Office  
Washington, DC 20548

April 23, 2004

The Honorable Christopher S. Bond  
Chairman  
Subcommittee on VA, HUD, and Independent Agencies  
Committee on Appropriations  
United States Senate

Subject: *Department of Housing and Urban Development: Lack of Accountability for Computer Equipment Leaves These Assets Vulnerable to Loss or Misappropriation*

Dear Mr. Chairman:

In testimony in October 2002<sup>1</sup> and in a report issued in April 2003<sup>2</sup> we raised concerns about the Department of Housing and Urban Development's (HUD) accountability for computers and computer-related equipment bought with government purchase cards. Our review identified a large volume of computers and computer-related purchases for which HUD did not have adequate supporting documentation. In addition, HUD acknowledged that items bought with purchase cards were not being consistently entered in its asset management system thereby increasing its vulnerability to loss or theft.<sup>3</sup>

Given these findings, and the approximately \$59 million<sup>4</sup> HUD reported it has spent on computers and computer-related equipment and services over the last 3 fiscal years, you asked us to further assess HUD's accountability for these vulnerable assets. Specifically, you requested that we determine whether HUD had established an effective system of internal control for maintaining accountability over its computer equipment. Our review covered HUD's systems and controls in place during fiscal years 2001, 2002, and 2003.

<sup>1</sup> U.S. General Accounting Office, *Financial Management: Strategies to Address Improper Payments at HUD, Education, and Other Federal Agencies*, GAO-03-167T (Washington, D.C.: October 3, 2002).

<sup>2</sup> U.S. General Accounting Office, *HUD Purchase Cards: Poor Internal Controls Resulted in Improper and Questionable Purchases*, GAO-03-489 (Washington, D.C.: April 2003).

<sup>3</sup> This information was provided in response to Office of Management and Budget Memorandum M-02-05 requiring agencies to develop a remedial action plan to manage the risk associated with purchase card usage.

<sup>4</sup> This total includes purchases of computer-related supplies and services and nonaccountable equipment, which is not tracked in HUD's asset management system.

We conducted our review from July 2003 through March 2004, in accordance with generally accepted government auditing standards. We requested comments from HUD's Assistant Secretary for Administration/Chief Information Officer or her designee. HUD's written comments are reprinted in the enclosure.

## **Results in Brief**

HUD did not have an effective internal control system in place to maintain accountability over its computer equipment. Fundamental internal control activities were not performed, and as a result, computers and computer-related equipment were highly vulnerable to loss or misappropriation. We found that HUD did not consistently record computer equipment purchases in its asset management system or effectively maintain or reconcile its records. In addition, HUD did not perform regular physical inventories to verify the quantities and location of computer equipment.

Because of these serious internal control weaknesses, neither HUD nor we were able to reliably determine the total amount of computer equipment purchases during the period of our review. However, for four of HUD's major computer equipment vendors, we were able to identify over \$2.2 million in computer equipment purchased in fiscal years 2001, 2002, and 2003 that was not recorded in HUD's asset management system, of which we determined over \$82,000 to be lost or missing.<sup>5</sup> Given the seriousness of the identified control weaknesses, these numbers could be much higher.

Although HUD has awarded a new information technology contract for essentially all of its information processing, telecommunications, and related needs on an agencywide basis,<sup>6</sup> it will still be accountable for HUD-owned equipment at least through fiscal year 2006. Until HUD corrects the weaknesses in its internal controls, accountability over existing computer equipment will remain problematic, and these assets will continue to be vulnerable to loss or misappropriation.

This report makes seven recommendations for actions that if fully implemented, should help the department better protect and account for its computer equipment. In written comments on a draft of this report, HUD concurred with our findings and recommendations and outlined actions it plans to take in response.

## **Background**

HUD's reported purchases of computers and computer-related equipment, hereinafter referred to as computer equipment, and services in fiscal years 2001, 2002, and 2003

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<sup>5</sup> We define lost or missing computer equipment as that for which HUD was unable to provide location information or that which HUD specifically stated it was unable to locate.

