

**U.S. Department of Education
FFMIA Remediation Plan for FY 2001 Financial Statement Audit**

Audit Control Number 17-B0006 - FY-2001 ED FINANCIAL STATEMENT AUDIT
<p>Summary: As noted in prior years audits, the internal control of the Department is evolving, and the financial reporting process of the accounting system as implemented has several limitation. The efforts of the Department have partially compensated for, but did not correct, certain aspects of the material weakness in the Department's financial reporting process in Fiscal Year 2001. The Department was unable to provide documentation to support certain adjustments to the opening balances of previously issued financial statements for fiscal years 2000 and 1999. Also, the Department was unable to provide adequate documentation to support certain amount reported in its consolidated balance sheets.</p> <p>This remediation plan reviews the status of corrective actions, both completed and planned, addressing the FFMIA material weakness mentioned in the auditor's report on compliance with laws and regulation for Fiscal Year 2001. The resources required to implement system changes required for FFMIA compliance are identified on budget exhibit 300.</p>

Points of Contact		
Audit Liaison Officer:	Tom Lusk OCFO Faye Harris FSA	202-401-5944 202-377-3464
Responsible Managers	Mark Carney OCFO Linda Paulsen FSA	202-401-0085 202-377-3402
Audit Manager:	Todd Givens	202-205-7945

Recommendations/Corrective Actions	Milestone Dates		Contacts/Comments
	Planned	Completed	
Issue 1 – Financial Management Systems and Financial Reporting Need to Be Strengthened			
Recommendation #1. Complete the implementation plan for the replacement of the general ledger software package and ensure the transition occurs in a timely, controlled and documented manner. Also ensure that data from FSA's new financial management system is adequately integrated with the Department. In addition, the Department should ensure that the new general ledger software package will meet its financial reporting needs, including an automated closing process and interim reporting capabilities, thereby facilitating the preparation of financial statements by reporting group and at the consolidated level.			
Action #1. Ensure integration of FSA FMS system with OCFO FMSS. Other issues stated in this finding were covered in the FY 2000 Financial Statement Audit ((17-A002, Finding 1, Recommendation 1) and completed on 3-4-02)		6/02	Danny Harris, OCFO/FSO Paul Stoner, FSA Julie Bryant, FSA Faye Harris, FSA Terry Bowie, OCFO/FMO
Recommendation #2. Assign reconciliation and analysis preparation and review responsibilities and define approaches to corroborate account balances for all significant accounts on a monthly or more frequent basis as appropriate.			
Action #1. Enhance reconciliation procedures to ensure that responsibilities and approaches are defined and analysis preparation and review are completed within 45 days of month end.	9/02		Terry Bowie, OCFO/FMO Molly Dawson, OCFO Julia Bryant, FSA Jon Bollinger, FSA Ron Ackerman, FSA Faye Harris, FSA
Recommendation #3. Enhance policies and procedures surrounding the preparation and review of adjustments, ensure that adequate and sufficient supporting documentation accompanies each adjustment throughout the approval process, and provide training to ensure that individuals preparing and reviewing the adjustments receive sufficient guidance to meet financial reporting objectives.			
Action # 1. Work with FSA to enhance FSA policies and procedures surrounding the preparation and review of adjustments, ensuring that adequate supporting documentation accompanies each adjustment through the approval process.	9/02		Terry Bowie, OCFO/FMO Keith Ingram, OCFO/FMO Jennifer Fleming, OCFO Faye Harris, FSA Ron Ackerman, FSA Julia Bryant, FSA

Recommendations/Corrective Actions	Milestones		Contacts/Comments
	Planned	Completed	
Recommendation #4. Further implement data mining and other approaches as recommended by the MIT to search for duplicate payments and research improper payments that are identified and continue to refine internal controls in response to such efforts.			
Action #1. Complete training in use of IDEA data mining software.		4/02	Mark Carney OCFO/MIT Sally Clark, OCFO Linda Paulsen, FSA/MIT Faye Harris, FSA
Action #2. Use IDEA software to perform data mining on purchase card transactions. Share workstation and software license with FSA, utilizing the formula developed by the GAO in their audit work. The focus will be on purchase card transactions at first, and then travel cards. Suspected cases of fraud and/or abuse will be referred to the OIG.	9/02		Mark Carney OCFO/MIT Sally Clark, OCFO Linda Paulsen, FSA/MIT Faye Harris, FSA
Action #3. Based on the results obtained from Action 2, refine/enhance/improve ED's internal controls regarding purchase cards and the travel cards.	9/02		Mark Carney OCFO/MIT Sally Clark, OCFO Linda Paulsen, FSA/MIT Faye Harris, FSA
Recommendation #5. Resolve unreconciled differences specific to the disbursements-in-transit, budget clearing, and suspense accounts on a timely basis, and resolve the unreconciled variance currently reflected in other governmental assets and accounts payable.			
Action #1. Resolve unreconciled differences specific to the the disbursements-in-transit, budget clearing, and suspense accounts on a timely basis.	9/02		Terry Bowie, OCFO/FMO Faye Harris, FSA Julie Bryant, FSA Jon Bollinger, FSA
Action #2. Resolve FSA unreconciled variances reflected in the other governmental assets and accounts payable.	9/02		Terry Bowie, OCFO/FMO Faye Harris, FSA Julie Bryant, FSA Jon Bollinger, FSA
Recommendation #6. Assess the role and responsibilities of each Departmental office (including OCFO, SFA, and Budget Services) involved with the financial reporting process to ensure that appropriate resources and tools are available to achieve the financial reporting objectives established by management, particularly when competing duties such as staffing the MIT and implementing a new accounting systems strain resources.			
Action #1. Review the current organizational structure to determine if it meets the financial reporting objectives established by management. Modify the structure as required. Define and document the roles and responsibilities of each function identified in the organization structure		7/02	Terry Bowie, OCFO/FMO Frank Petersen, OCFO/FMO Linda Paulsen, FSA/MIT William Graham, Budget Services
Issue 2 – Controls Surrounding Information Systems Need Enhancements			
Recommendation #7. The Department should implement the corrective actions outlined n the audit report issued by the GAO and OIG.			
Action #1. Implement corrective actions outlined in the audit reports issued by GAO and OIG (ED-OIG/A11-B0007, ED-OIG/A11-0009 and GAO-01-1067) as of September 30, 2001.	12/02		Rick Miller, OCIO

Recommendations/Corrective Actions	Milestones		Contacts/Comments
	Planned	Completed	
Issue 3 – Reporting and Monitoring of Property and Equipment Needs to Be Improved			
Recommendation #8. Timely reconcile any discrepancies between the results of annual physical inventories of the Department's accountable property and internal records. Develop policies and procedures to adequately document the results of this process.			
Action #1. Perform timely reconciliations of physical inventories of high-risk property and reconcile discrepancies of inventory results and internal records. Develop policies and procedures to adequately document the process.	9/02		Steve Moore, OM Angela Cooper, OM
Recommendation #9. Develop and implement standard Department-wide policies and procedures for the receipt, tracking and safeguarding of property and equipment to ensure that the Department maintains adequate accountability over assets.			
Action #1. Update and implement Department-wide policies and procedures for the receipt, tracking and safeguarding of property and equipment to ensure that the Department maintains adequate accountability over assets.		6/02	Steve Moore, OM Angela Cooper, OM

