

AUDIT REPORT
Bank Reconciliations

Number A-05-04

September 28, 2005



Smithsonian Institution

Office of Inspector General



Smithsonian Institution

Memo

Office of the Inspector General

Date September 28, 2005

To Lawrence M. Small, Secretary

cc Sheila P. Burke, Deputy Secretary and Chief Operating Officer
James D. Douglas, Director, Office of Human Resources
Alice C. Maroni, Chief Financial Officer
Andrew J. Zino, Comptroller

From *Debra S. Ritt*
Debra S. Ritt, Inspector General

Subject Audit of Bank Reconciliations

This report presents the results of our audit of the Smithsonian Institution's bank reconciliation process. At the time of our audit, the Smithsonian had 35 trust bank accounts.¹ Approximately \$177 million in deposits and disbursements were processed through these accounts in December 2004.

In its January 2004 report on the Smithsonian's financial statements, the Institution's external auditors, KPMG LLP, recommended that the Institution prepare monthly bank reconciliations. To determine whether the Institution had implemented KPMG's recommendations, in July 2004, we attempted, but were unable, to audit the Institution's bank reconciliations. The activity for all 35 bank accounts was recorded in one general ledger account, and the Office of the Comptroller (OC), which is responsible for maintaining the accounting records for the Institution, could not obtain reports from the Institution's financial management system (PeopleSoft) to identify activity for each bank account.

Since that time, separate general ledger accounts have been established for each bank account and OC is now performing monthly reconciliations. The Smithsonian is also pursuing a new banking arrangement to significantly reduce the number of its accounts and to process transactions electronically in response to a report by Mitchell & Titus, LLP, which was contracted in 2004 to review the Institution's cash management practices. As part of these plans, the Comptroller is seeking a web-based account management system that will allow the Smithsonian to manage all of its banking activities. The Comptroller estimates that it will take 15 to 24 months to fully implement this arrangement once the new banking partner or partners have been identified.

Because accurate cash accounting balances are needed for operational decisions and annual financial reporting, we reviewed OC's reconciliation efforts to determine whether the Institution was resolving reconciling items timely and whether internal controls over bank reconciliations were effective. We compared the dollar value and age of reconciling

¹These accounts do not include those managed by Smithsonian Business Ventures.

items for the months ending September 30, 2004, December 31, 2004, and March 31, 2005 for the 18 accounts that represented 99 percent of the dollar value of activity in all 35 accounts. These 18 accounts included:

- 6 with the Bank of America;
- 3 with Riggs Bank (now the Pittsburgh National Corporation);
- 3 with the Hong Kong and Shanghai Banking Corporation;
- 2 with Manufacturers and Traders Trust Company;
- 2 with Fleet;
- 1 with Citibank Corporation; and
- 1 with J.P. Morgan/Chase.

To determine the nature of the reconciling items, we sampled \$12.4 million or 72 percent of the \$17.3 million in reconciling items that were over 30 days old as of December 31, 2004. We also reviewed the Smithsonian's plans for changing its banking arrangements to determine how they would affect the bank reconciliation process and to assess whether additional process changes were needed to facilitate the transition.

RESULTS IN BRIEF

Since the beginning of fiscal year (FY) 2005, OC has aggressively reduced the backlog of reconciling items in the 18 bank accounts reviewed. For example, between September 30, 2004 and March 31, 2005, OC resolved \$7.2 million of reconciling items over 90 days old. This progress is impressive given the high volume of year-end transactions and work interruptions from year-end closing activities and the financial statement audit.

Despite these efforts, as of March 31, 2005, the Institution had 746 items valued at approximately \$7 million that were unresolved for over 30 days. This dollar amount represents 3.9 percent of the \$181.7 million in deposits and disbursements processed through the Institution's 18 bank accounts in March 2005.

Data entry errors by OC staff and late recording of health benefits transactions significantly contributed to the dollar amount of reconciling items. OC lacked a standardized and properly supervised process for resolving items. Staff in OC's Financial Analysis Division indicated that they attempted to informally resolve reconciling items with staff in other OC divisions without working through those individuals' supervisors, which may have contributed to delays in reducing the backlog of items. OC also lacked aged listings of reconciling items that would enable OC division managers to better track the age of items and their resolution.