<sup>6</sup> As discussed later in the report, in December 2003, GAO sustained a protest filed against HUD's award of this contract.

totalled about \$27.6 million, \$22.1 million, and \$9.3 million, respectively. HUD uses its asset management system to account for all accountable inventory, which includes computer equipment (both capitalized and noncapitalized) as well as other items, such as furniture, weapons, and audiovisual equipment.<sup>7</sup> HUD issued new inventory process Standard Operating Procedures (SOP) on July 1, 2001, to supplement HUD Handbook 2200.01, *Administrative Services Policy Handbook*, dated December 2000. Together, the handbook and the new SOPs make up HUD's personal property management policy as it relates to computer equipment. According to HUD's policies and procedures, all computer equipment is to be purchased through the Office of Information Technology (OIT) in headquarters. OIT works under the guidance of its own policies and procedures manual dated November 1991, HUD Handbook 2400.13 CHG 1, *Word Processing and Microcomputer Technology Policies and Procedures*.

The Office of Administrative and Management Services (OAMS) is responsible for maintaining HUD's asset management system, called the Facilities Integrated Resource Management System (FIRMS). As of September 2003, the total amount of inventory recorded in FIRMS was over \$167 million, of which recorded accountable computer equipment totalled about \$96 million. While OAMS is responsible for maintaining an accurate account of HUD-owned computer equipment in FIRMS, it must rely on the Office of the Chief Procurement Officer (OCPO), OIT, and the administrative resource divisions (ARD) for the necessary information. OCPO and OIT are required to notify OAMS in advance of all purchases of accountable computer equipment. When new equipment is received directly by ARDs or field offices or when equipment is transferred from one field office to another, the ARDs are responsible for providing OAMS with the documentation needed to update FIRMS. The receiving department personnel, who report to OAMS, use Palm Pilots to capture required data elements, such as equipment type, equipment standard, serial numbers, and barcodes. This information is then uploaded to FIRMS thereby recording the equipment in FIRMS.

OIT makes computer equipment purchases using purchase cards, or if the amounts exceed the purchase card limits, HUD Form 10.4, Requisition for Supplies, Equipment, Forms, Publications and Procurement Services, is completed and forwarded to OCPO to make the purchase. As required by its own handbook, OIT maintains the Request Ordering System (ROS), an inventory database of computer equipment, separately from FIRMS. OAMS has access to the ROS database, but OIT does not have access to FIRMS. HUD has three administrative service centers that cover 10 regions. There are six ARDs, two within each administrative service center, that are responsible for the individual field offices within each region.

Internal control is a major part of managing an organization and is key to ensuring proper use of government resources. As mandated by 31 U.S.C. §3512, commonly known as the Federal Managers' Financial Integrity Act of 1982, the Comptroller

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<sup>7</sup> Accountable property is all capitalized and nonexpendable equipment with an acquisition cost of \$1,000 or more, per item. Items with recurring monthly charges with life cycle costs of more than \$1,000, such as cellular phones, should be included as accountable property. Sensitive items valued under \$1,000 are also considered accountable property and should be included in the Facilities Integrated Resource Management System.

General has issued standards for internal control.<sup>8</sup> These standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. According to these standards, internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives.

Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementation, review, and accountability for stewardship of government resources and achieving effective results. They include a wide range of diverse activities. Some examples of control activities include reconciliations, physical control over vulnerable assets, and accurate and timely recording of transactions and events.

### **Scope and Methodology**

To determine whether HUD has an effective system of internal control for maintaining accountability over its computer equipment, we performed walk-throughs of the purchasing and receiving processes, reviewed HUD's policies and procedures, reviewed reports by HUD's Office of Inspector General (OIG) and an independent contractor with regard to computer equipment, and interviewed HUD staff.

We obtained data on fiscal years 2001, 2002, and 2003 computer equipment purchases by vendor from OIT. This information had to be manually generated by OIT from purchase orders and other available data because it was not available by vendor in HUD's asset management system. We attempted to verify the completeness of the purchase information by comparing it to HUD's total recorded purchases in its general ledger system. However, because HUD does not specifically identify computer equipment purchases in its general ledger, we were unable to validate the purchase information provided by HUD using the general ledger. In addition, as discussed later in the report, we identified completeness issues with regard to HUD's asset management system, and therefore neither HUD nor we could use this as a source for determining the overall completeness of the purchase information. However, from the information HUD provided us we were able to identify four vendors from which HUD made significant computer equipment purchases during the period of our review. In the course of our review, we also determined that HUD's information technology contractor made significant purchases of computer equipment for HUD during the period of our review. However, we limited our testing to computer equipment purchases made directly by HUD employees from the four vendors selected.

