U.S. Department of Agriculture
Office of Inspector General
Financial and IT Operations
Audit Report

FISCAL YEAR 2001 – 2002
NATIONAL FINANCE CENTER
REVIEW OF INTERNAL CONTROL STRUCTURE

Report No.
11401-13-FM
November 2002

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: November 20, 2002

REPLY TO 11401-13-FM

SUBJECT: Fiscal Year 2001-2002 National Finance Center
Review of Internal Control Structure

TO: Edward R. McPherson
Chief Financial Officer
Office of the Chief Financial Officer

This report presents the results of our audit of the internal control structure at the Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) as of June 30, 2002. The audit was conducted in accordance with Government Auditing Standards and Statement on Auditing Standards No. 70. The report contains a qualified opinion on the internal control structure because certain control policies and procedures, as described in the report, were not suitably designed, and/or operating effectively.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned and the timeframes for implementation. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us during the audit.

/s/

RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

NATIONAL FINANCE CENTER
REVIEW OF INTERNAL CONTROL STRUCTURE
FOR FISCAL YEAR 2001 – 2002

AUDIT REPORT NO. 11401-13-FM

PURPOSE

The purpose of our audit was to obtain reasonable assurance about whether the accompanying description of the internal control structure of the U.S. Department of Agriculture's (USDA), Office of the Chief Financial Officer's/National Finance Center (OCFO/NFC) presents fairly, in all material respects, the aspects of the OCFO/NFC's policies and procedures that may be relevant to a user organization's internal control structure; the control structure policies and procedures included were suitably designed to achieve control objectives, if those policies and procedures were complied with satisfactorily; the policies and procedures had been placed in operation; and whether the policies and procedures were operating effectively.

RESULTS IN BRIEF

Our review of the internal control structure at the OCFO/NFC for the time period October 1, 2000, through June 30, 2002, resulted in a qualified opinion.

OCFO/NFC has made significant progress in improving its internal control structure. Most notably the OCFO/NFC has a sustained cash reconciliation process in place, has implemented a standard general ledger system, and has improved the security over its information technology (IT) systems. However, our audit disclosed that further improvements are needed. We noted that: OCFO/NFC needs to update its network map and list of Internet Protocol (IP) addresses, implement system security plans for major applications, improve its monitoring of system accesses in selected applications, and improve controls over changes made to its applications. Senior program management needs to continue its involvement in the planning and implementation of overall system security. OCFO/NFC's ability to accomplish its mission could be jeopardized if it does not properly manage and secure its IT infrastructure.

The foundation for security over IT resources is found in OMB Circular A-130, Appendix III, "Security of Federal Automated Information Resources."

This circular establishes a minimum set of controls for agencies' automated information security programs. Further, Presidential Decision Directive (PDD) 63, "Policy on Critical Infrastructure Protection," requires agencies to assess the risks to their networks and establish a plan to mitigate the identified risks.

Specifically, we noted the following.

- We conducted an internal security assessment of the OCFO/NFC network using a commercial off-the-shelf software product designed to identify vulnerabilities associated with various operating systems. The results were favorable and showed significant improvement from past security assessments. The OCFO/NFC performs routine security scans and immediately corrects issues as identified. We did, however, note that the OCFO/NFC does not have an updated network map or an updated list of IP addresses. We identified IP addresses that were active, but not on the list, and IP address that were inactive, but not removed from the network. OCFO/NFC had not made the maintenance of its map or IP address listing a top priority, because they relied on the on-line log for updated information. Without these control documents in place, OCFO/NFC will not be able to properly monitor and secure its network.

- We determined that OCFO/NFC performed risk assessments and developed annual security plans for its general support systems. However, OCFO/NFC had not developed individual system security plans for five of the major applications owned by OCFO/NFC. OCFO/NFC had interpreted the security plan guidance issued by USDA's Associate Chief Information Office for the Office of Cyber Security as only requiring the preparation of an overall plan and a plan for each of its general support systems. The OCFO/NFC has received clarification from OCIO, as a result of our audit, and is planning to develop the security plans. In addition, OCFO/NFC had not performed security risk assessments for these five systems. Without security plans for major applications, OCFO/NFC faces increased risk that its systems are not secured in a manner that adequately prevents inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction of the financial transaction data and personnel information.

- We continue to identify weak access controls in OCFO/NFC applications, including the payroll/personnel systems, the Foundation Financial Information Systems (FFIS) general ledger system, and an online database utility that allows overall access to OCFO/NFC applications.

- OCFO/NFC has not ensured that only properly authorized users have access to resources, and that users' access authority is related to the performance of their job functions. OCFO/NFC officials had only recently begun to take actions to mitigate these weaknesses. In today's increasingly interconnected computing environment, inadequate access controls can expose an agency's information and operations to attacks from remote locations by individuals with minimal computer or telecommunications resources and expertise. We noted that OCFO/NFC had not adequately restricted access to payroll transactions and sensitive personnel information in seven systems used to process payroll/personnel data because the systems were developed as "update only" systems and "read only" access was not available.

- We found that OCFO/NFC needed to strengthen its controls over obtaining user approval of functional requirements, documenting software testing and performing acceptance testing. This testing determines if the software satisfies the requirements of the system owners, users, and operators. Also, OCFO/NFC had not sufficiently limited "emergency" changes, which are high-risk program modifications, because full testing is waived prior to implementation.

We also noted selected control weaknesses with the financial accounting and reporting systems. Specifically, we noted the following.

- Although the USDA has procured and implemented a new accounting system, (FFIS), a material part of the Department's financial information system comprised of information from various other legacy subsidiary "feeder" systems. For the last 11 years, we have reported numerous material internal control weaknesses in these systems, which have not been corrected despite plans for corrective actions. OCFO has established a plan, to reduce the number of "feeder systems" and develop an appropriate measure to be used in assessing progress towards achieving this goal. The planned corrective actions are long-term in nature and the OCFO has developed a corporate strategy to address the condition. Therefore, we are not making any recommendations regarding the feeder systems in this report.

- We noted where over 7,000 Internal Revenue Service (IRS) Forms 1099[1] were not issued by the OCFO/NFC to vendors because of inadequate information provided by the vendor and systemic

[1] IRS Form 1099 is used to report qualified Government payments such as unemployment compensation, earnings from grants, interest income and other miscellaneous payments made to vendors doing business with the Federal Government. The form assists the IRS and vendors in ensuring that all taxable benefits are included in determining vendors' taxable liabilities.

weaknesses in the reporting system. As a result, more than $26 million in payments made to vendors were not reported to vendors and the IRS.

- The Online Tracking and Reconciliation System (OTRS) is used to assist in the reconciliation of Online Payment and Accounting System (OPAC) payments with the FFIS general ledger. We noted that OTRS does not adequately track OPAC transactions by Account Location Code (ALC)[2]. This causes difficulties in reconciling OPAC transactions in FFIS.

In our opinion, except for the matters referred to above, the accompanying description of the internal control structure presents fairly, in all material respects, the relevant aspects of OCFO/NFC. Furthermore, in our opinion, except for the matters referred to above, the policies and procedures, as described, are suitably designed to provide reasonable assurance that the remaining control objectives would be achieved if the described policies and procedures were complied with satisfactorily.

We believe the weaknesses identified in this report are material internal control weaknesses and should be reported in OCFO's Federal Managers' Financial Integrity Act (FMFIA) report until corrected.

KEY RECOMMENDATIONS

Many of the internal control weaknesses contained in this report have been reported previously. While corrective actions are currently underway, many are long-term in nature. The status of each recommendation is discussed in the finding section of this report. The recommendations in this report only address those conditions not previously reported. We recommend that OCFO/NFC:

- Ensure that a current network map and IP address list are maintained.
- Eliminate or provide a "read-only" access for the seven systems identified as "update-only" systems.
- Modify the program that matches the Form 1099 file with payment activity to ensure vendor payments are accurately reported.
- Ensure that all OPAC transactions are tracked and reconciled.

[2] ALC is a unique disbursing office identifier, assigned by Treasury, that reports the disbursement and collection of funds by appropriation.

AGENCY RESPONSE

OCFO generally agreed with the findings and recommendations made in this report.

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REPORT OF THE OFFICE OF INSPECTOR GENERAL

TO: Edward R. McPherson
Chief Financial Officer
U.S. Department of Agriculture

We have examined the accompanying description (see exhibit A) of the internal control structure of the U.S. Department of Agriculture's (USDA), Office of the Chief Financial Officer's (OCFO), National Finance Center (NFC). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of the OCFO/NFC's policies and procedures that may be relevant to a user organization's internal control structure, (2) the control structure policies and procedures were suitably designed to achieve control objectives in the description, if those policies were complied with satisfactorily, (3) such policies and procedures had been placed in operation, and (4) whether selected controls were operating effectively, as of June 30, 2002. The control objectives were specified by OCFO/NFC.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We also followed the standards issued by the American Institute of Certified Public Accountants and included those procedures we considered necessary to obtain a reasonable basis for rendering our opinion.

OCFO/NFC has made significant progress in improving its internal control structure. Most notably the OCFO/NFC has a sustained cash reconciliation process in place, has implemented a standard general ledger system, and has improved the security of its information technology (IT) systems. However, our audit disclosed that further improvements are needed.

We noted that: OCFO/NFC needs to update its network map and list of Internet Protocol (IP) addresses; implement system security plans for major applications; improve its monitoring of system access in selected applications; and improve controls over changes made to its applications. Senior program management needs to continue its involvement in the planning and implementation of overall system security. OCFO/NFC's ability to accomplish its mission could be jeopardized if it does not properly manage and secure its IT infrastructure.

We also noted selected control weaknesses with the financial accounting and reporting systems. Specially, we noted the following.

- Although the USDA has procured and implemented a new accounting system, the Foundation Financial Information System (FFIS), a material part of the Department's financial information system is comprised of information from various other legacy subsidiary "feeder" systems. For the last 11 years, we have reported numerous material internal control weaknesses in these systems, which have not been corrected despite plans for corrective actions.

- We noted where over 7,000 Internal Revenue Service (IRS) Forms 1099[3] were not issued by the OCFO/NFC to vendors because of inadequate information provided by the vendor and systemic weaknesses in the reporting system. As a result, at least $26 million in payments made to vendors were not reported by OCFO/NFC.

- The Online Tracking and Reconciliation System (OTRS) is used to assist in the reconciliation of Online Payment and Accounting System (OPAC) payments with the FFIS general ledger. We noted that OTRS does not adequately track OPAC transactions by Account Location Code (ALC)[4]. This causes difficulties in reconciling OPAC transactions in FFIS and tracking intra-USDA OPAC transactions.

In our opinion, except for the matters referred to above, the accompanying description of the internal control structure presents fairly, in all material respects, the relevant aspects of OCFO/NFC. Furthermore, in our opinion, except for the matters referred to above, the policies and procedures, as described, are suitably designed to provide reasonable assurance that the remaining control objectives would be achieved if the described policies and procedures were complied with satisfactorily.

Also, in our opinion, except for the matters referred to above, the policies and procedures that were tested, as described in exhibit B, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified were achieved during the period from October 1, 2000, to June 30, 2002. This information is provided to user organizations of OCFO/NFC and their auditors to be taken into consideration, along with information about the internal control structures at user organizations, when making assessments of control risk for user organizations. However, the scope of this engagement did not include tests to determine whether control objectives not listed in exhibit B were achieved; accordingly, we express no opinion on achievement of controls not included in exhibit B.

[3] IRS Form 1099 is used to report qualified Government payments such as unemployment compensation, earnings from grants, interest income and other miscellaneous payments made to vendors doing business with the Federal Government. The form assists the IRS and vendors in ensuring that all taxable benefits are included in determining vendors' taxable liabilities.

[4] ALC is the bank account number used at Treasury. A decision was made during the implementation of FFIS to give each agency its own ALC.

The description of policies and procedures at OCFO/NFC is as of June 30, 2002, and any projections of such information to the future are subject to the risk that, because of change, they may no longer portray the system in existence. The potential effectiveness of specific policies and procedures at OCFO/NFC is subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. The projections of any conclusions, based on our findings, to future periods are subject to the risk that changes may alter the validity of such conclusions. Furthermore, the accuracy and reliability of data processed by OCFO/NFC and the resultant reports ultimately rests with the user agency and any compensating controls implemented by such agency.

This report is intended solely for the management of OCFO/NFC, its customer agencies, and their auditors.

/s/

RICHARD D. LONG
Assistant Inspector General
for Audit

June 30, 2002

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	MORE PROGRESS IS NEEDED TO IMPROVE OCFO/NFC INFORMATION SECURITY

While the OCFO/NFC has made significant progress in addressing security weaknesses, its information security program still needs improvement. Specifically, we noted that: OCFO/NFC needs to update its network map and list of IP addresses, implement system security plans for major applications, improve its monitoring of system access in selected applications, and improve controls over changes made to its applications. Senior program management needs to continue its involvement in the planning and implementation of overall system security. OCFO/NFC's ability to accomplish its mission could be jeopardized if it does not properly manage and secure its IT infrastructure.

The foundation for security over IT resources is found in OMB Circular A-130, Appendix III, "Security of Federal Automated Information Resources." This circular establishes a minimum set of controls for agencies' automated information security programs. Further, Presidential Decision Directive (PDD) 63, "Policy on Critical Infrastructure Protection," requires agencies to assess the risks to their networks and establish a plan to mitigate the identified risks.

FINDING NO. 1

CURRENT NETWORK MAP AND IP ADDRESSES NEED TO BE MAINTAINED

We conducted an internal security assessment of the OCFO/NFC network using a commercial off-the-shelf software product designed to identify vulnerabilities associated with various operating systems. The results were favorable and showed significant improvement from past security assessments. The OCFO/NFC performs routine security scans and immediately corrects issues as identified. We did, however, note that the OCFO/NFC does not have an updated network map or an updated list of IP addresses. We noted that the last update was performed on September 21, 2001. OCFO/NFC had not made the maintenance of its map or IP address listing a top priority because they relied on an on-line log for updated information. Without these control documents in place, OCFO/NFC will not be able to properly monitor and secure its network. OCFO/NFC provided an updated network map during our exit conference on November 13, 2002.

RECOMMENDATION NO. 1

Ensure that changes to the network and IP addresses are controlled and documentation is continually updated.

FINDING NO. 2

INDIVIDUAL SYSTEM SECURITY PLANS AND RISK ASSESSMENTS DO NOT EXIST FOR FIVE MAJOR APPLICATIONS

In Audit Report No. 11401-9-FM, "Selected Information Technology General Controls at the National Finance Center Need Strengthening," dated March 2002, we determined that OCFO/NFC performed risk assessments and developed annual security plans for its general support systems. The June 2001 OCFO/NFC Security Plan identified five major applications; however, OCFO/NFC had not developed individual system security plans for five of the major applications owned by OCFO/NFC.[5] OCFO/NFC had interpreted the security plan guidance issued by USDA's Associate Chief Information Office for the Office of Cyber Security as only requiring the preparation of an overall plan and a plan for each of its general support systems. The OCFO/NFC has since received clarification from OCIO, based on our audit, and has planned to develop the security plans. In addition, OCFO/NFC had not performed security risk assessments for these five systems. Without security plans for major applications, OCFO/NFC faces increased risk that its systems are not secured in a manner that adequately prevents inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction of the financial transaction data and personnel information. In fiscal year 2001, these systems disbursed or authorized more than $43 billion in salary and administrative payments for both USDA and non-USDA agencies.

