

FMFIA

Corrective Actions Report

For the required assurance statement for the Department of Justice, please see the Attorney General's message at the beginning of this Report.

SECTION 2 – PROGRAM MATERIAL WEAKNESSES

U. S. DEPARTMENT OF JUSTICE Corrective Action Report Issue and Milestone Schedule				Date of Submission	
				First Quarter Update:	
				Second Quarter Update:	
				Third Quarter Update:	
				End of Year Report: 10/21/05	
Issue Title				Issue ID	Organization
Information Technology Security Weaknesses in Financial Management Systems					Department of Justice
Date First Initiated	Original Target for Completion	Current Target for Completion	Actual Date of Completion	Issue Type (Organization Rating)	
10/04	03/31/05	9/30/06		Program Material Weakness	
Source Title			Date of Source Report	Issue Type (DOJ Rating)	
				Program Material Weakness	
Issue Description					
<p>Financial audits continue to find general and application control weaknesses in internal controls related to information technology (IT) security. Consolidated financial statement audit reviews revealed a range of deficiencies in the component financial and financial-mixed IT systems. Material weaknesses were noted at several major components, including the Federal Bureau of Investigation (FBI); the U.S. Marshals Service (USMS); the Office of Justice Programs (OJP); and, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). Control weaknesses cited include: access controls, specifically noting failure to ensure adequate separation of duties; application software development and change controls; service continuity; system software; and, application controls. Although, many of the noted weaknesses and their respective corrective action plans were identified prior to the audit period by the component program managers, actual implementation was not achieved to impact FY 2005 financial statement audit.</p>					
What We Will Do About It					
<p>The Office of the Chief Information Officer (OCIO), working with the Chief Financial Officer and component program managers, as well as their respective CIOs, has developed a corrective action plan to address weaknesses identified and implement corrective actions to ensure program improvements are made and institutionalized.</p> <p>Since the FY 2004 FMFIA year-end report, additional milestones have been created to ensure additional success in the IT performance of the financial audits. To allow full implementation of these additional milestones, and to ensure components prioritize and implement specific actions to address noted weaknesses, the completion date for</p>					

this Corrective Action Report is being extended to 9/30/06.

In February 2005, the CIO initiated a Financial Audit - IT Oversight Program to ensure that all weaknesses identified in prior year audits are addressed and that the enhancements in policies, processes, and workflow are implemented fully to provide the best possible support for successful financial audits. In addition, the Program has begun to implement an IT Security Management Scorecard to report the status, progress, schedule, management issues, risk areas, etc. related to the corrective action plans from prior year financial audits.

In April 2005, the OCIO developed an oversight program and methodology for continuous IT performance (scorecard) to support the financial audits. In June 2005, the CIO extended the IT oversight program, initially piloted at OJP, to all components. The IT Management Scorecard was also deployed throughout the Department, and the CIO's oversight team continued to monitor and report component progress in addressing prior year and current IT weaknesses from the 2005 audits. Responses to DRAFT audit findings were reviewed, and, in July, the CIO engaged the various components to develop corrective action plans with particular emphasis on weakness areas with potential impact to financial reporting for the FY05 audit. The corrective action plans are a subset of the Department's overall Plans of Action and Milestones (POAM) and are additionally reported to OMB in the Department's quarterly Federal Information Security Management Act (FISMA) Reports. The IT oversight program is on track to achieve all intended objectives and milestones. However, due to the need to ensure action is taken to implement controls on identified weaknesses, the CIO will review and concur with component corrective action plans to ensure priority and resources are assigned to ensure progress is made in FY 2006.

In light of new A-123 requirements, the FMFIA material weaknesses will be reformatted in the future.

Milestones 1 and 2: Completed. The Department uses the Computer Security Assessment and Management Tool to monitor the corrective actions, and has identified priorities for financial systems and the general control environments.

Milestone 3: Completed. Development is underway and the OJP is piloting the program. The scorecard, when fully implemented, will address all phases of the audit (pre-audit, audit, and post-audit).