We requested and obtained information on HUD computer equipment purchases directly from these four vendors for fiscal years 2001, 2002, and 2003. We imported the data into data analysis software. We used the software to perform matching tests

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<sup>8</sup> U.S. General Accounting Office, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

on the data to determine whether the computer equipment purchases were included in FIRMS.<sup>9</sup>

We prepared spreadsheets listing the items purchased by HUD from these vendors that were not included in FIRMS. We then electronically sent these spreadsheets to the directors of the HUD field offices who were the designated recipients of the items as listed on the invoices and requested that they identify for us the specific location of the items (for example, building name, street address, floor number, and room number) and to whom the items were assigned. We requested shipping documentation for items that HUD indicated had been transferred elsewhere. Additionally, we performed physical inspections of selected computer equipment at HUD field offices in Richmond, Denver, and New York to validate, on a test basis, whether the items were at the locations cited by HUD.

We obtained copies of the journal vouchers and the capitalized equipment depreciation reports HUD used to perform adjustments to the general ledger at September 30 for fiscal years 2001, 2002, and 2003. We reviewed these documents and interviewed the officials responsible for preparing them to gain an understanding of the methodology used to make the year-end adjustments to the general ledger balances.

### **Ineffective Internal Controls Resulted in a Lack of Accountability over Computer Equipment**

HUD did not have effective internal controls in place to maintain accountability over its computer equipment. We identified the following weaknesses in HUD's system of internal control over these assets: (1) computer equipment was not consistently recorded in HUD's asset management system, (2) asset management system records were not reconciled to HUD's general ledger, and (3) physical inventories of computer equipment were not regularly performed. These conditions created an environment where computer equipment became highly vulnerable to loss or misappropriation with little risk of detection. HUD awarded a new information technology contract in August 2003, to provide for its future computer equipment needs. However, HUD will remain accountable for its existing computer equipment at least through 2006.

#### Computer Equipment Was Not Consistently Recorded in HUD's Asset Management System

Our review of selected purchases of computers and computer-related equipment from four key vendors disclosed that at least \$2.2 million of these purchases were not recorded in HUD's asset management system, FIRMS, thus limiting accountability and control over these assets, many of which are portable.

Based on data provided to us by OIT personnel, we identified four major vendors from which HUD made computer equipment purchases. We requested documentation

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<sup>9</sup> We were not able to perform these matching tests on approximately \$2.0 million in purchases from two of the four vendors because those two vendors did not include serial numbers.

related to HUD purchases of computer equipment directly from these vendors. We compared the corresponding information against FIRMS and determined that approximately 21 percent of the purchases made from these vendors had not been recorded in FIRMS.<sup>10</sup> Table 1 details the unrecorded purchases during fiscal years 2001 through 2003.

**Table 1: Items Not Recorded in HUD’s Asset Management System as of September 2003**

<b>Fiscal year</b>	<b>Purchases tested</b>	<b>Number of tested items not recorded</b>	<b>Value of tested items not recorded</b>	<b>Percentage of purchase dollars tested that were not recorded</b>
2001	\$5,029,007	192	\$ 172,814	3
2002	5,165,160	2,165	2,006,129	38
2003	262,845	31	41,198	16
<b>Total</b>	<b>\$ 10,457,012</b>	<b>2,388</b>	<b>\$ 2,220,141</b>	<b>21</b>

Source: GAO analysis of HUD data.

Given the serious internal control weaknesses we identify in this report, and the fact that we tested purchases only from selected vendors, there may be additional purchases of computer equipment that are not recorded in HUD’s asset management system.

HUD’s policy requires that all accountable computer equipment purchases be recorded in FIRMS. OAMS is to receive notice of the purchase within 2 days of the approval to purchase or the actual purchase from OIT or within 3 days of the approval to purchase or the actual purchase from OCPO. OAMS is required by HUD policy to follow up with the purchaser if the equipment has not been received within 30 days of the purchase notification to ensure that all items purchased are recorded in FIRMS. As shown above, for the purchases we reviewed, these policies were not consistently followed. For example, while OAMS received the proper advance notification of a large single purchase of 4,763 computers totaling about \$4.4 million in July 2002, it failed to follow up with OIT when records indicated that not all of the equipment had been received after 30 days. As a result, 2,106 computers totaling about \$1.9 million of this single purchase were not recorded in the asset management system, which make up the majority of the fiscal year 2002 unrecorded purchases we identified.