Failure to resolve reconciling items timely increases the risk that errors or unrecorded transactions may not be detected and corrected promptly. This failure also decreases control over cash and increases the risk that theft or loss of funds may not be promptly detected and corrected. It also hinders OC's ability to produce accurate monthly and quarterly financial reports and may prevent units from having access to funds timely. For example, we found that the Hirshhorn Museum was unable to spend approximately \$130,000 for over 2 years because the funds were not recorded timely. This deposit occurred shortly after implementation of the new financial system, and unit staff were not trained on how to run PeopleSoft reports until approximately 9 months after the deposit was made.

Finally, failure to resolve reconciling items timely could result in idle cash remaining in certain small bank accounts that could be invested in overnight or short-term securities. We identified \$328,186 that had accumulated over the last 7 months in one of the Institution's smaller bank accounts before it was invested.

Efforts to consolidate bank accounts and automate the remittance process should significantly reduce data entry errors and the volume of reconciling items. However, because the new banking relationship may not be fully implemented for 15 to 24 months, OC will need to take steps in the interim to minimize both data entry errors and reconciling items. Since the majority of data entry errors were within OC, we recommend that the Comptroller ensure that data entry activities are reviewed to make certain that transactions are accurately entered into PeopleSoft. OC should also instruct the units to review cash activity recorded by OC for accuracy and seek unit notification of incoming wire transfers. To address the late recording of health benefits activity and ensure that premium deposits and benefits payments are accurately recorded, we recommend the Director of the Office of Human Resources (OHR) assume responsibility for preparing input vouchers for health benefits transactions.

To improve the process for resolving reconciling items, we also recommend that the Comptroller implement a standardized process for resolving reconciling items, ensure the resolution process is properly supervised, and make use of aged listings of reconciling items to track the age of items and their resolution with the units. Further, we recommend that the Chief Financial Officer remind units of the importance of resolving reconciling items in a timely manner.

According to the Comptroller, when the new banking arrangement is implemented, responsibility for most of the data entry of deposits will most likely shift from OC to the units. In addition, it is anticipated that certain units will have the ability to scan their remittances for entry into the Institution's financial system. Because the data entry process will be dispersed among the various units within the Institution and not controlled centrally by OC, OC will need to exercise greater oversight of the process to ensure that the information recorded in the general ledger is accurate and complete.

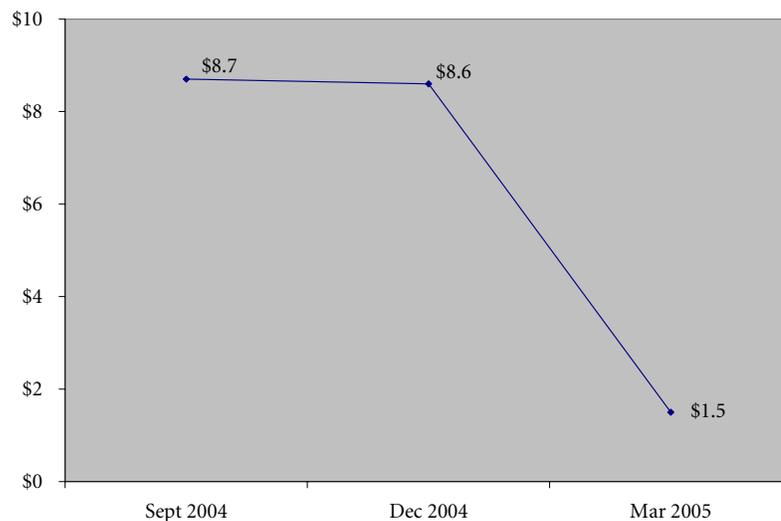
RESULTS OF AUDIT

Significant Progress Made in Eliminating Backlog Of Reconciling Items

The Office of the Comptroller (OC) is responsible for reconciling the bank accounts of the Institution, and the individual units of the Institution (museums, offices, and research facilities) are responsible for submitting the appropriate input documents that provide the accounting information for most bank deposits. The units submit a Cash Receipts Voucher (CRV), Transmittal Form for Gifts & Promise to Give (Form 3011), or an Incoming Wire Transfer Advice to OC for entry of membership dues, miscellaneous sales revenue, or donations, into the PeopleSoft financial management system. For the majority of the accounts, OC manually reconciles the bank statements by comparing them to transaction details on the PeopleSoft general ledger reports, and works with the units to resolve reconciling items.

