FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

The FFMIA of 1996 requires that Federal agencies prepare remediation plans to rectify deficiencies in agency financial systems and agency compliance with accounting standards that are identified by management and auditors in the annual financial reporting and audit processes. The SBA's FY 2005 financial management plan addressed the deficiencies that were identified in FY 2004.

Financial system access control, segregation-of-duty and other general-control weaknesses were addressed. Control over obligation activity in expired salary and expense funds was improved through system enhancements and manual control procedures to avoid the appearance of anti-deficiency discrepancies. SBA's accounting system was enhanced to reliably accumulate program data used in estimates of credit subsidy costs.

SBA addressed FY 2004 audit findings through improvement to its accounting and reporting processes. Treasury debt and interest accounting was improved to provide accurate costs for SBA's credit programs. Credit program cost determination utilized an agreed upon schedule to develop cost models and cost data for audit. Internal control over credit subsidy cost determination was improved through rigorous procedures and documentation of the cost determination process. Accounting for credit cost reestimates was improved to reliably and accurately record changes to subsidy allowances and reserves. Preparation of financial statements and footnotes was improved to minimize errors and to improve disclosure of financial results. Undelivered orders for SBA's loan program and program administration were reviewed to eliminate unneeded orders and to reduce balances to the appropriate level. This improvement was evident in the FY 2005 financial statement audit and further improvement is planned in FY 2006. However, regardless of the improvements mentioned above, undelivered orders remain a control weakness representing significant risk, given the high volume of disaster loans being processed.