OMB Circular A-130, which establishes a minimum set of controls to be included in Federal automated information security programs, requires agencies to prepare security plans for both general support systems and major applications. More specifically, NIST Special Publication 800-18, "Guide for Developing Security Plans for Information Technology Systems," states that a system will be covered by an individual security plan if it has been developed as a major application.

OMB Circular A-130 also requires an assessment of risk as part of a risk-based approach to determining adequate, cost-effective security. In this regard, the NIST guide for developing security plans states that risk

[5] The June 2001 OCFO/NFC Security Plan identifies five major applications that are owned by OCFO/NFC: Payroll/Personnel, Billings and Collections, Administrative Payments, Accounting Applications (other than FFIS), and the Direct Premium Remittance System.

assessments should be performed. In addition, GAO's May 1998 study of security management best practices pointed out that assessing risk is an important element of computer security planning because it provides the foundation for the other aspects of computer security management-implementing policies and controls to mitigate risks, promoting awareness of risks and responsibilities, and monitoring and evaluating the effectiveness of the computer security program. An effective risk assessment framework generally includes procedures that link security to business needs and provide for managing risk on a continual basis.

General support system risk assessments and resulting security plans should include overall controls that provide some level of security over all the major applications that are maintained on the general support system. This should also help to ensure that controls specific to individual applications cannot be rendered ineffective by circumvention or modification. However, important controls that apply specifically to the major application may be overlooked without security plans for major applications. For example, the general support system security plan did not include controls involving segregation of duties that relate directly to the Payroll/Personnel system, such as not allowing the same person to perform (1) personnel actions that would establish an employee on the payroll database and (2) time and attendance, special payroll processing, or other transactions that could be used to generate payments to employees on the payroll database. Preparing security plans that are based on risk assessments for major applications would not only help ensure that these systems are properly secured, but would also facilitate the Information Systems Policy and Control Staff (ISPCS) in ensuring that important security safeguards are evaluated during the application certification process.

As a result of our March 2002 audit, OCFO/NFC indicated that it plans to contract out the development of a security plan and risk assessment for each major application owned by OCFO/NFC. The estimated completion date is December 1, 2003. We are making no further recommendations in this report.

FINDING NO. 3

WEAK ACCESS CONTROLS COULD IMPACT THE INTEGRITY AND CONFIDENTIALITY OF CRITICAL DATA

We continue to identify weak access controls in OCFO/NFC applications, including the payroll/personnel systems, the FFIS general ledger system, and an online database utility that allows overall access to OCFO/NFC applications. OCFO/NFC has not ensured that only properly authorized users have access to resources, and that users' access authority is related to the performance of their job

functions. OCFO/NFC officials had only recently begun to take actions to mitigate these weaknesses. In today's increasingly interconnected computing environment, inadequate access controls can expose an agency's information and operations to attacks from remote locations by individuals with minimal computer or telecommunications resources and expertise. As a result, confidential systems are vulnerable to potential fraud and misuse, inappropriate disclosure, and potential disruption.

OMB Circular A-130[6] stresses management controls affecting users of IT. These controls help to protect operating systems and other software from unauthorized modification and to protect the integrity, availability, and confidentiality of information by restricting access to only authorized users, and provide protection from disclosure of information to unauthorized individuals. Access controls over network resources should provide reasonable assurance that computer resources are protected against unauthorized modification, disclosure, loss, or impairment.

FFIS

The adoption of standard security profiles have lessened the magnitude of most of the access control problems that we identified in our fiscal year 2000 audit of the OCFO/NFC internal control structure. However, despite the use of standard security profiles we continue to find instances where certain users have broad access to FFIS documents, including feeder system source documents. We also noted that the FFIS application appears to have shared/group identifications (ID) for approving journal voucher (JV) documents and that several batch IDs were enabled. We provided our data to the OCFO/NFC and they have corrected the issues as of the date of this report.

Payroll/Personnel Systems

We noted that OCFO/NFC had not adequately restricted access to payroll transactions and sensitive personnel information in seven systems used to process payroll/personnel data because the systems were developed as "update only" systems and "read only" access was not available. The seven systems include:

1. History Correction Update Processing System Online (HCUP) – an online entry system designed for updating historical personnel data. HCUP allows correction and cancellation of historical personnel actions and entry of late, newly required, and replacement personnel actions into the Personnel History Information System database.

[6] OMB Circular A-130, Appendix III, Section A, November 30, 2000.

2. Personnel Action Processing System Online (PACT) – used to enter personnel actions in the Payroll/Personnel System.

3. Payroll/Personnel Remote Entry System Batch (PRES) – used to enter payroll transactions into the Payroll/Personnel System to add, change, or delete employee payroll information.

4. Special Payroll Processing System (SPPS) – an online database payment system used to (1) add, change, query, and update a quick service request; (2) record indebtedness for a separated employee and process the final payment due the employee; and (3) process and disburse payments to the estate of deceased employees.

5. Suspense Inquiry System (SINQ) – used to view and correct payroll/personnel documents that fail the Personnel Edit Subsystem (PINE) edits. PINE is a subsystem that edits and audits entries in the Payroll/Personnel database.

6. Time Inquiry Leave Update System Online (TINQ) – allows users to query and/or correct leave data from remote locations in lieu of submitting an AD-717, Audit for Leave Year, to OCFO/NFC. It also provides a method of transferring leave data from donors to approved leave recipients participating in the Leave Sharing program.

7. Uniform Allowance System Online – an online electronic access system which pays uniform allowances to personnel who are required to wear uniforms. The agency submitting the requests for uniform allowance payments retains the responsibility for adherence to uniform requirements and regulations applicable to the employee.

On April 4, 2002, the Director of OCFO/NFC issued a letter to the Directors, Human Resources Committee for Agriculture Payroll/Personnel Systems, discontinuing the operation of the HCUP, PACT, PRES, and SINQ as of December 31, 2002. The Entry Processing Inquiry and Correction System (EPIC) is the integrated replacement for these systems.

Online Database Utility

OCFO/NFC had not adequately restricted access to Data Manipulation Language Online (DMLO), which is a powerful database utility that can be used to update the data stored in an Integrated Data Base Management System database directly (e.g. without using an application program). We identified four application programmers with permanent DMLO access to

payroll/personnel databases, although, OCFO/NFC Title VII, Chapter 11, Directive 69, states that online database, utilities such as DMLO, will be restricted to "emergency" situations. Three of the four application programmers received the access in error and the other only requested access on a temporary basis. None of the four individuals realized they had access at the time of our audit. One reason that unnecessary DMLO access to the payroll/personnel databases existed was because access to DMLO was not being reviewed to ensure that it remained appropriate.

DMLO accesses have been revoked and any future access will only be granted on an emergency basis when needed.

RECOMMENDATION NO. 2

Eliminate or provide a "read-only" access for the seven systems identified above as "update-only" systems.

FINDING NO. 4

APPLICATION CHANGE CONTROLS NEED STRENGTHENING

In Audit Report No. 11401-9-FM, "Selected Information Technology General Controls at the National Finance Center Need Strengthening," dated March 2002, we reported that the OCFO/NFC application change controls were not operating as effectively as needed to ensure that all modifications to applications were properly tested and approved prior to implementation. This occurred because OCFO/NFC had not established consistent policies and procedures or did not follow the established procedure. These controls are important since they help prevent errors in software programming and the insertion of unauthorized computer program code into an application. In addition, without strengthened controls, incompletely tested or unapproved software could result in erroneous data being processed that, depending on the application, could lead to losses or incorrect outcomes in the payroll/personnel, administrative payments, accounts receivable, property management, and accounting systems that OCFO/NFC maintains.

Specifically, we found that OCFO/NFC needed to strengthen its controls in the following key areas:

- Obtaining user approval of the functional requirements;
- documenting software testing performed; and

- performing acceptance testing, which determines if the software satisfies the requirements of the system owners, users, and operators, for certain application maintenance projects.

Also, OCFO/NFC had not sufficiently limited "emergency" changes, which are high risk program modifications because full testing is waived prior to implementation. In addition, appropriate testing was not documented and user approval was not obtained for emergency changes within a reasonable period after implementation. Almost one-half (180 of 380) of software maintenance projects for which changes were implemented between October 1, 2000, and April 3, 2001, were classified as "emergency." These projects accounted for about 20 percent of the programs changed during this period. This occurred because of the OCFO/NFC was not following the established procedure regarding criteria related to emergency changes.

The types of application change control issues that we identified, continue to persist mainly because the internal controls in place were either not adequately designed or not operating effectively. Consequently, we again found instances where data was processed incorrectly and/or subsequent modifications were required to correct errors because changes were either incomplete or not adequately tested. For example, we reviewed 11 emergency changes implemented between October 1, 2000, and April 3, 2001, to determine if any of these changes were made to fix errors caused by prior program changes that were made incorrectly. We found that six of the eleven, or 55 percent, were processed to fix problems resulting from previous changes that were either incomplete or had caused unintended consequences. Until OCFO/NFC implements strengthened application change controls, it will continue to face increased risk of unauthorized and incorrect software changes and increased costs associated with making subsequent modifications to fix incorrect changes.

In addition to allowing changes to production software through the application maintenance process, OCFO/NFC also permits production changes to be made through "special production processing." These special processing routines allow changes to production data outside of the normal production methods and controls. This bypassing of established control techniques makes special production processing a high-risk processing routine (e.g. production data could be inappropriately modified because the management controls built into the application maintenance process and individual applications are bypassed). In our audits of OCFO/NFC internal controls for fiscal years 1996 and 1997, we reported material internal control weaknesses relating to "special processing" and that this process was commonly used to make changes to data files, which could result in inaccurate or unauthorized changes to

records maintained by OCFO/NFC.

OCFO/NFC recognized that controls over special production processing needed improvement and strengthened controls over this area by issuing an updated directive in August 2001. The revised directive now requires user approval for special production processing requests, which should reduce the risk associated with this processing routine. We believe, however, that additional controls are necessary. For example, we found instances where special production processing was incorrectly used to perform routine processes because OCFO/NFC had not established normal production programs and/or procedures that would have strengthened controls. We determined that over 1,000 special production processing requests were implemented for applications between October 1, 2000, and May 15, 2001. Unless controls over special production processing are strengthened, the payroll/personnel, administrative payments, accounts receivable, property management, and accounting systems maintained by OCFO/NFC will unnecessarily be placed at risk of unauthorized modifications to production data, which could ultimately lead to improper payments.

We also found that OCFO/NFC was not maintaining an adequate audit trail for emergency software change and special production processing requests. Consequently, OCFO/NFC cannot appropriately ensure that emergency software changes and special production processing requests can easily be traced from initiation to the final approval or from the change back to the initial user authorization.

Recommendations were made regarding these conditions in Audit Report No. 11401-9-FM, “Selected Information Technology General Controls at the National Finance Center Need Strengthening,” dated March 2002. OCFO/NFC generally concurred with the findings and recommendations. Corrective action plans have been developed with full implementation scheduled for fiscal year 2003.

CHAPTER 2	ADDITIONAL CONTROL WEAKNESSES EXIST IN THE OCFO/NFC FINANCIAL ACCOUNTING AND REPORTING SYSTEMS

FINDING NO. 5

OCFO/NFC NEEDS TO REEVALUATE THE NEED FOR LEGACY FEEDER SYSTEMS

As reported in Audit Report No. 50401-43-FM, "U.S. Department of Agriculture Consolidated Financial Statements For Fiscal Year 2001," dated February 2002, although the USDA has procured and implemented a new accounting system, the FFIS, a material part of the Department's financial information system in fiscal year 2001 was comprised of information from various other legacy subsidiary "feeder" systems. For the last 11 years, we have reported numerous material internal control weaknesses in these systems, which have not yet been corrected despite plans for corrective actions.

In Audit Report No. 50401-42-FM, "Audit of Selected Foundation Financial Information System Operations," dated June 2002, we reported that although the Office of Inspector General and independent contractors have reported that OCFO/NFC feeder systems should be evaluated and eliminated as necessary, the OCFO/NFC has not eliminated any of the feeder systems to date. We reported that the "feeder system" control and processing problems have frequently caused material financial errors and severe operating inefficiencies. There are currently 28 systems that "feed" agency data to the FFIS. This data is processed into FFIS as each agency runs their processing cycles. There are currently 16 separate applications, which must run each of the 28 interfaces, resulting in a very complex process. We recommended, and the OCFO concurred, that the OCFO should establish a goal in its Annual Government Performance and Results Act Performance Plan, to reduce the number of "feeder systems" and develop an appropriate measure to be used in assessing progress towards achieving the goal. The planned corrective actions are long-term in nature and the OCFO has developed a corporate strategy to address the recommendation. Therefore, we are not making any recommendations regarding the feeder systems in this report.

FINDING NO. 6

REQUIRED REPORTS OF TAXABLE BENEFITS WERE NOT ALWAYS GENERATED

We noted that over 7,000 IRS Forms 1099[7] were not issued by the OCFO/NFC to vendors because of inadequate information provided by the vendor and systemic weaknesses in the reporting system. As a result, more than $26 million in payments made to vendors were not reported by OCFO/NFC. The IRS uses the Form 1099 to ensure that the corporations and independent contractors report income earned on their tax forms. Without a Form 1099, the IRS does not have a record of income earned and must rely on the trust-worthiness of the corporation or independent contractor to report all income. Specifically, we noted the following.

- The Purchase Card Management System (PCMS) underwriter, Bank of America could only match 51 percent of the data (Tax Identification Number or address) from the vendor identified on the purchase to the master vendor record at Bank of America. If a match did not occur, the OCFO/NFC did not issue a Form 1099. We determined that over 6000 Form 1099's for over $25 million were not issued by the OCFO/NFC for this reason. OCFO attempted to correct this condition and issue Form 1099s, if appropriate. However, it noted that the resulting forms contained inaccurate information. In consultation with the IRS, OCFO concluded that issuing inaccurate data was worse than reporting no data. OCFO is working with the Bank of America to rectify the problem.

- Bank of America only provides the file of tax identification numbers once a year, as provided by the contract. This file is received the third week in January. This only provides enough time to perform the match noted above and issue the Forms 1099 that match before the January 31 deadline. It does not provide time for further research on the unmatched file and no further research is performed.