Since the beginning of FY 2005, OC has aggressively reduced the backlog of reconciling items in the 18 bank accounts reviewed. As shown in Figure 1 below, between September 30, 2004 and March 31, 2005, OC resolved \$7.2 million of reconciling items over 90 days old. Of this amount, \$5.6 million was associated with inter-bank payroll transfers for the Smithsonian Tropical Research Institute (STRI). OC's progress is impressive given the high volume of year-end transactions and the demands within OC to address year-end closing activities and the financial statement audit.

Figure 1
Value of Reconciling Items
Over 90 Days Old in 18 Bank Accounts Reviewed
(\$ in millions)



Despite significant progress, as of March 31, 2005, the Institution had 746 items valued at approximately \$7 million that were unresolved for over 30 days. This dollar amount represents 3.9 percent of the \$181.7 million in deposits and disbursements processed through the 18 bank accounts in March 2005. Of the 746 items, 285 were a carryover from prior months because OC was still playing “catch up” in eliminating its backlog of items. OC’s progress in resolving these items was also hindered by resource constraints. For example, the position of Cash Management Officer had been vacant since January 2005, and the office lacked sufficient analysts to research and resolve reconciling items. A Cash Management Officer was subsequently hired in September 2005. According to the Comptroller, additional analyst positions will be added to OC in FY 2006. The Comptroller also stated that, since many reconciling items are generated by individual unit activity, greater cooperation from individual unit staff is necessary to accomplish a more timely resolution of reconciling items.

We also noted that OC lacked a formalized process for resolving items to ensure that reconciling items were elevated to OC management. Staff in OC’s Financial Analysis Division indicated that they tried to informally resolve reconciling items with staff in other OC divisions without working through those individuals’ supervisors, which may have contributed to delays in reducing the backlog of items. OC also lacked aged listings of reconciling items that would enable OC to better track the age of items and their resolution with the units.

Prompt resolution of reconciling items is a key internal control over cash to ensure that errors or unrecorded transactions are detected and corrected promptly. Doing so can prevent loss. For example, because Smithsonian Business Ventures promptly reconciled its bank accounts, in June 2005, it was able to identify \$107,000 in counterfeit checks and notify its banks to prevent loss to the Institution. Timely reconciliations also ensure that units have immediate access to funds designated for their operations and that cash does not sit idle when it can be invested in overnight or short-term securities. For example, we found that the Hirshhorn Museum was unable to spend approximately \$130,000 for over 2 years because the funds were not promptly posted to the museum’s revenue account. This deposit occurred shortly after the implementation of the new financial system, and staff were not trained on how to run PeopleSoft reports until approximately 9 months after the deposit was made. We also identified \$328,186 that had accumulated over the last 7 months in one of the Institution’s smaller bank accounts before it was invested.

Finally, monthly reconciliations of bank accounts are critical to producing accurate monthly and quarterly financial reports needed to support day-to-day management decisions and drive results in key areas of operation.

Reconciling Items Were Caused by Data Entry Errors and Recording Delays

We sampled \$12.4 million or 72 percent of the \$17.3 million in reconciling items that were over 30 days old as of December 31, 2004 to determine the nature of these items. As shown in Table 1, \$9.4 million or 76 percent of the reconciling items sampled were caused by data entry errors, and \$3.0 million or 24 percent were caused by late recording of transactions. We also found that \$7.4 million or 60 percent of the \$12.4 million in reconciling items were related to transactions prior to July 2004 when individual general ledger accounts were not part of the PeopleSoft financial management system.

