



APR 8 2010

MEMORANDUM FOR: DANIEL J. LACEY
Acting Deputy Chief Financial Officer

A handwritten signature in black ink that reads "Elliot P. Lewis".

From: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

Subject: **Alert Memorandum:** Critical Deadlines Associated with the
U.S. Department of Labor Fiscal Year 2010 Consolidated
Financial Statement Audit
Report Number: 22-10-017-13-001

In our prior Alert Memorandum dated March 30, 2010, we expressed our concerns associated with the U.S. Department of Labor's (DOL) ability to prepare auditable consolidated financial statements for Fiscal Year (FY) 2010 in time for KPMG LLP (KPMG) to be able to complete their audit and issue an opinion on those statements by November 15, 2010, in accordance with the Office of Management and Budget's (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended. The purpose of this memorandum is to highlight certain key dates, identified in the attached schedule, which must be met by you and your staff to allow KPMG sufficient time to complete the necessary FY 2010 audit procedures. Failure to meet these dates with complete and accurate information will critically impact KPMG's ability to complete its audit procedures and issue an opinion on all FY 2010 consolidated financial statements as required by OMB.

It is our understanding that your staff has not been able to provide requested documentation related to KPMG's audit procedures over DOL's conversion from the Department of Labor Accounting and Related Systems (DOLAR\$) to the New Core Financial Management System (NCFMS) and DOL's first quarter activities by the requested due dates. We understand that many of these delays are a result of staff working on competing priorities, including the implementation of NCFMS. As you begin to finalize your plan for closing the second, third, and fourth quarters of FY 2010 and preparing the consolidated financial statements, we strongly recommend you commit the necessary resources to adhere to all deliverable due dates in KPMG's "prepared by client" (PBC) lists and those identified in the attached schedule. In past years, KPMG has been able to work with your staff when additional time has been needed to produce requested documentation. Unfortunately, given the significant delays you are currently experiencing as a result of the issues associated with the NCFMS implementation, no additional time exists in the audit completion schedule to compensate for any delays in meeting future PBC due dates.

Additionally, we recommend you complete all reconciliations between NCFMS and all subsidiary systems, and all reconciliations of Fund Balance with Treasury, prior to providing NCFMS data extract files to KPMG. These reconciliations are critical to ensuring the completeness and accuracy of the information reported in NCFMS. Due to numerous issues associated with the integration of the subsidiary systems and NCFMS, we believe it is critical that such reconciliations be performed prior to KPMG pulling its samples from the NCFMS data extracts and DOL expending the time to pull the supporting documentation for these samples.

It is also important that DOL meets the milestone dates in the project plan you developed to resolve the issues surrounding the NCFMS data migration. We note that in some cases you are ahead in the execution of elements of the plan and in some cases behind. In order to meet the key dates in the attachment, DOL will need to complete the identified tasks in the project plan in a timely manner.

Once again, we recognize that you and your staff are working very hard to address the significant challenges related to the implementation of NCFMS, and we appreciate your efforts in working with KPMG and my staff. Likewise, we are working very hard and will do everything we can to accomplish the audit. However, if the key dates reflected in the attached schedule are not met with complete and accurate information and the milestone dates in the project plan referenced above are not met, all of these efforts may not be sufficient to allow KPMG to issue an opinion on all of the DOL FY 2010 financial statements by the OMB reporting deadline of November 15, 2010.

**U.S. Department of Labor
FY 2010 Consolidated Financial Statement Audit
Critical Deadlines**

Description	Due No Later Than:
All requested PBC items related to the first quarter ended 12/31/09	April 30, 2010
NCFMS download of general ledger transactions, requested populations from subsystems, and related reconciliations for the second quarter ended 3/31/10	June 11, 2010
All requested PBC items related to the second quarter ended 3/31/10	June 25, 2010
NCFMS download of general ledger transactions, requested populations from subsystems, and related reconciliations for the third quarter ended 6/30/10	August 6, 2010
All requested PBC items related to the third quarter ended 6/30/10	August 20, 2010
NCFMS download of general ledger transactions, requested populations from subsystems, and related reconciliations for the two months ended 8/31/10	September 20, 2010
All requested PBC items related to the two months ended 8/31/10	October 4, 2010
NCFMS download of general ledger transactions, requested populations from subsystems, and related reconciliations for the month ended 9/30/10	October 12, 2010
All requested PBC items related to month ended 9/30/10	October 19, 2010
Draft consolidated financial statements for the year ended 9/30/10	October 25, 2010