We requested location information on the 2,388 items we identified that were not recorded in HUD’s asset management system from the directors of the field offices where the items were originally shipped. HUD was ultimately able to provide location information on 2,284 items totaling about \$2.1 million. This information was

<sup>10</sup> Of the approximately \$16.2 million in total purchases, as represented by HUD, from these four vendors, we were able to perform this comparison on approximately \$10.5 million in purchases (as shown in table 1). Vendor documentation related to \$2.0 million in purchases did not include serial numbers, and therefore we were unable to match these purchases against FIRMS. The remaining \$3.7 million was not tested because it included items other than equipment.

based on OIT records, which are maintained separately from FIRMS. The department was unable to provide location information for 104 items totaling over \$82,000. While not significant compared to total computer purchases during the period of review, HUD's inability to locate this equipment demonstrates that lapses in accountability for these portable assets can and do occur under HUD's current system of controls.

In our efforts to locate this equipment, we also determined that supporting documentation for equipment transfers that occurred between HUD offices during the period of our review often did not exist. HUD was not able to provide supporting documentation for most of the items it recorded as being shipped to another location. For example, we sent requests for location information to each field office that received equipment. Based on the responses we received, we requested shipping documentation for the computers that were listed as no longer at the receiving field office. HUD was unable to provide the requested shipping documentation, stating that type of information is not maintained. HUD's failure to regularly maintain supporting documentation for transfers is another factor that erodes its chain of accountability for this equipment and increases the risk of loss or misappropriation.

#### Asset Management System Was Not Reconciled to HUD's General Ledger

An effective reconciliation of an entity's detailed list of assets to its general ledger, the official record of accounts, is a key internal control necessary to help ensure the accuracy and completeness of both sets of records and thus to maintain accountability and control over the assets. We found that HUD was not effectively reconciling its asset management system inventory records (FIRMS reports) to its general ledger, as required by its policies and procedures. Thus, errors in the detailed records went unnoticed, and inaccurate adjustments were made to the general ledger to "balance" it to the erroneous inventory records in FIRMS.

When an obligation for the purchase of computer equipment is made, the obligating official is to establish an accounting code that initially classifies the purchase as a capitalized asset or an expense. When the invoice is received by the Office of the Chief Financial Officer (OCFO), the purchase order number or contract number that appears on the invoice is entered into the accounting system, indicating whether the transaction should be recorded as a capitalized asset or an expense in the general ledger. However, for fiscal years 2001, 2002, and 2003 all such items were recorded initially as expenses in the general ledger.

Upon receipt of purchased computer equipment, OAMS is to record the equipment in FIRMS. If the value of a single asset or a group of similar assets is \$100,000 or more, the item is to be coded as capitalized equipment in FIRMS. OAMS sends OCFO a quarterly<sup>11</sup> FIRMS report that lists all assets to be capitalized and depreciated.<sup>12</sup> OCFO

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<sup>11</sup> Prior to the fourth quarter of fiscal year 2003, this report was prepared manually based on OAMS staff's interpretation of the capitalization policy and submitted annually. In fiscal year 2003, OAMS began submitting this report quarterly. Beginning with the fourth quarter of fiscal year 2003, the report was automated.

<sup>12</sup> Capitalized assets are recorded on the balance sheet, whereas noncapitalized assets are recorded as expenses on the statement of net cost in HUD's financial statements. Depreciation of capitalized assets

is to compare the amounts in the OAMS report to the general ledger balances and use the report to adjust the amount of equipment purchases for the period that should be capitalized as assets in the general ledger and to record the related depreciation expense.

Neither OAMS nor OCFO attempts to reconcile total purchases of equipment in FIRMS (both capitalized and noncapitalized) to the general ledger records.<sup>13</sup> HUD also does not, in its general ledger, segregate accountable assets that are required to be recorded in FIRMS from nonaccountable assets, which would be necessary to facilitate such a reconciliation. These issues, combined with the other serious internal control weaknesses we identified, precluded HUD or us from being able to reliably determine the total amount of equipment purchases for the period of our review.