- The OCFO/NFC program that extracts data from PCMS for Form 1099 purposes discards PCMS transactions that are "unreconciled [8]" by the purchase cardholder. The program does not subsequently re-capture these transactions after they are reconciled, therefore a Form 1099 is never issued. Based on the transactions unreconciled at the end of

[7] IRS Form 1099 is used to report qualified Government payments such as unemployment compensation, earnings from grants, interest income and other miscellaneous payments made to vendors doing business with the Federal Government. The form assists the IRS and vendors in ensuring that all taxable benefits are included in determining vendors' taxable liabilities.

[8] A PCMS transaction must be "reconciled" by the card holder within 30 days. The initial PCMS transaction is posted to a default account and the cardholder must verify that the transaction is correct and apply the correct accounting, this process is referred to as "reconciling".

2001, we identified 619 Forms 1099 that should have been issued for approximately $1.8 million.

- The Form 1099 extract from PCMS is matched against the employee payroll database to eliminate employees from the Form 1099 list with the justification that employees report income on the IRS Form W-2, not the Form 1099. We determined that this program is eliminating past employees that have left the Federal employment, and have started their own businesses under their personal social security numbers (SSN). This occurs because a "by-pass" program runs against the payroll history table to eliminate potential employees instead of matching against a current employee file. In calendar year 2001, over 21,000 transactions totaling about $3.8 million were eliminated based on the payroll match. We selected 13 transactions totaling about $26,000 from this file that appeared to have a business name. We found that 12 out of 13 were by-passed erroneously because they were past employees who had used their personal SSNs for their tax identification number for their business.

- Another program used to eliminate potential "duplicate" PCMS transactions from Form 1099 reporting, is eliminating valid transactions. This occurred because the criteria used to identify a duplicate transaction does not include a key field, the transaction sequence number, that truly identifies the transaction as a unique transaction. Although many PCMS items appear to be duplicative because they are for the same amount, same date, and same purchaser, they are not. The only field that uniquely identifies a transaction is the transaction sequence number. We randomly selected 15 transactions from the file of "by-passed" transactions and found that 11 out of the 15 were valid transactions that should have been included for 1099 reporting. In calendar year 2001, over 19,000 transactions totaling about $753,000 were eliminated from 1099 reporting because they were identified as duplicate transactions.

During the audit, we met with responsible officials to discuss the problems noted with the Form 1099 process. They indicated that timely actions would be taken to correct the deficiencies noted.

RECOMMENDATION NO. 3

Obtain the master vendor record from Bank of America periodically throughout the year and perform the matching program throughout the year.

RECOMMENDATION NO. 4

Research the unmatched file throughout the year to identify the correct Tax Identification Number and address.

RECOMMENDATION NO. 5

Modify the program that matches the Form 1099 file to the personnel database to include employees that have left the Federal Government.

RECOMMENDATION NO. 6

Modify the program that bypasses potential duplicate transactions to include the transaction sequence number.

FINDING NO. 7

IMPROVEMENTS ARE NEEDED WITH THE ONLINE TRACKING AND RECONCILIATION SYSTEM (OTRS)

The Online Tracking and Reconciliation System (OTRS) is used to assist in the reconciliation of Online Payment and Accounting System (OPAC) payments with the FFIS general ledger. We noted where OTRS does not adequately track OPAC transactions by Account Location Code (ALC)[9]. This causes difficulty in reconciling OPAC transactions in FFIS and tracking intra-USDA OPAC transactions. We also noted that the general ledger Account Nos. 1013, "OPAC Disbursements" and 1014, "OPAC Collections" do not account for all OPAC transactions because adjustments to these accounts are made to general ledger Account Nos. 1011, "Cash Disbursements" and 1012, "Cash Collections." Furthermore, the FFIS general ledger balance for OPAC suspense does not reconcile with the balance in the Treasury Symbol (TS) 12F3885, "OPAC Suspense."

The OTRS system was designed to suit the needs of the historic Central Accounting System (CAS), which consolidated all OCFO/NFC service customers under one ALC. The new accounting system, FFIS, uses separate ALCs for each service customer. OTRS has been modified to reflect this change; however, the reporting module of OTRS has not been modified. Therefore, OCFO/NFC is unable to automatically collect data from OTRS by ALC because all of the system-generated reports were designed based on the historical fact that all OPAC bills were associated with one TS. OTRS is not defined to an available reporting tool, therefore ad hoc reports are not available. In addition, we found that although the OCFO/NFC developed the OTRS system, only one programmer at

[9] ALC is the bank account number used at Treasury. A decision was made during the implementation of FFIS to give each agency its own ALC.

OCFO/NFC has the ability and knowledge to modify and extract data from the system. The inability to track data by ALC makes the reconciliation to FFIS general ledger very difficult. As a result of the lack of a reconciliation, between OTRS and FFIS, we noted transactions that were recorded in OTRS, but not in FFIS, that were not identified as needing correction.

We also noted significant deficiencies in the report that identifies the OPAC transactions that were not appropriately processed to the applicable agency. These transactions are identified on the OPAC Aging Report produced from OTRS. Specifically, the Aging Report does not include the "unprocessed" intra-USDA transactions, payroll transactions and charge backs. As a result, the OPAC Aging Report significantly misrepresents the actual number of unprocessed OPAC transactions.

We also attempted to reconcile the FFIS general ledger balance for OPAC suspense with the OPAC suspense TS at Treasury. In Treasury Bulletin No. 2000-02, dated March 2, 2000, Treasury mandated that all agencies move the OPAC activity from the general TS suspense account 12F3875 to a specific TS suspense account for OPAC transactions only, 12F3885. We noted that the OCFO/NFC has not moved the OPAC transactions, as of July 2002. The OCFO/NFC OPAC supervisor submitted an official request to the FFIS administrators in June 2000 to move these balances. This request was not addressed until July 2002 and it was decided that these balances should be moved on an individual document basis.

As a result, this user cannot rely on the accounting information as containing all OPAC disbursements and collections.

RECOMMENDATION NO. 7	Ensure that all OPAC transactions are tracked and monitored.
RECOMMENDATION NO. 8	Ensure that all OPAC transactions post to the FFIS general ledger accurately and completely.
RECOMMENDATION NO. 9	Ensure that all OPAC suspense transactions are recorded properly at Treasury and in FFIS.

EXHIBIT A

DESCRIPTION OF THE

INTERNAL CONTROLS STRUCTURE

OF THE

U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF THE CHIEF FINANCIAL OFFICER

NATIONAL FINANCE CENTER

AS OF JUNE 30, 2002

Prepared By:
OCFO/NFC

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ABBREVIATIONS

ABCO	Administrative Billings and Collections System
ACFO/FS	Associate Chief Financial Officer for Financial Systems
AMS	Administrative Management Staff
AOB	Accounting Operations Branch
APB	Administrative Payments Branch
APS	Administrative Payments Systems
ARB	Accounting Reporting Branch
ARCB	Accounting Reconciliation Branch
ASD	Applications Systems Division
AT	Administrative Team
BCB	Billings and Collections Branch
BLCO	Program Billings and Collections System
BOARD	Federal Retirement Thrift Investment Board
BCST	Budget Cost System
CADI	Central Accounting Database Inquiry
CAS	Central Accounting System
CMM	Capability Maturity Model
COTS	Commercial-off-the-Shelf
CRB	Cash Reconciliation Branch
DAB	Directives and Analysis Branch
DFIS	Departmentwide Financial Information System
DPRS	Direct Premium Remittance System
FACTS	Federal Agencies' Centralized Trial-Balance System
FDW	Financial Data Warehouse
FEDS	FEDSTRIP System
FFIS	Foundation Financial Information System
FFS	Federal Financial System
FLSS	Facilities and Logistics Support Staff
FMO	Financial Management Office
FOB	Foundation Financial Information System Operations Branch
FSB	Financial Support Branch
FSD	Financial Services Division
FSIP	Feeder System Improvement Project
FWMT	Facilities and Warehouse Management Team
FY	Fiscal Year
GAO	General Accounting Office

ABBREVIATIONS (Cont'd)

HRMS	Human Resources Management Staff
IMPF	Imprest Funds System
IRM	Information Resources Management
IRMD	Information Resources Management Division
IS	Information Systems
ISPCS	Information Systems Policy and Control Staff
ISQAO	Information Systems Quality Assurance Office
ISSO	Information Systems Security Office
JFMIP	Joint Financial Management Improvement Program
JV	Journal Voucher
LEDG	General Ledger System
NFC	National Finance Center
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
OPAC	Online Payment and Collection
OPM	Office of Personnel Management
PLAN	Budget and Operating Plan System
PMIS	Property Management Information Systems
PPA	Prompt Payment Act
PCMS	Purchase Card Management System
PPB	Payroll/Personnel Branch
PPS	Payroll/Personnel System
PSB	Payroll/Personnel Support Branch
SRO	Systems Review Office
SV	Standard Voucher
TSPS	Thrift Savings Plan System
TSPD	Thrift Savings Plan Division
USDA	United States Department of Agriculture
WSS	Workforce Services Staff

OVERVIEW OF OPERATIONS

The United States Department of Agriculture's (USDA) Office of the Chief Financial Officer (OCFO) operates the National Finance Center (NFC) located in New Orleans, Louisiana. The OCFO Headquarters is located in Washington, D.C. OCFO reports directly to the Secretary of Agriculture. The portion of the OCFO mission carried out in New Orleans, Louisiana, is directed at designing, developing, implementing, and operating cost-effective financial, administrative, and management information systems and services supporting the missions of USDA and its customers. NFC is responsible for developing and operating systems in support of six major functions. These systems review, process, and record administrative and financial information for each user: Payroll/Personnel System (PPS), Administrative Payments Systems (APS), Billings and Collections, Property Management Information System (PMIS), Thrift Savings Plan System (TSPS), and Accounting and Reporting. Activities performed by NFC are financed on a cost-reimbursement basis through the USDA Departmental Working Capital Fund and through cost-reimbursable agreements.

Initially, users mailed in only hard copy data and NFC mailed users hard copy reports. To be more responsive to user needs, electronic access capabilities were implemented for some systems. This is accomplished through the use of remote computer equipment, installed at field locations, and linked through a nationwide telecommunications network to NFC. The capability for entering and editing data, generating programmed and ad hoc reports, and performing online inquiries are available to remote users. Also, users may be linked through a modem for batch transmissions. There are also some Internet applications/data.

The Foundation Financial Information System (FFIS) is the USDA version of the Federal Financial System (FFS), a commercial-off-the-shelf (COTS) budget execution and accounting system. FFIS is the USDA corporate financial management system that replaces the Central Accounting System (CAS) at NFC. The COTS FFIS meets the Joint Financial Management Improvement Program (JFMIP) core requirements for financial systems and was selected by USDA to replace the legacy financial management system.

JFMIP compliant features of FFIS include the capabilities to set funds controls, track reimbursable and appropriated budgets, manage accounts receivable and collection activities, produce external reports and required external files (e.g., Federal Agencies' Centralized Trial-Balance System I and II (FACTS) and Financial Management Service Form-224, Standard Form-133 and Standard Form-2108), and comply with the United States Standard General Ledger. FFIS is an online, real-time system, which provides JFMIP compliant edits to ensure that accounting transactions recorded are accurate, that adequate budgets exist, and that proper references and chronological transactions chains are invoked. Accounting transactions are entered into the system using online direct entry or batch interfaces. The system stores the accounting transactions, which are the official system of records in files called general journals. The journals are updated and balanced during a daily production cycle, which performs updates and systems

assurance. Part of the FFIS implementation includes other applications that support FFIS, such as the reporting Financial Data Warehouse (FDW). The warehouse is an on-demand reporting facility which supports each agency's financial management reporting process and, in fiscal year (FY) 2001, was expanded to add a data mart for the USDA Consolidated Financial Statements, addressing compliance with the Office of Management and Budget (OMB) A-127 integrated reporting requirements.

As of October 1, 2001, (FY 2002), all but two USDA agencies have been implemented into FFIS. The remaining CAS agencies are Grain Inspection, Packers and Stockyards Administration, and Foreign Agricultural Service. These agencies are scheduled for implementation into FFIS on October 1, 2002.

A review of the FFIS implementation and configuration is ongoing to reengineer the batch processing from legacy feeder systems. A transition strategy is being compiled from in-depth analyses of the feeders performed by an Independent Validation and Verification process. As the recommendations from this process are available, these recommendations will be coordinated for a smooth transition.

The Associate Chief Financial Officer for Financial Systems (ACFO/FS) is comprised of NFC and three divisions (Analysis and Requirements, Infrastructure and Security, and Architecture and Policy). The Analysis and Requirements Division is responsible for implementing FFIS with the agencies, ensuring that legislative mandates are implemented in the financial system, and providing guidance to the agencies to maintain compliance with external and internal mandates. The Infrastructure and Security Division is responsible for reviewing OCFO's developmental and infrastructure projects for compliance with the Chief Information Officer's Enterprise Architecture and Security Standards. The Architecture and Policy Division is responsible for the architecture of financial systems, including FFIS, and the reporting FDW and related data marts. Additionally, this division is responsible for the daily technical operations of the agency FFIS and FDW applications, including systems management such as Disaster Recovery, Security Certification and Accreditation, and Configuration Management. ACFO/FS has staff in two locations, Washington, D.C., and New Orleans, Louisiana.

To ensure that users receive the most accurate, up-to-date financial data, all systems except TSPS have been integrated within CAS, which provides users with accounting and reporting information.

Direct access to CAS financial data is available electronically through several online systems as well as through programmed and ad hoc reports. The Central Accounting Database Inquiry (CADI) System and the Departmentwide Financial Information System (DFIS) offer users electronic access to selected financial and accounting information. CADI is an online system that allows users to access financial management reporting data processed through the CAS's Budget Cost System (BCST). BCST is a financial reporting system that captures detailed accounting data from payment and collection feeder systems and the Budget and Operating Plan System (PLAN).

Information received through BCST is loaded into an integrated database and updated weekly to reflect the most current financial data. Via remote terminals, users are able to query CADI for specific data applicable to their organizations. An example of the data available to users through BCST is the Agency Detail Transaction Registers.

The Agency Detail Transaction Registers are produced in hard copy or microfiche form, and the format is tailored to meet agency requirements. The registers reflect the accounting activities for the current cycle and month and provide information for financial reports. Refer to the NFC External Procedures Manual, Title VI, Chapter 8, Section 1, for information on additional reports generated by BCST.

CADI also provides an automated Funds Control feature that monitors resources. Agencies can have the system automatically provide monthly and yearly period-end estimates. The Funds Control feature records projected agency cost data and NFC official data that has been processed by CAS. Document control numbers are system generated and assigned to documents when data is entered through the Funds Control options. When the documents are processed at NFC, the system matches the CAS records to the projected cost records. As a result, various reconciliation and history reports are produced.

DFIS is an online database reporting system of USDA. DFIS, a general ledger for administrative funds and program funds, was designed to provide financial information necessary to generate external reports of current data. In addition, DFIS provides the user with the capability to gather current financial data for various reports.