Table 1
Causes of Reconciling Items Sampled
(as of December 31, 2004)

| | Total Amount | Items Prior to 7/1/04 Included in Total |
|--|---------------------|--|
| Data Entry Errors | | |
| Office of the Comptroller | \$8,472,706 | \$6,425,417 ^a |
| Smithsonian Tropical Research Institute | 939,836 | 858,258 |
| Subtotal | \$9,412,542 | \$7,283,675 |
| | | |
| Late Recording of Transactions | | |
| Office of Human Resources Health Benefits Activity | \$2,242,760 | 0 |
| Incoming Wire Transfers | 337,477 | 0 |
| CRV Processing | 172,948 | 129,180 |
| Office of the Comptroller Transfers | 118,411 | |
| Unit CRV Submissions | 108,182 | 13,000 |
| Not Sufficient Funds (NSF) Returned Checks | 37,070 | 18,926 |
| Subtotal | \$3,016,848 | \$161,106 |
| Total | \$12,429,390 | \$7,444,781 |

^a Of the \$6.4 million, \$5.6 million was related to inter-bank transfers dating back to October 2002 for Smithsonian Tropical Research Institute payroll.

Data Entry Errors

The majority (90 percent) of the data entry errors were caused by OC, which relied heavily on contract staff to enter cash deposits and payments into the PeopleSoft financial management system. OC experienced a high turnover in contract staff, which resulted in a lack of continuity in processing documents. Further, OC did not perform reviews of the accounting information entered into PeopleSoft to ensure its accuracy. OC management informed us that these reviews were not performed principally due to staff shortages (the

Cash Management Officer position had been vacant since January 2005) and the lack of trained analysts to perform this review function. The Comptroller hired a Cash Management Officer in September 2005 and stated that he plans to begin hiring analysts in FY 2006.

A December 2004 report by PricewaterhouseCoopers, which was contracted to review internal controls within OC, noted that OC's overall focus was on processing transactions rather than controlling those processes to ensure that information is being accurately entered. The contractor also observed that a great deal of reliance is placed upon individuals not to make errors and that there was very little higher-level review of daily processing outputs.

In addition to the lack of review of data entered by OC, the Comptroller indicated that the units do not always properly or timely review PeopleSoft general ledger activity reports for their units to ensure that activity is correctly recorded by OC. This was confirmed by staff in two units that we interviewed during our review. A more timely and robust unit review of general ledger activity reports would provide a key check and balance in that process.

In addition to the errors made by OC, we found that 10 percent or approximately \$940,000 of the data entry errors were caused by STRI. STRI employees had not received adequate PeopleSoft training and were posting the totals of multiple vendor payments instead of individual transactions to the PeopleSoft financial management system. According to STRI management, it began to correct the problem of posting summary entries in April 2004. The STRI bank reconciliation process has improved dramatically since that time. In June 2005, OC provided STRI with the appropriate training on the PeopleSoft financial management system, including the bank reconciliation process.

Late Recording of Transactions

Of the \$12.4 million in reconciling items we sampled, \$3 million was caused by the late recording of transactions, most of which involved OHR health benefits activity. Specifically, in August 2004, OHR stopped preparing input vouchers to record premium deposits and payments associated with health benefits, causing \$2.2 million in reconciling items over 30 days old by the end of December 2004. Staff departures in OHR left the unit without the necessary resources to prepare input vouchers to record health benefits activity.

To ensure that these transactions were recorded, OC assumed responsibility from OHR for recording the premium deposits and benefits payments. However, OC experienced difficulty in obtaining the CIGNA health insurance reports needed to make the entries. In addition to delaying the recording of health benefits transactions, the transfer of responsibility to OC created an internal control weakness because OHR is not reviewing activity reports on a monthly basis to ensure benefits deposits and payments are valid.

Wire transfers also were not being promptly recorded for several reasons. The units were not always complying with the established procedure to notify the Cash Management Office of anticipated incoming wire transfers. In some instances, units stated that they did not comply with this procedure because of limited staff. Units also indicated they did not always know whether payments would be made by wire. We found that OC did not always advise units monthly of incoming wires that needed to be recorded. Regular monthly notifications by OC to the units would provide a key control in monitoring unrecorded wire transfers.