Because HUD does not reconcile FIRMS activity to the general ledger, if purchases are not recorded in FIRMS or coding errors are made in establishing whether equipment is capitalized or not within FIRMS, there is not an established process to promptly identify and correct errors. Because FIRMS is used to adjust the general ledger for capitalized assets, any errors in FIRMS are transferred to the general ledger. For example, according to officials in OCFO, in fiscal year 2001, OAMS staff initially recorded the purchase of several servers totaling approximately \$23 million to expense codes in FIRMS, but it was later determined that these servers should have been capitalized as assets. Thus a year-end adjustment to the general ledger was required. Two years later in fiscal year 2003, based on a reassessment of the transactions, OAMS staff determined that those items should not have been capitalized after all and yet another year-end adjustment to the general ledger was required. Thus, assuming the capitalization determination by OAMS was correct, the general ledger balances were misstated in fiscal year 2001 and fiscal year 2002. In addition, if OAMS fails to record computer equipment purchases in FIRMS, as we found during our review, this also misstates the general ledger—overstating expensed assets and understating capitalized assets and depreciation expense, thus skewing HUD's operating results.

Because HUD does not perform meaningful reconciliations of FIRMS to the general ledger, errors of this nature can continue without detection, thus compromising the accuracy of HUD's general ledger computer equipment accounts and its detailed asset management system inventory. Thus, both accountability and control over these vulnerable assets are compromised.

Based on discussions with HUD officials, we understand that once the new information technology contract discussed below is in place, HUD will no longer be making computer purchases, since essentially all computer equipment will be supplied and owned by the contractor. While this will simplify the process, regular reconciliations of FIRMS and the general ledger will still be necessary to help ensure

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spreads the cost of the assets over the future periods benefited, rather than expensing the total cost in the period acquired.

<sup>13</sup> There is currently no requirement in HUD's policies and procedures to reconcile total equipment purchases in FIRMS to total purchases in the general ledger.



that disposal and depreciation activity is properly reflected in the general ledger and to verify accountability in FIRMS.

### Physical Inventories of Computer Equipment Not Regularly Performed

We also found that HUD had not been regularly performing physical inventories of computer equipment, another key internal control necessary to secure and safeguard vulnerable assets. HUD's property and equipment policies and procedures require that a physical inventory be completed at least every 2 years. In its Management Letter<sup>14</sup> for fiscal year 1999, HUD's OIG stated that it had noted this issue in its financial audit since at least 1993. The OIG discusses the issue again in its Management Letters for fiscal years 2000 and 2001. To address this ongoing problem, HUD hired a contractor in fiscal year 2001 to perform a physical inventory and update the computer equipment inventory records. However, no physical inventory was performed in fiscal year 2002 and only a partial<sup>15</sup> physical inventory was completed in 2003. Ongoing errors in recording equipment, combined with the other problems we identified, increase the risk of continuing inaccuracies in HUD's asset management system that have not been corrected through regular physical inventories. HUD officials told us that a physical inventory had been completed in December 2003; however, as of the end of our fieldwork, the results of the physical inventory had not been provided to OAMS so that it could update FIRMS. The officials stated that due to the sustained protest of the contract award discussed below, all contractor work related to the equipment inventory has been put on hold.

While the completion of the physical inventory is a positive step forward, until FIRMS is updated to reflect the results, there will be little benefit from these efforts. In addition, unless HUD performs regular inventories and corrects the other deficiencies we identified to keep its inventory records accurate on an ongoing basis, it will have minimal assurances of the quantities and locations of its computer equipment.

### New Information Technology Contract Will Not Fully Resolve Accountability Issues

In August 2003, HUD awarded a new \$860 million information technology contract for essentially all of its information processing, telecommunications, and related needs on a nationwide, agencywide basis. Under the new information technology contract, the contractor will provide contractor-owned equipment and services necessary to meet HUD's information processing and telecommunications requirements. Under this approach, HUD officials advised us that they no longer plan on making direct purchases of computers and computer-related equipment. However, HUD still retains ownership of previously purchased computer equipment and will need to maintain accountability for this equipment through at least fiscal year 2006, its estimated remaining useful life.

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<sup>14</sup> The Management Letters issued by HUD's OIG in connection with audits of HUD's annual financial statements contain various findings and recommendations that were in addition to those included in the auditors' reports on internal controls.

<sup>15</sup> Although the physical inventory count has been completed, the results have not been provided to OAMS so that it can reconcile the count to FIRMS.

In December 2003, GAO sustained a protest filed against HUD's award of this contract and recommended that HUD reopen the acquisition, obtain revised proposals, and make a new award determination.<sup>16</sup> Regardless of HUD's ultimate contracting decisions, it will remain responsible for ensuring that its information processing and telecommunications needs are met and that the agency is expending funds properly to meet those needs.