PLAN is an online system that allows agencies to input their financial and budgetary data that is used in CADI and DFIS systems. It provides the mechanism for the input of budgetary resources and reflects the planned use of these resources. PLAN documents are used to establish, adjust, transfer, plan, and control budgetary resources of various agencies. For detailed information on the various reports available to users through PLAN, refer to the NFC External Procedures Manual, Title IV, Chapter 3.

DFIS, CADI, BCST, PLAN, and Funds control systems are no longer available once an agency implements into FFIS.

In a continuing effort to improve its services, NFC maintains a liaison with its client base. Several programs have been established to foster productive relations with the user community. Each year, several agency orientation sessions are held onsite at NFC for agency personnel with specific interest in either PPS or the Administrative Payments and Accounting Systems. Meetings are held at NFC for all electronic access coordinators to ensure that all users of the electronic processing environment have a forum to discuss issues and resolve problems in a common setting. NFC participates in the Agriculture Payroll/Personnel User Group, Committee for Agriculture Payroll/Personnel Systems, and Travel User Groups. Additionally, NFC operates a Customer Support Office in Washington, D.C., which (1) conducts training, (2) provides

systems
demonstrations, (3) assists users with equipment difficulties, and (4) offers technical and operational assistance in the Washington, D.C., area.

OVERVIEW OF APPLICATIONS SYSTEMS

NFC is responsible for developing and operating systems in support of six major functions, which are all in production.

1. PPS is an integrated system that gathers personnel and payroll information. This system provides users with total electronic accessibility featuring electronic data input and correction, online query, and remote reporting capability. Field offices are able to access payroll and personnel data in a timely and efficient manner on a need-to-know basis. The system currently supports more than 450,000 accounts.

2. APS was developed and implemented to automate, improve, and streamline the administrative processes. The automated APS are the commercial vendor payment systems, employee reimbursement systems, and intergovernmental systems. The commercial vendor payment systems include Purchase Orders, Purchase Card Management (PCMS), Transportation, Government Transportation, Telephones, Utilities, Training Information, and Miscellaneous Payments. The employee reimbursement systems include the Travel System and Imprest Funds System (IMPF). The intergovernmental systems include Federal Telephone System Payments, Motor Pool, and FEDSTRIP System (FEDS). These systems provide such features as accepting electronic data (via online, batch transactions, and personal computer) and hardcopy documents; having documents/transaction under system control to establish an audit trail; and extensive editing to detect errors such as duplicate transactions, missing or invalid accounting data, missing amounts and pertinent dates, etc. The systems capture extensive management and accounting information that is edited and validated for accounting reporting. Daily, weekly, monthly, quarterly, and annual reports and/or follow-up letters are produced to agencies and vendors. This is all an intricate part of the quality control process. The Miscellaneous Payments System and IMPF are being phased out.

   The commercial vendor payment systems under the Prompt Payment Act (PPA) are programmed to capture the needed data elements so that the vendors can be paid according to the payment due date. Where applicable, late payment interest penalties can automatically be processed with a payment, discounts can be taken, and penalties can be "warehouse" until a few days before the payment due date for cash management purposes. Pertinent data fields such as net payment terms, the invoice date, date goods received, date invoice received, and commodity codes are captured so that PPA requirements can automatically be applied or passed to FFIS for ultimate payment processing. The systems under tariff regulations are set-up to pay required tariff late penalty fees. The Travel System can process interest penalties in accordance with Federal Travel Regulations

agency based on the agency approval date and date processed when travel vouchers are processed late.

Since several of APS feed accounting transactions to FFIS, Feeder System Improvement Project (FSIP) was chartered to replace, integrate, enhance, and sunset the feeder systems. FSIP activities are centered around analyzing the options of integration into core processes, acquiring replacement systems, identifying service alternatives, developing new/enhanced applications and/or processes, or closing existing systems. During the system inventory phase completed during FY 2001, the project team prioritized the feeder systems. During the analysis phase, the project team plans to assess the alternative, develop the business cases, and provide alternatives and recommendations. All business cases will identify requirements, project alternatives, planned project approach, risk analysis and mitigation strategies, acquisition strategies, and cost benefit analysis information.

3. The Billings and Collections Systems include three automated systems: the Administrative Billings and Collections System (ABCO), Program Billings and Collection System (BLCO), and the Direct Premium Remittance System (DPRS).

   ABCO and BLCO are both accounts receivable management systems. These systems provide management reports that allow USDA and other serviced organizations to review and monitor debt management. The systems automatically compute interest or penalties on delinquent accounts, issue delinquency notices, and produce computer-generated bills. BLCO is being less utilized as agencies implement into FFIS.

   DPRS is a centralized automated system that bills and collects premiums from eligible non-Federal enrollees who elect to participate in the Federal Employees Health Benefits Program. Currently, there are 28,000 individuals enroll in the system. After NFC receives enrollment forms from agencies, the data is entered online and each enrollee is provided with a coupon payment book. Collections are mailed by the enrollees directly to the First Chicago National Bank and transmitted daily to NFC.

4. PMIS aids property management and accountable officers in the control of their property inventory. These are PMIS systems: the Personal Property System, the Equipment Management Information System, the Supply/Property Inventory System, the Personal Property Data Entry System, and the Bar Code Transmission Interface Procedures. PMIS includes such features as (1) interfacing with all procurement systems to assure proper accounting for all property types inventoried, (2) tracking of component items and leased property, (3) maintaining an excess property inventory (available for access through the Internet), (4) computing depreciation, and (5) using bar code labels for property management. PMIS currently tracks about 741,000 property master records valued over $9 billion for USDA and three non-USDA users; i.e., Department of Commerce,

Occupational Safety; Health Review Commission; and the General Accounting Office (GAO).

Although PMIS aids users in the control of their property inventory, users are still responsible for:

- Implementing a property management program to ensure maximum use of Federal Government property, thereby accounting for all property under a department's or an agency's control.

- Establishing a property management organization to include:

    - Assigning a Property Management Officer to implement the property management program.

    - Assigning Accountable Officers to ensure that all procedures are in compliance with USDA or Federal property requirements as well as the NFC procedures. Accountable Officers are also responsible for ensuring that each item of Government property is assigned to an individual.

    - Assigning responsibility and accountability to the employee having custody of the property.

    - Updating PMIS databases for property transactions.

    - Updating property inventories every 2 years.

    - Ensuring continued use of the existing NFC procedures to facilitate update of data via payment systems such as FEDS, Purchase Order System, and IMPF, etc.

5. The current TSPS was implemented in April 1987. NFC maintains participant accounts and is responsible for preparing semiannual participant statements. These statements detail the activity of each participant's account for each fund over the previous 6 months. Also, TSPS provides accounting data for inter-fund transfers, withdrawals, and loans. In addition, TSPS provides quarterly loan statements to participants with active loans, makes monthly loan and withdrawal disbursements, processes inter-fund transfers for participants reallocating their existing account balances across funds, provides tax reporting to the Internal Revenue Service for participants who have separated and withdrawn their money or had a loan declared as a taxable distribution, and provides detailed reporting to the Federal Retirement Thrift Investment Board (the Board) and Federal payroll and personnel offices. The Board hired a private contractor to design,

develop, and implement a daily-valuation record keeping system to replace the current system. The new TSPS will be hosted and maintained by NFC.

6. CAS is a collection of accounting and reporting systems that receive information from feeder systems. These systems maintain the general ledger and produce agency-unique reports. Two of the more common features of the systems are (1) making data readily available to all appropriate levels of management, and (2) collecting data on a consistently uniform basis. External reporting to General Services Administration, Treasury, OMB, etc., is standardized and internal financial management reports are customized to meet individual agency requirements. We plan to replace CAS with FFIS, which will be fully implemented for all agencies by October 1, 2002.

OVERVIEW OF ORGANIZATION

The Director who reports directly to ACFO/FS heads NFC. ACFO/FS is responsible for the overall management of NFC. In this capacity, ACFO/FS provides leadership and establishes the policies and financing levels that govern NFC activities. There is also an ACFO for Policy and Planning at OCFO Headquarters. The policy aspects of systems development and operational activities at NFC are coordinated with ACFO for Policy and Planning. See Appendix A for a copy of OCFO's organizational chart.

To carry out its portion of the OCFO mission, NFC is organized into six support staffs and four operating divisions. The support staffs include the Information Systems Policy and Control Staff (ISPCS), Administrative Management Staff (AMS), Equal Employment Opportunity Staff, Human Resources Management Staff (HRMS), Workforce Services Staff (WSS), and Facilities and Logistics Support Staff (FLSS). The divisions are the Financial Services Division (FSD), Information Resources Management Division (IRMD), Applications Systems Division (ASD), and Thrift Savings Plan Division (TSPD). Each organization has distinct functional responsibilities and is headed by a Staff Chief or Division Director. This functional alignment allows NFC to carry out its mission. See Appendix B for a copy of NFC's organizational chart. The attached chart, dated September 14, 1999, is the latest version, but does not accurately reflect the structure of NFC due to FFIS organizational changes that have to be approved by OCFO. For example, FSD has added the Cash Reconciliation, Payroll/Personnel Support, and Financial Support Branches.

ISPCS, AMS, FSD, IRMD, and ASD are important NFC organizational units for information systems and accounting controls.

ISPCS

ISPCS is responsible for developing and advising management on policy affecting information systems (IS) functions of NFC; planning, developing, and administering an overall IS security

program; developing and coordinating the implementation of IS standards; developing, implementing, and coordinating policies and procedures associated with software configuration management and productivity measurement; and developing and administering an ongoing program of application software identification, evaluation, implementation, and certification. ISPCS daily control functions are accomplished within its IS Security Office (ISSO) and Information System Quality Assurance Office (ISQAO).

ISSO is responsible for implementing and maintaining security software; establishing procedures for system and data security; controlling and implementing user access to computer facilities and resources; evaluating and testing software packages and state-of-the-art advancements which are concerned with security; performing risk analyses; developing the budget for and implementing contingency planning projects; monitoring security controls and researching possible breaches of security; developing applications and/or utilizing programs for security functions; developing and implementing disaster recovery plans; developing technical specifications for major IS related procurements; developing security requirements for IS hardware and software; developing and maintaining the IS security plan; providing security awareness reminders to all NFC staff; and maintaining oversight over the security of the software. ISSO maintains firewalls, digital signature process, and monitors security activities on NFC's network.

ISQAO is responsible for protecting the integrity of production software; managing changes to the production status of application software; managing the migration of application software components from the development stage to the production environment; establishing and implementing a productivity measurement system; identifying potential software products to facilitate application productivity and development; coordinating and monitoring the evaluation and/or implementation of new application software products; documenting software evaluations; and performing and providing consultation for testing of application software.

ISQAO is also responsible for developing IS standards for all NFC systems and functions, ensuring that Federal and Departmental regulations and standards are included; developing and managing an ongoing program of certification to ensure the adequacy of security controls and adherence to applicable Federal and Departmental regulations and NFC management directives.

AMS

AMS is responsible for developing and advising management on policy affecting the administrative functions of NFC; conducting financial management and budget functions; coordinating policies and procedures and managing the costs associated with cross-servicing the non-USDA agencies; administering ongoing reviews of administrative and program functions to reasonably assure adequate internal controls; responding to Freedom of Information Act and Privacy Act requests; and developing and administering a comprehensive procurement, contract, and property management program. AMS's daily control functions are accomplished by the

Financial Management Office (FMO) and the Systems Review Office (SRO).

FMO is responsible for developing cost measurements and analyses across all aspects of NFC activities. FMO has responsibility for developing budget policy; analyzing, formulating, and executing the budget; planning the resource needs of NFC at least 3 years in advance; developing and maintaining an internal financial planning and management system; and monitoring reimbursable agreements for cross-servicing contracts. FMO is also responsible for travel policy, acquisition, and contract administration.

SRO is responsible for coordinating non-TSP reviews and reporting in accordance with the requirements of the OMB Circulars A-123 and A-127. SRO is also responsible for coordinating NFC's responses to external audit findings and tracking corrective actions for Non-TSP audit recommendations.

HRMS

HRMS is responsible for planning, developing, and administering an overall program of personnel management to include program formulation and policy development, position classification and pay administration, staffing and recruitment, employee relations and benefits, employee training and development, equal employment opportunity coordination, employee recognition and incentive awards, performance management and analysis, personnel records and reports, organizational and functional analysis, time and leave administration, ethics program, and program evaluation.

WSS

WSS is responsible for administering the Conflict Prevention and Resolution Programs which improve the quality of life for all NFC employees; the Safety and Health Programs, including the Employee Assistance Program and Workers' Compensation; and NFC Recognition and Appreciation Programs.

FLSS

FLSS is responsible for the major portion of support services at NFC. FLSS consists of two teams: the Facilities and Warehouse Management Team (FWMT) and the Administrative Team (AT). Responsibilities include: mail management, physical security, facilities management, space utilization and management, management of construction and retrofit projects, inventory and warehouse management, motor vehicle management, property management, transportation management, records management, and emergency preparedness.

FWMT is responsible for mail management and support services at NFC. These functions include incoming and outgoing mail management, building support systems management, space

utilization and management, construction and retrofit projects, inventory and warehouse management, motor vehicle management, property management, and transportation management.

AT is responsible for physical security, records management, emergency preparedness, management of postage budget, and technical liaison with the United States Postal Service. The functions associated with physical security include management of the security guard contract, management of security and fire alarms, maintaining internal controls over badges, management of the Attendance Tracking System, and emergency preparedness.

FSD

FSD is responsible for managing, planning, implementing, monitoring, evaluating, and operating financial management programs. This is done through the processing, analysis, reconciliation, and reporting of administrative, payroll, personnel, and accounting transactions. FSD also maintains constant liaison with user agencies to determine needs and to identify and solve problems. For FFIS agencies, FSD accountants and technicians prepare documents to request general ledger adjustments as authorized by the client agency. The documents created can either be a journal voucher (JV) or a standard voucher (SV).

For FFIS agencies, authorized FSD personnel prepare general ledger adjustments via on-line creation of a JV or SV. An employee authorized by the client agency approves these adjustments.

Critical automated financial management data and reports are analyzed, reconciled, and prepared by the following FSD branches.

The Accounting Operations Branch (AOB) is responsible for controlling the accounting system through: (1) the establishment and maintenance of cutoff schedules for transactions, (2) the update of accounting queues into the General Ledger System (LEDG), BCST, and agency weekly subsystems, and (3) maintenance and control over the necessary tables to validate and edit accounting entries and reporting. AOB also prepares 1099 Miscellaneous Income forms. AOB reviews and certifies the legality and correctness of payroll, administrative, and TSP payments in accordance with established laws and regulations. AOB is responsible for processing "lost earnings" relative to TSP operations. The lost earnings calculated are for TSP enrollees who were affected by either/or any agency or system error.

The Accounting Reconciliation Branch (ARCB) assures the accounting integrity of financial transactions processed by NFC, recorded into the general ledger accounts, and disbursed or collected by Treasury by conducting periodic reviews, reconciling general ledger balances to supporting data, and installing necessary controls.