In addition to late recording of health benefits and wire transfers, the Comptroller indicated that the process for recording gifts of stocks was causing reconciling items. When a donor donates stocks, the stocks are sent to the Institution's broker, and the Office of the Treasurer instructs the broker to sell the stocks. The Office of the Treasurer then forwards information, including the amount of the proceeds and settlement date, to the units to prepare the 3011 input forms. In some cases, the broker will sell more than one stock at a time for different units, and therefore the total bank deposit may be split among different units. If the units do not promptly submit 3011 forms to OC, then the amount recorded will be less than the amount of the deposit. The Comptroller provided examples, totaling \$102,576, where the units were not sending in the 3011 forms on a timely basis.

New Banking Arrangement Should Reduce Errors and Reconciling Items, But Increased Oversight of Transaction Processing and Data Entry Needed

In 2004, the Smithsonian contracted with Mitchell and Titus, LLP to research products in the banking and treasury/cash management environment, and to assess its existing banking relationships. Their report, issued on October 15, 2004, identified several opportunities to streamline the Institution's banking arrangements and automate its processes. The study recommended, among other things, that the Institution:

- Close multiple disbursement accounts, leaving one or two open, capable of tracking activity level disbursements through prefixes or suffixes that are built into the account number.
- Close most, if not all, lock boxes and implement Accounts Receivable Conversion technology to enable units to turn checks received into electronic transactions. Supporting documentation received would then be used to properly record the activity in the PeopleSoft financial management system.
- Reduce the amount of paper transactions through the use of electronic banking.

According to the Comptroller, the Smithsonian intends to implement 16 of the 17 recommendations made by the study. Plans for the selection of a new banking partner(s) are underway, with the selection process to be completed in the last quarter of calendar year 2005. While it is too early to tell what the new banking arrangement will look like, the recommendations, if implemented, should reduce the number of data entry errors and reconciling items. For example, consolidating accounts will reduce some of the complications related to recording and reconciling the accounts and reduce the time OC spends on reconciliation activity. Further, implementing electronic cash receipt practices should reduce recording times and ensure deposits are properly recorded in the appropriate unit accounts.

While these changes should bring about tremendous improvements in the bank reconciliation process, the units and OC will need to strengthen oversight over the recording of cash receipts. Because the new banking relationship may not be fully implemented for 15 to 24 months, in the interim OC will continue to record receipts and disbursements in the PeopleSoft financial management system. Given the high number of data entry errors we observed, OC will need to ensure that data entry activities are properly staffed and supervised and that data entered into the general ledger is supported by corresponding source documents.

To the extent units assume responsibility for converting checks into electronic transactions, a timely review of deposit transactions must occur to ensure that they have correctly recorded revenue in the general ledger. According to the Comptroller, the units have been reluctant to perform these reviews in the past because of their unfamiliarity with the PeopleSoft system. These reviews, as well as oversight by OC, will become even more important under the new banking arrangement as the units assume greater responsibility for recording revenues. OC will need to work with the units to establish an oversight process for ensuring that revenues are accurately recorded and reviewed.

Also, although automated data entry processes may reduce reconciling items, they will not eliminate them altogether, and OC will have to resolve any reconciling items identified. Because an adequate process was not in place to ensure that issues were elevated to appropriate levels, OC will need to formalize its process and to establish and use as a monitoring tool aged listings of reconciling items.

RECOMMENDATIONS

To reduce data entry errors and delays in recording transactions until the new banking arrangement is in place, we recommend that:

1. The Comptroller ensure data entry of deposits and disbursements are properly reviewed. At a minimum, require that the staff in the Cash Management Office compare reports of daily general ledger postings to the original source documents.