## **Conclusion**

The combination of weaknesses we found in HUD's controls over its computer equipment limit HUD's ability to be accountable for these assets, both in terms of physically safeguarding the assets from loss or misappropriation and properly reflecting the assets and related expenses in its financial records. Even with a new information technology contract, HUD will still be accountable for resolving the issues we identified related to currently owned HUD computer equipment. Therefore it is important that HUD management act to establish adequate internal control over these highly vulnerable assets.

## **Recommendations for Executive Action**

In order to establish adequate internal control over HUD-owned computer equipment and reduce HUD's vulnerability to fraud, waste, and abuse, we recommend that the Assistant Secretary for Administration/Chief Information Officer take the following seven actions:

- Reiterate to responsible HUD personnel the importance of following HUD's established policies and procedures for recording computer equipment purchases in FIRMS.
- Follow up on the items we identified as not recorded in FIRMS to determine the location of the computer equipment and update FIRMS to reflect the results.
- Establish specific requirements for maintenance of documentation and records to support changes in the location of computer equipment.
- Perform quarterly reconciliations of HUD-owned computer equipment balances in FIRMS, both capitalized and noncapitalized, to the recorded amounts in the general ledger, including researching all differences and correcting any identified errors.
- Segregate accountable equipment purchases from nonaccountable purchases in the general ledger in order to facilitate the reconciliation process.
- Update FIRMS to reflect the results of the recently completed physical inventory of HUD-owned computer equipment.
- Perform a complete and accurate physical inventory of HUD-owned computer equipment at least annually and update FIRMS as needed to reflect the inventory results.

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<sup>16</sup> Lockheed Martin Information Systems, B-292836 (Dec. 18, 2003).

## Agency Comments

In written comments on a draft of this report, from HUD's Assistant Secretary for Administration/Chief Information Officer, HUD concurred with our findings and recommendations and outlined actions it plans to take in response. The agency also provided one minor technical comment, which we incorporated into the report.

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If you or your staff has any questions, please contact me at (202) 512-8341 or by e-mail at [calboml@gao.gov](mailto:calboml@gao.gov) or Robert Owens, Assistant Director, at (202) 512-8579 or by e-mail at [owensr@gao.gov](mailto:owensr@gao.gov).

Sincerely yours,



Linda M. Calbom  
Director, Financial Management and Assurance

Enclosure

## Enclosure

### Comments from the Department of Housing and Urban Development



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

APR 19 2004

ASSISTANT SECRETARY FOR  
ADMINISTRATION/CHIEF INFORMATION OFFICER

Ms. Linda M. Calbom  
Director, Financial Management and Assurance  
U.S. General Accounting Office  
Washington, DC 20548

Dear Ms. Calbom:

Thank you for the opportunity to provide comments on the draft report entitled "Department of Housing and Urban Development: Lack of Accountability for Computer Equipment Leaves These Assets Vulnerable to Loss or Misappropriation." We have reviewed the draft and concur with the findings and recommendations. However, we would like to request one correction on page 12. The last sentence of the second paragraph states that:

"When the invoice is received by the Office of the Chief Financial Officer (OCFO), the accounting code that appears on the invoice is to be entered into the system, thereby generating payment as well as recording the assets in the general ledger as capitalized assets or expenses."

The sentence should be corrected to explain that,

"When the invoice is received by the OCFO, the purchase order number or contract number that appears on the invoice is entered into the accounting system, determining whether the transaction is recorded as a capitalized asset or an expense in the general ledger."

The Office of Administration and OCFO's Office of Accounting (OCFO/OA) will work together to develop a process to adequately perform monthly and quarterly reconciliation of HUD-owned computer equipment balances in HUD's Facilities Integrated Resources Management System (FIRMS), researching all differences and correcting any identified errors in a timely manner. We understand that FIRMS can be easily modified to include one or more data fields resident in HUD's Centralized Accounting System. The Office of Administration and OCFO/OA will work in a collaborative manner to reconcile the two systems. OCFO/OA will research the feasibility of further segregating accountable equipment purchases from non-accountable purchases in the general ledger in order to facilitate the reconciliation process.

The Department appreciates the opportunity to comment on the report. The point of contact

for this matter is Mary P. Barry, Director, Office of Management and Planning. She may be reached at (202) 708-1027.

Sincerely,

A handwritten signature in cursive script that reads "Vickers B. Meadows".

Vickers B. Meadows  
Assistant Secretary for Administration/Chief  
Information Officer

(190115)

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