The Accounting Reporting Branch (ARB) works directly with agency accountants and agency financial management personnel to assure the integrity of financial transactions processed and

reported by NFC on behalf of the agency. Through execution of a Memorandum of Understanding, ARB currently handles the financial reporting duties for the following agencies.

- Rural Development
- Risk Management Agency
- Natural Resources Conservation Service
- Animal Plant Health Inspection Service
- Office of Inspector General
- Food and Nutrition Service
- Cooperative State Research, Education, and Extension Service
- Economic Research Service
- Agricultural Research Service
- National Agricultural Statistics Service
- Agricultural Marketing Service

Financial reporting for these agencies is accomplished as a "non-core" service under FFIS, meaning that the agencies have a choice regarding accomplishing financial reporting. The agencies can perform the duty themselves or contract with NFC to perform the duty on their behalf. ARB also performs financial reporting for the remaining two USDA CAS agencies (Government Inspectors, Packers and Stockyards Administration, and Foreign Agriculture Service), and six "cross-serviced" (non-USDA) agencies.

Financial reporting for all agencies involves compilation and submission of reports to various regulatory agencies and periodic review of agency trial balances to detect anomalies. Many of the FFIS reporting mechanisms and tools utilized by ARB are developed by the ACFO/FS. As authorized by the agency, ARB prepares adjustments and or recommends other corrective action to address anomalies detected.

The FFIS Operations Branch (FOB) is responsible to negotiate with the FFIS agencies a level of support for the agency's FFIS operations. These activities may include performing the Functional Administrator duties that provide for agency table maintenance, establishing parameters for the FFIS nightly cycles, reviewing nightly cycle results such as the systems assurance reports, and establishing the agency annual processing calendar. Additionally, FOB is responsible for negotiating the FFIS Operations Agreements between the agencies and NFC, delineating the services which NFC will provide to each FFIS agency. FOB also provides the FFIS Customer Service Center support to agencies as negotiated in the Operations Agreement.

The Administrative Payments Branch (APB) is responsible for providing operational services for the automated APS systems; of which, most of these systems interface with FFIS. There are several major functions of the branch as a result of the system producing several reject listings and management tracking reports. APB performs timely analysis, research, system correction, and reconciliation processes to clear transactions. APB also completes a review of the manual audit items selected for reasonableness checks or sampling. APB performs direct-entry and

correction of intergovernmental/Online Payment and Collection (OPAC) transactions in the feeders and FFIS for proper application and reconciliation of accounting data. APB is also responsive to client and vendor needs. Within APB there is an inquiry switchboard where calls are received via a toll-free number or through direct branch lines. APB researches a variety of inquiries. They include assistance with the status of payment/transactions, payment identification, checks/electronic fund transfers returned, general processing questions, etc. There are document control functional areas that perform manual checks via system reports to ensure all documents were entered in the systems. The document control areas also pull documents rejecting for the correction process. All documents are filed, accounted for, and forwarded after a period of time for microfilming/storage.

Analytical reviews of the systems and work procedures are conducted within APB. System enhancements are identified and official changes requests for the systems are forwarded to ASD. When any APS system changes are programmed, APB performs system testing and confirms implementation of the changes. APB also conducts client training and overviews relative to the APS systems, participates in user-group meetings, and provides representation for special system projects.

The Payroll/Personnel Branch (PPB) is in partnership with our clients to provide high quality, timely and accurate payroll service in an efficient and effective manner. PPB has the primary responsibility to process all time and attendance reports and personnel documents submitted to NFC by our client agencies. PPB also provides our client agencies with a variety of accounting services in addition to being the responsible entity for processing health benefit enrollments, retirements, and separations. PPB performs payroll reconciliation, handles Federal, State, and local tax reporting and also produces all applicable W-2's, Wage and Tax Statement.

The Billings and Collections Branch (BCB) is responsible for the research and correction of ABCO, BLCO, and DPRS transactions. The centralized transaction processing of payment and collection systems also functions as feeder subsystems, processing agency financial data and transmitting the data to CAS.

The Directives and Analysis Branch (DAB) provides users with procedures that contain detailed instructions for processing data through the NFC systems, including system access, forms completion, general information, inquiry instructions, and copies of exhibits and reports. These procedures also provide detailed instructions, with graphic illustrations, for accessing and using automated systems. All NFC procedures are maintained in Adobe Acrobat pdf format or the NFC Website (www.usda.nfc.gov) for easy viewing and printing. Procedures are updated timely to reflect modifications to an application made through amendments and revisions. Bulletins are issued to give advance notice of these modifications and other important information. Bulletins refer the customer to the precise location of the NFC Website where the applicable procedure can be viewed. DAB provides distribution of both NFC-developed and vendor-procured personal computer software to our customers. DAB is responsible for coordinating agency address updates and changes for all NFC systems. DAB operates a complete graphics shop to provide for the

visual communication needs of NFC such as presentations, forms, designs, banners, newsletters, etc. DAB manages the PUBS & FORMS pages of the Internet, where external procedures and other information documents are maintained. DAB also manages the NFC "INSIDE" Intranet Website for employees of NFC.

The Cash Reconciliation Branch (CRB) has the primary responsibility to manage and control the cash reconciliation operations relative for those agencies whereby an agreed position has been established. Specifically, CRB prepares and submits the SF-224, Statement of Transaction, to Treasury for both CAS and FFIS agencies. CRB also identifies, analyzes, and corrects the TFS-6652, Statement of Differences, which includes identifying and correcting systemic, procedural, and internal control issues. CRB also has the responsibility to reconcile differences that may exist within the preparation of the TFS-6653, Un-disbursed Appropriation Account Ledger. Client agency personnel are contacted to ensure appropriate corrective actions are taken to resolve all noted differences.

The Financial Support Branch (FSB) and the Payroll/Personnel Support Branch (PSB) are both responsible for providing high-quality customer support and liaison for their respective systems including payroll/personnel, administrative, and financial systems. FSB and PSB market NFC's systems and services; provide help desk support to assist customers in problem resolution; evaluate and test new and/or enhanced systems; coordinate and monitor new client implementations; assist users in defining hardware, software, and telecommunications access requirements; coordinate and conduct user training; review internal and external operating procedures; participate in user group meetings; coordinate and conduct visits to NFC and customer sites; publish a semiannual newsletter for customers; and coordinate and conduct customer orientation sessions and briefings. FSB and PSB also function as Customer Service Representatives for NFC's customer agencies.

IRMD

IRMD is organized into five branches - Computer Resources Management, Data Base Management, Operations, Systems Engineering, and Telecommunications and Office Automation. IRMD is responsible for the planning, development, implementation, operation, and maintenance of the NFC's Information Technology infrastructure, including hardware, software, database management, and telecommunications.

IRMD maintains effective liaison with OCFO Headquarters, the Office of the Chief Information Officer (OCIO), the Departmental Computer Centers, oversight organizations, USDA and Non-USDA clients, and other public and private sector entities. IRMD develops and manages policies and processes for the Enterprise Information System Architecture. IRMD provides infrastructure and operational resources in support of NFC's customer service and accountability improvement initiatives, such as service level agreements, activity based costing, and improved customer billing information. IRMD implements and supports the information infrastructure, including engineering and operation of all platforms, management of the NFC network and

communication (data, voice, and video) functions, database administration for all platforms, and desktop support for all users of automated systems.

IRMD develops short-range and long-range plans for the division and in coordination with OCFO, participates in the planning and coordination of developmental activities at NFC and maintains
liaison with OCIO, USDA, and other Government agencies to ensure responsiveness of NFC systems to the needs of user agencies.

Additionally, IRMD ensures that NFC's Information Resources Management (IRM) plans, policies, and programs are consistent with and meet the requirements of the Government Performance and Results Act, the Information Technology Management Reform Act, and other Governmentwide IRM policies and directives.

IRMD conducts research and development studies for NFC on software/hardware technology and telecommunication acquisitions. IRMD develops justifications in support of Information Technology acquisitions and coordinates these with other NFC Divisions/Staffs for OCFO's approval. IRMD identifies and evaluates modern systems concepts, strategies, architectures, development methods, and tools and develops proficiency in the use of these to realize the modernization of the administrative processes.

Additionally, IRMD provides support for and participates in various Departmental sub-councils and special task forces in support of special IRM projects and initiatives.

ASD

ASD develops the NFC internal policies, for automated systems which adhere to USDA policies and support and execute payment activities, and prepares conceptual design and development plans. Also, ASD accomplishes the design, development, and implementation of all new or redesigned information systems of NFC and develops, tests, and installs modifications to detailed machine instructions and procedures for automated processing of payroll/personnel, administrative payments, accounting and related transactions, and management information systems. In addition, ASD specifies program checks and edits to ensure validity of data; participates in planning and coordinating developmental activities with USDA agencies, GAO, Treasury, other Government organizations, and client agencies; and maintains liaison with USDA, NFC, and client agencies to ensure responsiveness of NFC systems to agency program managers.

In coordination and consultation with clients, ASD develops functional requirements for new or redesigned systems. They prepare requirements packages to serve as a primary documentation of systems specifications. ASD interprets proposed legislation, determines the impact on existing systems, and provides requirements for appropriate system changes. ASD also monitors systems implementation through participation in systems testing prior to operation.

FFIS/Project Office

The FFIS/Project Office, while not a unit of NFC, works closely with NFC on FFS and reviews internal controls and provides enhancements to FFIS and the infrastructure/security environment. The initiatives undertaken by FFIS/Project Office included encrypted circuits provided for FFIS telecommunications traffic; provided a plan for the logically isolated environment for FFIS as of October 1, 2000, in consonance with the OCIO Cyber-Security initiatives; implemented FFS application security as of October 1, 1999, prepared Security Risk Assessments, Security Plans, and performed security testing; developed standard FFIS security profiles for the agencies, trained agency security administrators, established security rules of behavior and security awareness for FFIS security administrators; and developed and implemented Disaster Recovery Plans and participated in Disaster Recovery exercises for FFIS.

Further, the FFIS/Project Office has an established and repeatable quality assurance process which certifies software prior to implementation in production. This documented process applies to all software changes whether emergency or long-term software releases. Additionally, the Implementation Division works closely with the Architecture and Operations Division to ensure that internal controls requiring software enhancements or baseline upgrades within FFIS are reviewed and maintained current with Government mandates.

CONTROL ENVIRONMENT

NFC's management philosophy and operating style have resulted in the establishment of specific control objectives throughout the organization. Policies and procedures have been established to provide reasonable assurance that the specific control objectives will be achieved. These control objectives and the policies and procedures are documented in the NFC Management Controls Manual and Procedures Manuals. Additionally, NFC considers the data or reports that are sent to user agencies for review to be controls. NFC clients have a responsibility to review what has been processed for them and to point out any unauthorized transactions. These data transmissions and reports offer the same control to NFC and the client that an individual's monthly bank statement offers to the bank and the individual.

KEY GENERAL CONTROL OBJECTIVES

There are a number of general control objectives for ensuring financial integrity, compliance with laws and regulations, and efficient and effective operations common to PPS, the Administrative Payments System, the Billings and Collections System, PMIS, TSPS, and the Accounting and Reporting System. NFC's general control objectives and techniques are contained in the NFC Management Controls Manual.

INTERNAL CONTROL STRUCTURE AND FINANCIAL MANAGEMENT SYSTEM WEAKNESSES

USDA identified several internal control structure and financial management system weaknesses at NFC. The weaknesses listed below represent problems that warrant corrective action by management.

- OMB Circular No. A-130 certifications are not supported by adequate documentation and do not include all required areas.
- OPAC bills are not timely and accurately processed.
- All suspense balances are not accurately and timely resolved and are not recorded to agency accounting by the end of the fiscal year.
- Differences between detail disbursement, deposit records, and Treasury records are not properly identified and resolved.
- The TFS-6653 reconciliation process needs improvement. This includes defining the responsibilities and timeframes for making corrections on the sub-accounts included in the reconciliation.
- The manual adjustment process needs to be strengthened and the associated control weaknesses with the process need to be corrected. Policies and procedures to ensure that the approval function of the manual adjustment process is assigned to the appropriate supervisory personnel based on responsibility for LEDG accounts impacted by the manual adjustments need to be developed.
- There are no controls in effect to reconcile balances in ABCO and BLCO databases to LEDG.
- User agencies do not provide allowance for loss policy guidance. All accounts receivables are not properly considered and a documented methodology is not followed.
- The production deviation process needs improvement. Policies and procedures need to be developed to ensure that production deviations are run when appropriate, properly approved, and documented and that documentation to support the production deviations is properly maintained.
- NFC has not achieved Capability Maturity Model (CMM) Level 2. A time-based plan for achieving this needs to be developed and sufficient resources need to be devoted to the project in order that timeframes are met.
- An independent team will analyze the number, reasons, and propriety of the adjustments made to the general ledger. The team will develop appropriate remedial actions to ensure

these problems are corrected prior to the fiscal year closing.

In addition, GAO noted access control weaknesses which affected NFC's ability to prevent and/or detect unauthorized changes to payroll and other payment data or computer software, control electronic access to TSP account information, and restrict physical access to sensitive computing areas.

NFC recognizes the need to improve its operations and correct the problems identified. In addition, NFC is committed to correcting these problems in a timely and prudent manner. Action plans have been developed to address these problems. However, because of the extent and nature of the weaknesses, long-term solutions are necessary. The following are actions taken or planned which will correct these problems:

- NFC implemented new procedures on May 21, 1999, which aid in obtaining the necessary documentation for certification reviews. Through the use of the Certification Project Plan, work progress is tracked in the areas of planning, data collection, security access review, draft and final report preparation, and publication of the final report.

- NFC established an OPAC project that has cleared a substantial number of OPAC transactions. As of October 31, 2001, 20 of 35,747 bills remained unprocessed for FY 2000 and 850 of 40,818 bills remained unprocessed for FY 2001. NFC continues to place emphasis on timely processing of OPAC bills.

- NFC established a study team to define and develop all appropriate controls to ensure that suspense balances are either cleared or charged to the proper agency accounting codes.

- NFC has implemented an improved cash reconciliation process, with the goal of identifying and resolving differences with Treasury within 120 days of receipt of Treasury's TFS-6652.

- NFC has implemented a policy to centrally review and approve all SF-224 cash account entries that are input via the LEDG 82 process. This centralized review methodology has improved the current monthly reconciliation process. Also, action has commenced to develop, document, and implement additional policies and procedures to improve the TFS-6653 reconciliation process, which will include both defining the LEDG accounts and establishing procedures for resolving out-of-balance conditions.

- In January 2000, NFC established an adjustment database which produces a standard monthly report detailing all manual LEDG 82's that are processed through the Standard Chart of Accounts Adjustment database. This database records all adjustments made by each accountant and the system affected by the entry. The report also reveals a "Reason Code." This "Reason Code" documents the need for the manual adjustment. From this code, one can determine if the manual adjustment was needed to correct either a systemic

or operational impediment. Branch Chiefs conduct a monthly analysis of the report. Any further actions required on an adjustment are reviewed by the respective Associate Directors for Accounting and Operations and also approved by the FSD Director.