2. The Comptroller remind units to notify OC of anticipated incoming wire transfers, when known, and notify units of incoming wire transfers that remain unrecorded.
3. The Comptroller instruct the units to review cash activity recorded by OC in their general ledger accounts for accuracy.
4. The Director of the Office of Human Resources assume responsibility for preparing input vouchers for CIGNA health benefits activity to provide the proper control over these transactions.

To transition data entry responsibility for deposits under the new banking arrangement and to ensure that proper oversight is in place over the recording of transactions, we recommend that:

5. The Comptroller, in collaboration with the units, establish an oversight process for ensuring that revenues are accurately recorded and reviewed.

To improve the process for resolving reconciling items, we recommend that:

6. The Comptroller implement a standardized process for resolving reconciling items, ensure the resolution process is properly supervised, and make use of aged listings of reconciling items to track the age of items and their resolution with the units. These reports should be circulated to OC Division Managers, the Comptroller, and unit heads.
7. The Chief Financial Officer remind units involved with receipt and disbursement activities of the importance of resolving reconciling items in a timely manner.

MANAGEMENT RESPONSE

Management officials provided formal written comments to our September 16, 2005, draft report on September 22, 2005. All offices concurred with our analyses and recommendations. Management officials identified actions planned for each recommendation as well as target dates for their completion. By October 31, 2005, the Comptroller will issue a notification to all units reminding them to review cash activity posted to their accounts on a regular basis and to notify OC of anticipated wire transfers. In a subsequent communication, OC clarified that they will notify units of incoming wire transfers that remain unrecorded. Additionally, by December 31, 2005, OC will implement formal processes to provide assurances that the data entry of deposits and disbursements are properly reviewed, revenues are accurately recorded and reviewed under the new banking arrangement, and that the age of reconciling items is tracked and units are informed as to their status.

The Chief Financial Officer will notify the units of their responsibility to assist OC in the resolution of bank reconciling items in a timely manner by October 31, 2005. In addition, the Director of the Office of Human Resources will assume responsibility for preparing input vouchers for CIGNA health benefits activity. OC agreed to develop a template for use by OHR in the monthly preparation of input vouchers to record health benefits activity by December 31, 2005. The full text of management's comments is included in Appendix B.

OFFICE OF THE INSPECTOR GENERAL COMMENTS

Management's proposed actions are responsive to our recommendations and we consider the recommendations resolved. While OC has made significant progress in reducing the backlog of reconciling items during FY 2005, this area still needs attention. We are pleased that a new Cash Management Officer is now on board and that OC plans to hire additional analysts in FY 2006. Fully implementing the recommendations will go a long way toward eliminating the backlog, as well as ensuring cash receipts and disbursements are properly recorded and the Institution's funds are put to better use during the transition to a new banking partner.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of this audit were to determine whether: (1) bank accounts were reconciled completely, accurately, timely, and efficiently; and (2) policies, procedures, and internal controls over bank reconciliations were adequate. We also identified reconciliation issues that the Smithsonian will need to address before it transitions to a new banking partner.

SCOPE AND METHODOLOGY

To evaluate the adequacy of bank reconciliations, we reviewed all 35 trust bank account reconciliations as of December 31, 2004. We traced the book and bank balances from the reconciliation to the PeopleSoft general ledger reports and the bank statements for each of the 35 accounts.

We compared the dollar value and age of reconciling items for the months ending September 30, 2004, December 31, 2004, and March 31, 2005, for 18 bank accounts that had a high-dollar value of activity or unusual transactions. As of December 31, 2004, deposits into these 18 accounts totaled \$85.8 million and withdrawals \$90.2 million, or approximately 99 percent of the activity in all 35 accounts. Approximately \$177 million in deposits and disbursements were processed through the 35 accounts in December 2004. We also reviewed descriptions of the reconciling items and obtained the supporting schedules.

To identify causes of reconciling items and the reasons for delays in resolving them, we examined 591 large or unusual reconciling items totaling approximately \$12.4 million or 72 percent of the \$17.3 million in reconciling items over 30 days old for the 18 accounts as of December 31, 2004. We judgmentally selected large or unusual items for testing from the total of reconciling items over 30 days old as of December 31, 2004. We researched transaction documentation and interviewed Office of the Comptroller (OC) and unit staff to determine the causes of reconciling items.