- The FFIS/Project Office developed a two-phase process to improve the controls. In phase one, FFIS/Project Office will implement security policies that direct the agencies to implement security profiles that restrict agency access to ABCO documents. In phase two, FFIS/Project Office with assistance from BCB will develop a system assurance process between ABCO and FFIS. The new systems' assurance reports will be provided to both agencies and BCB. BCB will coordinate with the agency to identify the cause of the errors and necessary corrective actions. The process will be designed to allow nightly execution of the system assurance process.

- NFC assists agencies, with the guidance of the OCFO Fiscal Policy Division, in establishing allowance amounts. NFC sends each agency a recommended bad debt allowance amount for their concurrence. NFC and the agency agree on the amount of the allowance and establish the amount in LEDG. NFC monitors the reasonableness of the balances by quarterly reviewing the balances of the outstanding debts and respective allowance accounts and makes any appropriate adjustments.

- NFC revised the production reporting process. SRO provides a monthly report to NFC's Senior Staff which reviews and discusses the report and makes appropriate recommendations when needed.

- NFC reactivated the CMM Level 2 Project. NFC will provide training to ASD personnel on the CMM strategies, policies, and procedures. ASD developed a formal plan and provided a copy to the Office of Inspector General. The estimated completion date is September 30, 2003.

For the weaknesses noted by GAO, NFC addressed all 35 issues identified as logical, system software, and physical control weaknesses. NFC took the following actions to immediately correct many issues:

- Implemented a network security policy.

- Initiated a self-assessment program that provides for periodic scans.

- Installed a network intrusion detection system.

Other corrective actions taken in relation to these weaknesses follow:

- Completed a review and restricted access to payroll data files.

- Published a formal network security policy in the Management Directives.
- Implemented real-time alert paging in the network intrusion detection system.
- Restricted physical access to the computer room and tape library.
- Filled the Network Access Administrator positions and trained the people to operate the software needed to fulfill the functions of the positions.
- Improved controls over passwords used for network access.
- Removed or modified system software to strengthen controls.
- Determined that an emergency access procedure should be implemented to reduce permanent access when there is not an ongoing, recurring business need for access.
- Implemented the warning banner on production applications.
- Purchased audit logging software and implemented monitoring of network events.

FLOW OF TRANSACTIONS THROUGH SIGNIFICANT ACCOUNTING APPLICATIONS

NFC picks up mail from the Main Post Office in New Orleans, Louisiana, three times a day. The driver delivers all mail, with the exception of TSP documents, to the Communications and Dispatch Unit. NFC receives each day an average of 1.5 tons of mail. NFC sends out approximately 20 million pieces of mail each year. All mail is opened, sorted, date stamped, and distributed to the operational units. TSP documents are delivered directly to the TSP Division.

The Communications and Dispatch Unit delivers the mail to the Document Review and Batching Unit and other applicable units. The documents are then separated by application type and reviewed for completeness of data, not for accuracy. Incomplete documents are researched by using computer printouts, online inquiry, microfilm, microfiche, and phone calls to the agency. If the appropriate information cannot be ascertained, then the document is returned to the agency.

After the documents are previewed, they are normally batched in groups of 15 to 20. They are placed in a batch control folder with a batch card attached. Each document is given a sequential number in the batch. The batch number and sequence number then become a part of the source document that can be used for locating a document after it has been processed. When the documents are batched, two batch cards are prepared. These cards contain the batch number, the document code, the document count, the date received, and the number of documents.

One card is put with the batched documents sent to the Data Preparation Unit for entry and the other card is taken to the Document Processing and Control Section. After the Data Preparation Unit enters the documents, the batch number is checked against a batch control listing by the Document Processing and Control Section to ensure that all batches are accounted for and that all documents within the batch were entered.

The Data Preparation Unit converts information from source documents into a computer acceptable input. The transcribers enter about 112 different types of documents, such as purchase orders and telephone bills. All types of documents can be entered at the same time. Application programs are available for each type of document to be entered. Each program displays onscreen prompts to assure complete and accurate input of information. The program also contains limited input edits, such as alphanumeric fields, field lengths, and completed fields. These edits and visual checks allow the transcriber to find and correct typographical errors. All information is entered online.

Rather than sending hard copies of documents, clients can electronically transmit data. Generally, users transmit data in one of two ways, batch transmissions or online entry. Online entry is further divided into online entry for data collection and online entry for real-time processing. Online entry for data collection is the transcription of data through a workstation or personal computer under the control of a program residing on the host system. This technique is primarily used to input payroll/personnel documents for subsequent processing in the PPS. The Personnel Edit Subsystem interfaces with the Personnel Processing Subsystem to edit and audit all personnel and payroll documents and to update the database record for each employee. Online entry for real-time processing is the transcription of data through a work station or personal computer under the control of a program residing in the host system that updates the application database immediately upon receiving the data entered. This method is presently being used for PMIS and other systems.

Batch transmitting consists of building or creating a file in a personal computer and transmitting it electronically to NFC. Once the data arrives, automated control totals are generated and compared to control totals from the sender. After transmitted data is accepted for updating, the Computer Scheduling Section runs the application with input from the agency's transmitted data and data input by NFC personnel.

Individual systems accept the transaction for processing, perform edit and audit checks, place invalid documents in suspense files for correction, produce internal reports and external reports for distribution to agencies, process billings and record collections received, and produce the disbursement tapes used by Treasury to issue checks. External reports related to transaction processing are generated by the payment systems.

Each payment system produces listings that identify the reason if the transaction rejected. The

managers are provided with listings that show the age of the document and how many times it has failed to be processed. In this way, they can monitor the research and correction process to ensure that the oldest documents are corrected first and that documents clear suspense within appropriate time periods.

For CAS processing, the feeder systems validate the financial transactions and the accounting classification data and generate detailed accounting records for each document type processed. The data from these records is then fed to a transaction distribution program that directs it to LEDG and BCST. In this manner, transactions are collected, validated, and expended and processed into CAS. LEDG produces reporting for internal control and for external agencies such as Treasury and OMB. BCST produces data or reports required by agencies' management to control budget and operating plans, obligations, accrued expenditures, and accomplishments.

For FFIS processing, the feeder systems validate the financial transaction and the accounting classification data and generate detailed accounting records for each document type processed. Each accounting record, processed and accepted through the feeder system is then fed through an interface that creates a unique document to be recorded in the particular agency's FFIS general ledger and financial data warehouse. FFIS users then utilize the online features of the system to access and review various tables and available reports to determine budget status, expenditures, etc. External reporting for FFIS agencies is accomplished through utilization of various reporting tools such as FACTS I and FACTS II, etc.

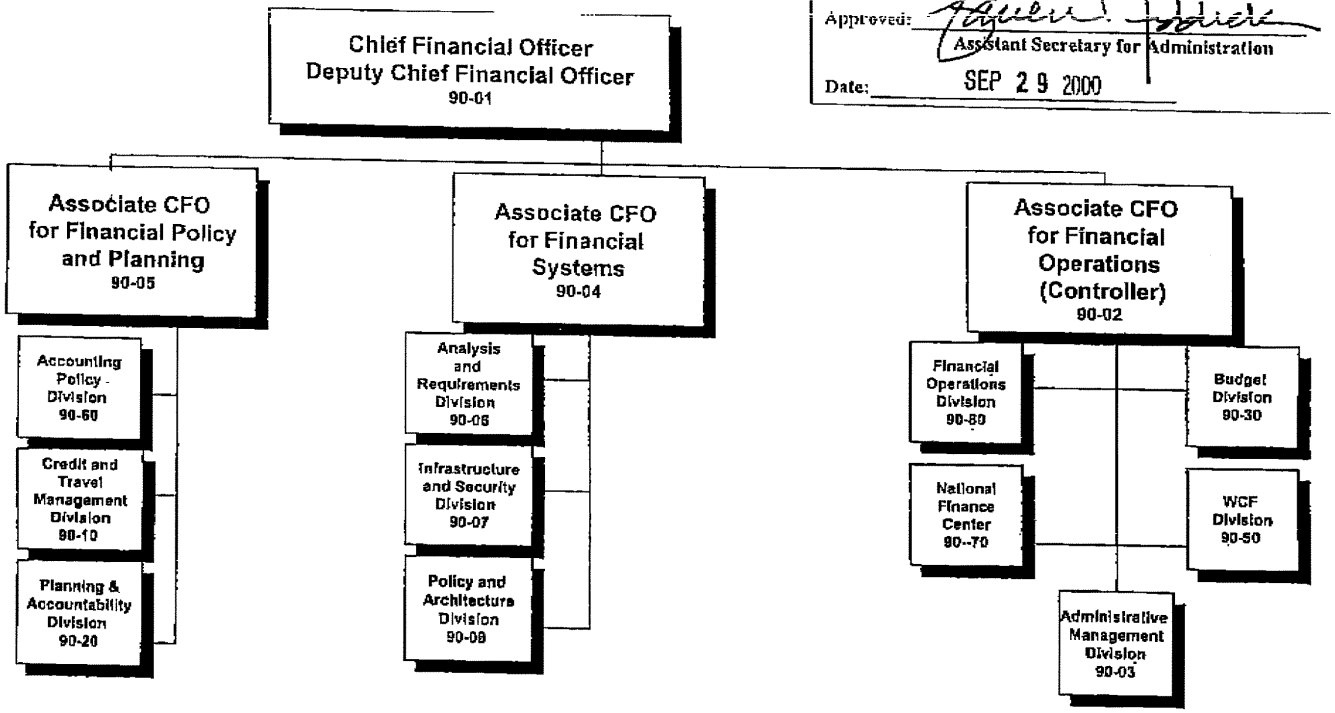
UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE CHIEF FINANCIAL OFFICER
NATIONAL FINANCE CENTER
RECOMMENDED
RECOMMENDED
APPROVED
DATE 9/14/99
NATIONAL FINANCE CENTER 90 70
OFFICE OF THE DIRECTOR 90 70 01
FSVS DEVELOPMENT STAFF 90 04
EQUAL EMPLOYMENT OPPORTUNITY STAFF 90 70 02
ADMINISTRATIVE MANAGEMENT STAFF 90 70 03
INFORMATION SYSTEMS SECURITY AND CONTROL STAFF 90 70 04
HUMAN RESOURCES MANAGEMENT STAFF 90 70 05
WORKFORCE SERVICES STAFF 90 70 06
FACILITIES AND SECURITY SUPPORT STAFF 90 70 07
INFORMATION RESOURCES MANAGEMENT DIVISION 90 70 10
DATABASE MANAGEMENT BRANCH 90 70 10 0010
OPERATIONS BRANCH 90 70 10 0020
SYSTEMS ENGINEERING BRANCH 90 70 10 0030
COMPUTER RESOURCES MANAGEMENT BRANCH 90 70 10 0040
TELECOMMUNICATIONS BRANCH 90 70 10 0050
OFFICE AUTOMATION BRANCH 90 70 10 0060
THRIFT SAVINGS PLAN DIVISION (TSP) 90 70 20
TSP ASSET MANAGEMENT BRANCH 90 70 20 0010
TSP WITHDRAWALS BRANCH 90 70 20 0020
TSP OPERATIONS BRANCH 90 70 20 0030
TSP LOANS BRANCH 90 70 20 0040
FINANCIAL SERVICES DIVISION 90 70 30
ASSOCIATE DIRECTOR ACCOUNTING
ASSOCIATE DIRECTOR OPERATIONS
ASSOCIATE DIRECTOR CUSTOMER SUPPORT
ACCOUNTING RECONCILIATION BRANCH 90 70 30 0020
ACCOUNTING REPORTING BRANCH 90 70 30 0030
FOUNDATION FINANCIAL INFORMATION SYSTEM OPERATIONS BRANCH 90 70 30 0110
ACCOUNTING OPERATIONS BRANCH 90 70 30 0010
PAYROLL/PERSONNEL BRANCH 90 70 30 0040
ADMINISTRATIVE PAYMENTS BRANCH 90 70 30 0050
BILLINGS AND COLLECTIONS BRANCH 90 70 30 0060
DIRECTIVES AND ANALYSIS BRANCH 90 70 30 0070
CUSTOMER SERVICE BRANCH 90 70 30 0080
TRAINING AND APPLICATION SUPPORT BRANCH 90 70 30 0090
APPLICATIONS SYSTEMS DIVISION 90 70 40
ASSOCIATE DIRECTOR PRODUCTION
ASSOCIATE DIRECTOR DEVELOPMENT
ACCOUNTING SYSTEMS BRANCH 90 70 40 0010
PAYROLL SYSTEMS BRANCH 90 70 40 0020
PERSONNEL SYSTEMS BRANCH 90 70 40 0030
ADMINISTRATIVE SYSTEMS BRANCH 90 70 40 0040
SPECIAL SYSTEMS BRANCH 90 70 40 0050
PAYROLL/PERSONNEL UPGRADE BRANCH 90 70 40 0060
ADMINISTRATIVE SYSTEMS UPGRADE BRANCH 90 70 40 0070
WEB/INTERACTIVE VOICE RESPONSE SYSTEM BRANCH 90 70 40 0080
REQUIREMENTS AND DEVELOPMENT COORDINATION BRANCH 90 70 40 0090
FOUNDATION FINANCIAL INFORMATION SYSTEM STAFF 90 70 40 0100