We reviewed a study of the Smithsonian's banking activity and cash management practices prepared by Mitchell and Titus, LLP. We also compared the recommendations made in the study to the Comptroller's plans for implementing these recommendations and evaluated whether the Comptroller's plans would address the issues we identified. We also reviewed a report by PricewaterhouseCoopers on internal controls of financial processes administered by OC.

We conducted our audit between February 2005 and September 2005 in accordance with *Government Auditing Standards*, as prescribed by the Comptroller General of the United States and included tests of internal controls as were considered necessary.

APPENDIX B. MANAGEMENT RESPONSE



Smithsonian Institution

Memo

Chief Financial Officer

Date September 22, 2005
To Debra S. Ritt, Inspector General
cc Andrew J. Zino, Comptroller
From Alice C. Maroni, Chief Financial Officer
Jim Douglas, Director, Office of Human Resources
Subject Response to the Draft Report on the Audit of Bank Reconciliations dated September 16, 2005 – INFORMATION MEMO

Thank you for the opportunity you have extended us to comment on your draft report, Audit of Bank Reconciliations. As you requested, we have reviewed the draft report and generally concur with the facts as presented. We have also reviewed the recommendations and offer management's consolidated comments for each recommendation below.

RECOMMENDATIONS

For action by the Comptroller, Office of the Comptroller (OC):

1. The Comptroller ensure data entry of deposits and disbursements are properly reviewed. At a minimum, require that the staff in the Cash Management Office compare reports of daily general ledger postings to the original source documents.

Comment: We concur. Review process will be implemented to provide assurance that data entry of deposits and disbursements are reviewed by appropriate personnel in the Cash Management Office.

Action completion date: December 31, 2005

2. The Comptroller remind units to notify OC of anticipated incoming wire transfers, when known, and notify units of incoming wire transfers that remain unrecorded.

Comment: We concur. A reminder notification will be sent to all units reminding them to properly notify OC of anticipated wire transfers.

Action completion date: October 31, 2005

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3. The Comptroller instruct the units to review cash activity recorded by OC in their general ledger accounts for accuracy.

Comment: We concur. A reminder notification will be sent to all units reminding them to review cash activity posted to their accounts on a regular basis.

Action completion date: October 31, 2005

4. The Comptroller, in collaboration with the units, establish an oversight process for ensuring that revenues are accurately recorded and reviewed.

Comment: We concur. The Comptroller will establish an oversight process to ensure that revenues are accurately reviewed and recorded.

Action completion date: December 31, 2005

5. The Comptroller implement a standardized process for resolving reconciling items to ensure the resolution process is properly supervised, and make use of aged listings of reconciling items to track the age of items and their resolution with the units. These reports should be circulated to OC Division Managers, the Comptroller, and unit heads.

Comment: We concur. The Comptroller will establish formalized review procedures to track the age of reconciling items and keep units informed as to the status of those reconciling items.

Action completion date: December 31, 2005

For action by the Chief Financial Officer (CFO):

6. The Chief Financial Officer remind units involved with receipt and disbursement activities of the importance of resolving reconciling items in a timely manner.

Comment: We concur. The CFO will notify the units of their responsibility to aid OC in the resolution of bank reconciling items in a timely manner.

Action completion date: October 31, 2005

For action by the Director, Office of Human Resources (OHR):

7. The Director of the Office of Human Resources assume responsibility for preparing input vouchers for CIGNA health benefits activity to provide the proper control over these transactions.

APPENDIX B. MANAGEMENT RESPONSE

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Comment: We concur. OC will develop a template for use by OHR in the monthly preparation of the input vouchers to record the health care provider's health benefit activity to provide the proper control over these transactions.

Action completion date: December 31, 2005

Thank you for the opportunity to comment prior to issuance of your final report. Please direct any questions you may have regarding any information contained in this memo to Andrew J. Zino in OC for a coordinated management response. Mr. Zino may be reached at telephone number 202-275-1175 or via email to ZinoA@si.edu.