UNITED STATES DEPARTMENTOF AGRICULTURE
Office of the Chief Financial Officer

Recommended: _____ Chief Financial Officer

Approved: _____ Assistant Secretary for Administration

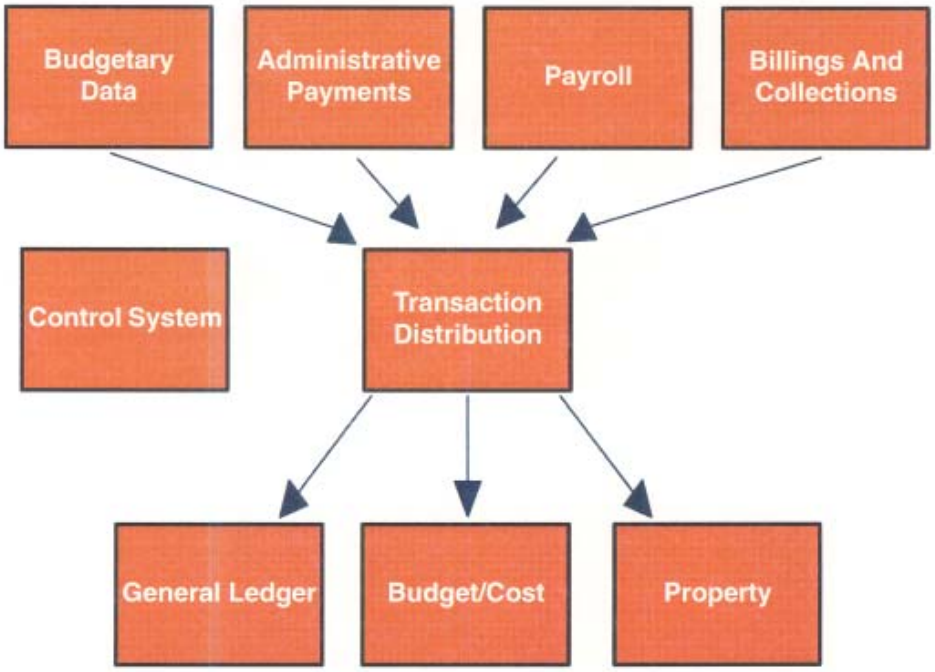
Date: SEP 29 2000



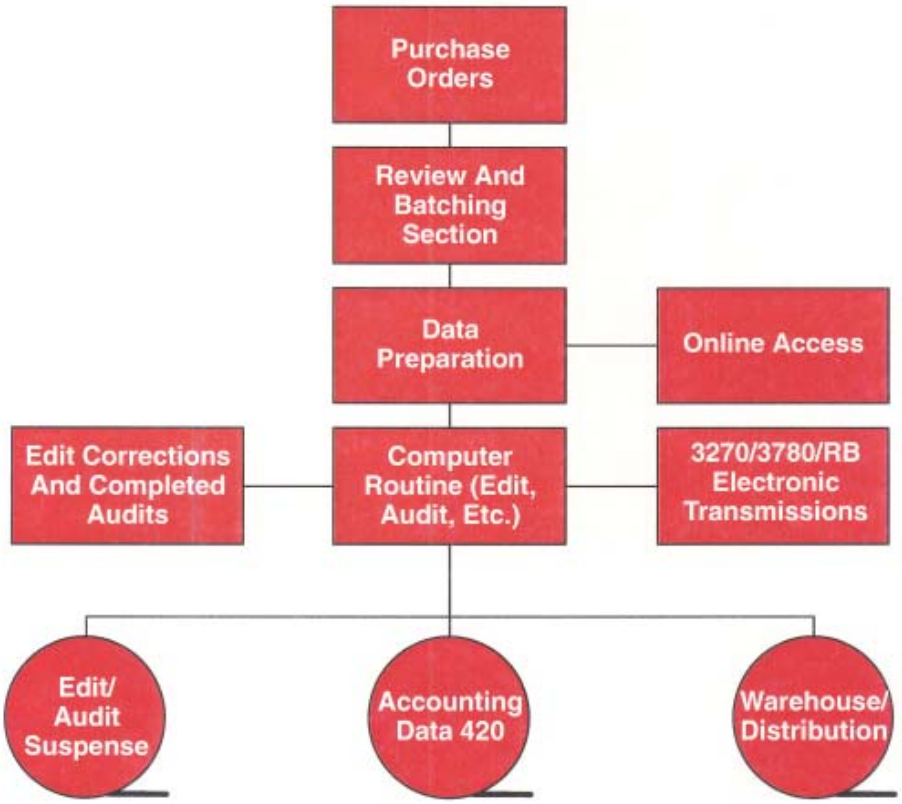
The mission of the Office of the Chief Financial Officer is to shape an environment in which USDA officials have and use high quality financial and performance information to make and implement effective policy, management, stewardship and program decision.

Supersedes chart for the Office of the Chief Financial Officer dated October 20, 1997

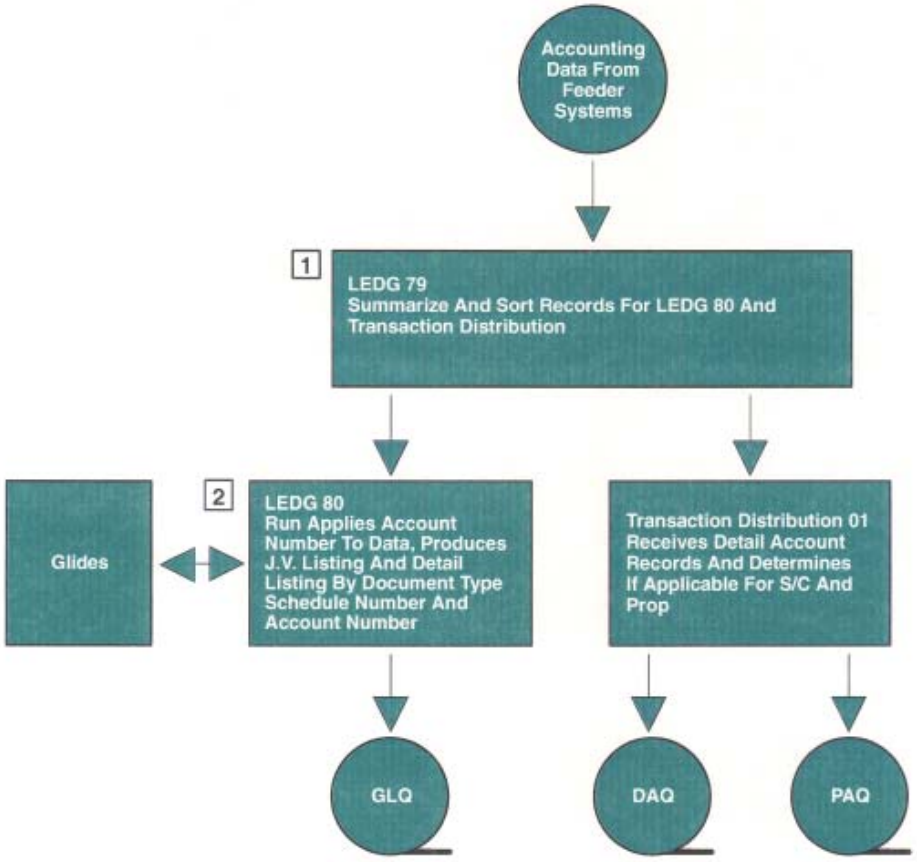
Central Accounting System
Primary Modules



Typical Feeder System Process



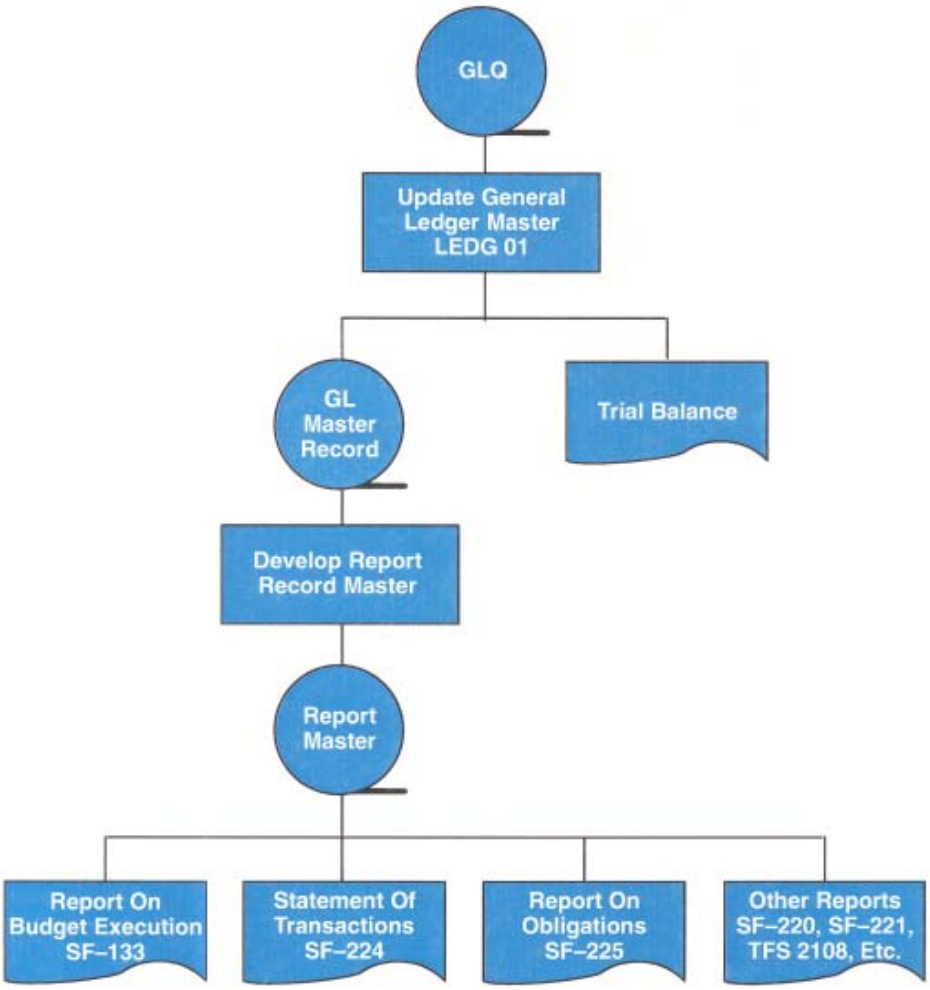
Creation Of Accounting Data



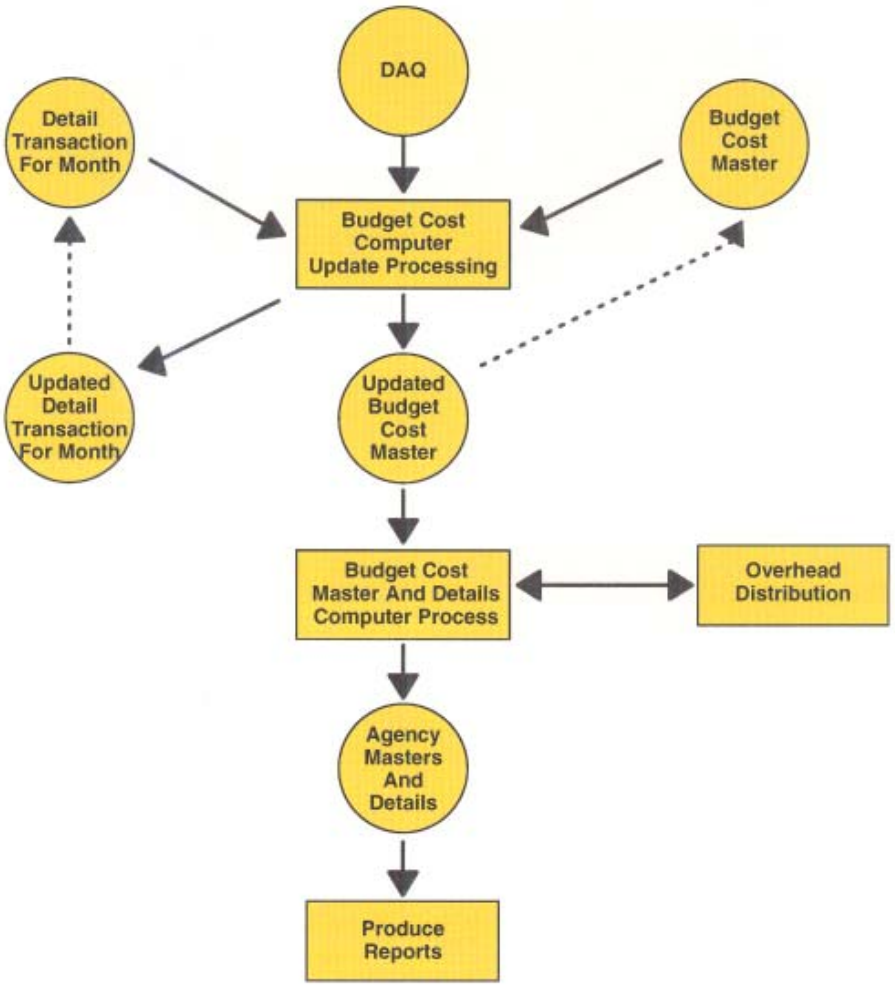
1 Also Referred To As SCAP 79

2 Also Referred To As SCAP 80

Overview Of General Ledger Process



Overview Of Budget Cost Process



Overview Of PROP Process

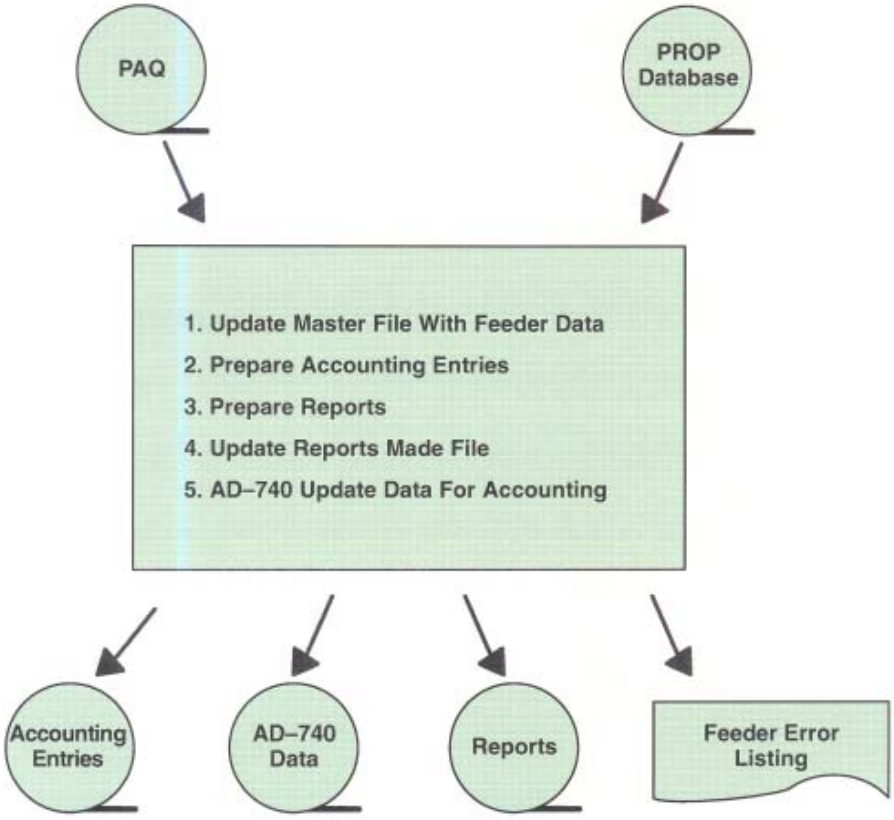


EXHIBIT B

OFFICE OF INSPECTOR GENERAL

REVIEW OF SELECTED INTERNAL CONTROLS

AS OF JUNE 30, 2002

Prepared By:
USDA/OIG

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
Accounting Operation Branch (AOB)	Ensure that all MINC program documentation is current and up-to-date, and allows manual additions, deletions, and corrections to MINC records.	Daily, balance Report MINC05-01, 1099 Transactions Added to Master, to Report DISB9908, 1099 Records Sent To MINC MM/DD/YY.	We reviewed daily reports to ensure that transactions were accurately and properly reflected. We reviewed source records to ensure that all 1099 information was reported completely. We reviewed the programs used to extract the source data from the feeder systems to the MINC system.	The control structure policies and procedures were not suitably designed to achieve the risk specified. (See Finding No.6.)
		Weekly, balance Report MINC05-02, 1099 Transactions Added to Master – SPPS Payments, to Reports ID: MINC, MINC Interface Stat Reports, Statistics Reports for all FFIS agencies.	See above.	The control structure policies and procedures were not suitably designed to achieve the risk specified. (See Finding No. 6.)
		Monthly, balance Report MINC05-02, 1099 Transactions To Added Master – SPPS Payments, to Report SPPS.F13701, Special Payroll Processing Processing System Death Cases, 1099 Detail Report For Month Ending MM/DD/YY.	See above.	The control structure policies and procedures were not suitably designed to achieve the risk specified. (See Finding No. 6.)
		Annually, balance Report MINC05-01 to Report CETR6601, Casual Employees Time Reporting System, List of T/C 03, Suffixes 00, 02, 04, and PCMS reports.	See above.	The control structure policies and procedures were not suitably designed to achieve the risk specified. See (Finding No. 6.)

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		Prepare 1099 forms for issuance to payees by the end of January of the subsequent year to allow payees time for tax reporting. Also at year-end forward Magnetic Media to the Internal Revenue Service by the end of February containing all payments totaling $600 or more per payee in a calendar year.	See above.	The control structure policies and procedures were not suitably designed to achieve the risk specified. (See Finding No. 6.)
	Ensure that OPAC bills are accurately and timely forwarded to the appropriate department for processing.	To account for the timeliness of each OPAC bill, ASCS stamps each OPAC sheet with the date received.	We reviewed OPAC reports and tested OPAC transactions from FFIS and OTRS.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		All forwarding destinations and date forwarded are noted on the ASCS copy of the OPAC bill and sent to the Accounting Reconciliation Branch, GLRS, for tracking.	See above.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		To ensure timely dispatching of OPAC bills and support, a log of "OPAC Bill Not Forwarded for Processing" is maintained by GLRS and monitored by ASCS.	See above.	See above.
	Ensure that	At a minimum, all bills	We tested OPAC	The control

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
	OPAC bills are adequately supported by agency documentation.	forwarded to Miscellaneous Payments Section require an accounting code (in the case of Forest Service, a management code, region, and unit), and all bills forwarded to PRCH require a purchase order number. All additional support received is sent as supplemental backup.	transactions from OTRS and FFIS. We reviewed the supporting documentation for each bill selected.	structure policies and procedures were suitably designed to achieve the control objective specified, been placed in operation and were operating effectively.
		ASCS personnel compute the total of all supporting details and reconcile this figure to the full OPAC bill amount prior to forwarding to another department.	See above.	The control structure policies and procedures were suitably designed to achieve the control objective specified, been placed in operation and were operating effectively.
	Ensure that inquires concerning nonreceipt of payee funds are accurately and promptly resolved to avoid and recoup duplicate payments.	Verify that thorough and prompt research was performed to determine the disposition of the original disbursement on inquiries concerning nonreceipt of payee funds, prior to issuance of recertified checks.	We performed a follow up on the $2.5 million in the unbilled receivables for recertified checks reported in our FY 2002 report no. 11401-7-FM.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
Accounting Reconciliation Branch (ARCB)	Ensure that OPAC bills are accurately and timely updated to general ledger suspense.	Verify that all OPAC transactions for each month are downloaded from the Department of the Treasury's GOALS .	We obtained the supporting documentation from GOALS for each OPAC bill. We compared the date on the GOALS report to the date in the OTRS system.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
				were operating effectively.
		Upload OPAC transactions to the mainframe within 1 day of receipt from GOALS for timely processing into general ledger suspense.	See above.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		Verify that uploaded OPAC transactions are accurately recorded in the general ledger suspense by reconciling CAPS reports to the hard copy OPAC transactions. Initiate corrections, when necessary.	We reviewed the reconciling procedures for the FFIS system.	The control structure policies and procedures were suitably designed to achieve the control objective specified, but had not been placed in operation for the FFIS reconciliation. (See Finding No. 7.)
	Ensure that OPAC transactions are accurately and timely provided to the AOB, ASCS. Monitor and maintain OTRS to ensure proper representation of the status of OPAC bills.	Provide hard copies of OPAC transactions to FSD, AOB, ASCS, within 1 day of receipt at NFC.	We tested OPAC transactions and reviewed the dates to ensure timely processing.	The control structure policies and procedures were suitably designed to achieve the control objective specified, been placed in operation and were operating effectively.
		Verify that all OPAC transactions are accurately and timely recorded in OTRS by reconciling automated OTRS acceptance reports to the OPAC	See above.	The control structure policies and procedures were suitably designed to achieve the control objective specified, been

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		transactions received.		placed in operation and were operating effectively.
		Provide OTRS aging reports to FSD processing sections on a routine basis.	We reviewed the OTRS aging report and compared the transactions to the transactions recorded in FFIS suspense.	The control structure policies and procedures were suitably designed to achieve the control objective specified, however we found significant deficiencies in the OTRS aging report. (See Finding No. 7.)
		Reconcile OTRS to General Ledger Account 2420.00 on a monthly basis.	We reviewed the reconciling procedures for the FFIS system.	The control structure policies and procedures were suitably designed to achieve the control objective specified, but had not been placed in operation for the FFIS reconciliation. (See Finding No. 7.)
	Ensure that suspense balances are accurately and timely resolved and recorded to agency accounting.	Reconcile General Ledger Suspense Account 2420.00 to the OTRS database to ensure that the OTRS database correctly reflects suspense items in the general ledger. Generate OTRS reports from a reconciled and validated OTRS database, detailing an aged listing of OPAC bills in	We attempted to reconcile the OTRS activity on the aging report to the OPAC activity in the Treasury suspense symbol.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had not been placed in operation for FFIS. (See Finding No. 7.)

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		suspense by responsible processing sections. Forward OTRS reports to the responsible processing sections for follow up action		
	Ensure that imprest fund advance balances in the NFC general ledger reconcile with the imprest fund file and Treasury balances.	On a monthly basis, reconcile General Ledger Account 1120.00, Imprest Fund, to cashier balances from the imprest fund advance master file (IMPF5016) and balances recorded at Treasury (TFS-6653, Attachment I) using the Daily Fund Update Report (IMPF4001), FOCUS reports, and original source documents.	To confirm whether the Imprest Fund Policy Directive issued by Treasury required all Federal agencies to eliminate agency imprest funds by October 1, 2001.	We confirmed that all imprest funds maintained at the OCFO/NFC have been closed as required by the Department of Treasury. The Imprest Fund Policy Directive issued by Treasury required all Federal agencies to eliminate agency imprest funds by (October 1, 2001).
Application System Division (ASD)	The criteria used for the audit of change controls (reported in Audit Report No. 11401-9-FM) is outlined in the GAO FISCAM, which does not directly correlate to the OCFO/NFC control objectives and techniques.	Same as Control Objective.	See Finding No. 4, Audit Report 11401-9-FM, dated March 2002.	(See Finding No. 4.)
	Ensure that NFC application software systems are developed to	Establish, as dictated by requirements documentation and/or users' requests, systems checks and	We viewed access controls for the NFC applications.	The control structure policies and procedures were suitably designed to

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
	minimize invalid, lost, or corrupted data, and to maintain data security and integrity.	edits to verify the validity of data processed in and interfaced between NFC systems.		achieve the risk specified, but were not adequately placed in operation. (See Finding No. 3.)
	The criteria used for the audit of change controls (Audit Report No. 11401-9-FM, dated March 2002) is outlined in the GAO FISCAM, which does not directly correlate to the OCFO/NFC control objectives and techniques.	The criteria used for the audit of change controls (Audit Report No. 11401-9-FM, dated March 2002) is outlined in the GAO FISCAM, which does not directly correlate to the OCFO/NFC control objectives and techniques.	See Finding No. 4, Audit Report No. 11401-9-FM, dated March 2002	See Finding No. 4
Information Systems Security Office (ISSO)	Ensure that NFC provides security control over the confidentiality, integrity, and availability of government software and data to protect NFC's assets from fraud, abuse, and waste.	Comply with OMB Circular A-130, DR-3140-1, Privacy Act of 1987, Computer Security Act of 1987, and other Federal documents mandating the management of Federal Information Processing Resources.	We reviewed access controls for the NFC applications	The control structure policies and procedures were suitably designed to achieve the risk specified, but were not adequately placed in operation. (See Finding Nos. 1 & 3.)
		Develop security access controls based on user requirements and in compliance with the Privacy Act of 1974 and FIPS 41. See Title VII NFC Management and Administrative Directives, Chapter 11, M.D. #38.	See above.	The control structure policies and procedures were suitably designed to achieve the risk specified, but were not adequately placed in operation. (See Finding Nos. 1 & 3.)

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		Develop and manage an ADP security program for the NFC in compliance with the Computer Security Act of 1987 and OMB Bulletin 90-08. See the "ADP Security Plan for NFC."	We reviewed the NFC Security plans.	The control structure policies and procedures were suitably designed to achieve the control objective specified, but had not been placed into operation. (See Finding No. 2.)
Information Systems policy and Control Staff (ISPCS)	The criteria used for the audit of change controls (reported in Audit Report No. 11401-9-FM) is outlined in the GAO FISCAM, which does not directly correlate to the OCFO/NFC control objectives and techniques.	Same as Control Objective.	See Finding No. 4, Audit Report 11401-9-FM, dated March 2002.	(See Finding No. 4.)
	Develop and maintain an effective ADP security program in compliance with OMB Circular A-130, DR 3140, and FIPS.	Assign responsibilities.	We reviewed the organizational structure and approval level for A-130 certification and recertification for OCFO/NFC applications.	The control structure policy and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively. However, we noted that the Chief of ISPCS was designated as both the certifying and accreditation official.
		Define policies,	We reviewed the	The control

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		standards, and procedures.	policies documented in the MCM to ensure that they were in compliance with OMB A-130, DR 3140 and FIPS.	structure policy and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		Reconcile all confirmed deposit and disbursement activity processed through Treasury to activity processed through the USDA general ledger systems (CAS and FFIS).	See above.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
Cash Reconciliation Branch (CRB)	Ensure that cash balances are reconciled timely to the Treasury reports.	Provide notification to the agencies on out-of-balance conditions to ensure documents are processed through the accounting systems.	We reviewed correspondence to the agencies for the 6652 reconciliation.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
	Ensure that cash transactions posted to the general ledger are accurately reported on the FMS-224 in accordance with 31 United States Code (U.S.C.) 3512/3513, Treasury Fiscal Requirements Manual I TFM 2-3300, and NFC's cash reconciliation procedures.	Review 31 U.S.C.3512/3513, Treasury Fiscal Requirements Manual I TFM 2-3300, and NFC's cash reconciliation procedures for preparing the FMS-224 accordingly.	We reviewed schedules that cleared the ACRWS database by tracing the schedules on the June 2001 ACRWS Unmatched Disbursements and Unmatched Deposits reports through the October 2001 ACRWS Unmatched Disbursements and Unmatched Deposits reports.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		Resolve out-of-balance conditions between cash accounts and Treasury totals by making adjustments to the general ledger and the FMS-224, or by contacting Treasury to resolve the errors.	We reviewed adjustments made to the general ledger and FMS-224 to determine whether the adjustments were made to resolve out-of-balance differences.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
	Ensure all payments and collections are recorded accurately in the general ledger.	Reconcile the FMS-6652, Statement of Differences for Deposits and Disbursements, to the RFC-Accounting Confirmation Report, CASHLINK, and IPAC transactions. This automated reconciliation routine identifies differences and reported between USDA agencies monthly disbursements and	We calculated the "percent reconciled" figure on the FMS-6652 to determine whether status report was accurate.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		the RFC, CASHLINK, and IPAC.		
		Reconcile all confirmed deposit and disbursement activity processed through Treasury to activity processed through the USDA general ledger systems (CAS and FFIS).	We reviewed the reconciliation for deposit and disbursement processed through the general ledger for both CAS and FFIS.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
		Resolve out-of-balance conditions between Treasury and the USDA general ledger by making adjustments to general ledger and/or the FMS-224	We reviewed adjustments made to the general ledger and FMS-224 to determine whether the adjustments were made to the general ledger and/or FMS-224	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
	Ensure that the differences reported on the FMS-6652 are reconciled within the 120-day timeframe.	Identify and correct root causes of out-of-balance conditions.	We calculated the "percent reconciled" figure on the FMS-6652 to determine confirm deposits and disbursements.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.
PPB	Ensure that retirement records entered into RETM are complete, accurate, and submitted timely to OPM.	Verify that dates, monetary increases, and fiscal information are accurate by matching information generated by RETM on Form SF–2806 (Civil Service Retirement System) and Form SF–3100 (Federal Employment Retirement System)	To determine whether pertinent data and information were verified to be accurate and compared to the agency-prepared retirement documents and verification to databases.	The control structure policies and procedures were suitably designed to achieve the control objective specified, had been placed in operation and were operating effectively.

Division/Staff or Branch	Control Objective	Control Techniques	Tests Performed	Conclusion
		to the agency-prepared retirement documents and verification to databases.		

ABBREVIATIONS

ACRWS	Automated Cash Reconciliation Worksheets
ADP	Automated Data Processing
ALC	Agency Location Code
AOB	Accounting Operations Branch
ARCB	Accounting Reconciliation Branch
ASCS	Accounting Systems Control Section
ASD	Application System Division
BUDG	Budget Cost System
CAPS	Corrections, Adjustment and Manual Payments system
CAS	Central Accounting System
CRB	Cash Reconciliation Branch
DMLO	Data Manipulation Langage Online
DR	Departmental Regulations
EMIS	Equipment Management Information System
EPIC	Entry Processing and Correction System
FFIS	Foundation Financial Information System
FIPS	Federal Information Processing Standards
FMS	Financial Management Service
FSD	Financial Services Division
GLRS	General Ledger Reconciliation Section
GOALS	Government Online agency Link System
HCUP	History Correction Update Processing System
ID	Identification
IPAC	Intragovernmental Payments and collections
IRS	Internal Revenue Service
IS	Information System
ISPCS	Information Systems Policy and Control Staff
ISQAO	Information System Quality Assurance Office
ISSO	Information Systems Security Office
IT	Information Technology
JV	Journal Voucher
LEDG	General Ledger System
MCM	Management Control Manual
MINC	Miscellaneous Income
NFC	National Finance Center

OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPAC	Online Payment and Collections
OPM	Office of Personnel and Management
OTRS	OPAC Tracking and Reconciliation System
PACS	Payroll Accounting System
PACT	Personnel Action Processing System
PAYE	Payroll Processing System
PCMS	Purchase Card Management System
PINE	Personnel Edit Subsystem
PRCH	Purchase Order System
PRES	Payroll/Personnel Remote Entry System
PROP	Personal Property System
RETM	Retirement Processing System
RFC	Regional Finance Center
SINQ	Suspense Inquiry System
SPPS	Special Payroll Processing System
SV	Standard Voucher
USDA	U.S. Department of Agriculture

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