Milestone 4: Initial planning implemented the audit scorecard across all components by the end of FY 2005. Based upon lessons learned in FY 2005 and post audit reviews, minor modifications will be made to the audit scorecard prior to implementation in FY2006. The pre- audit scorecard will be issued to all components with financial systems.

Milestones 5-7: Components with material weaknesses will develop corrective action plans for addressing IT security controls within financial systems that are reviewed and approved by the Department CIO, to ensure progress is made in implementing controls that impact the financial systems. Continued oversight on specific actions will ensure significant progress is obtained in FY 2006. These milestone incorporate original milestones reported under Section 4, financial system material weakness, "DOJ Accounting Standards Compliance," as Milestone 10: *The USMS will strengthen the existing weaknesses in its general and application controls.*

Milestones	Original Target Date	Current Target Date	Actual Date of Completion
1. Gather findings and weaknesses from self assessments, Office of the Inspector General audits, and certifications and accreditations for financial systems; ensure that corrective plans of action and milestones are developed, with resource requirements identified, and are entered into the Department's Computer Security Assessment and Management Tool for continuous monitoring and tracking.	12/31/04	12/31/04	03/15/05
2. Ensure corrective actions are prioritized and monitored on a quarterly basis.	03/31/05	03/31/05	03/30/05
3. Develop an oversight program and methodology for continuous			

IT performance (scorecard) to support the financial audits.	06/15/05	06/15/05	06/01/05
4. Implement the scorecard across all financial entities within the Department that support the consolidated financial audit.	12/31/05	12/31/05	
5. Components with material weaknesses will develop corrective action plans that are reviewed and approved by the Department CIO, to ensure progress is made in implementing controls that impact the financial systems.	12/31/05	12/31/05	
6. Progress is made by components on implementing IT security controls for identified weaknesses that impact the financial systems.	3/30/06	3/30/06	
7. Significant progress is made by the four major bureaus with material weaknesses identified in FY2005 financial audit in implementing IT security controls.	9/30/06	9/30/06	
<p>How We Will Know It Is Fixed</p> <p>Significant progress is obtained within the FBI, ATF, OJP and USMS to ensure future financial systems reviews will not yield similar findings.</p>			

SECTION 4 – FINANCIAL SYSTEM MATERIAL WEAKNESSES

U. S. DEPARTMENT OF JUSTICE Corrective Action Report Issue and Milestone Schedule				Date of Submission	
				First Quarter Update:	
				Second Quarter Update:	
				Third Quarter Update:	
				End of Year Report: 10/21/05	
Issue Title				Issue ID	Organization
Financial Systems Compliance					Department of Justice
Date First Initiated	Original Target for Completion	Current Target for Completion	Actual Date of Completion	Issue Type (Organization Rating)	
02/28/01	On-going	On-going		Financial System Material Weakness	
Source Title			Date of Source Report	Issue Type (DOJ Rating)	
Management Review and Annual Financial Statement Audits			11/30/01	Financial System Material Weakness	
Issue Description					
<p>For DOJ as a whole, the need to address weaknesses cited in the financial statement audits, nonconformances with Office of Management and Budget (OMB) Circular No. A-127 and A-130, technological changes, and the need to better support critical financial operations and agency programs contribute to the necessity to modernize the Department's financial systems and improve internal controls.</p>					
What We Will Do About It					
<p>The Attorney General identified a unified core financial system as part of the ten goals for revamping the Department's management. The unified core system will be a commercial-off-the-shelf (COTS) Financial Management System product(s) certified by the Joint Financial Management Improvement Program as meeting core federal financial management system requirements.</p> <p><u>FY 2005 Year End Update</u></p> <p>Target dates have changed for some milestones due to the extended period of COTS software evaluation, which directly impacted timing of the integration and implementation (I&I) request for quote (RFQ) issuance, the I&I contract award, and the implementation of the Unified Financial Management System (UFMS).</p> <p>In light of new A-123 requirements, the FMFIA material weaknesses will be reformatted in the future.</p> <p>Milestone 7: The selection of the I&I contractor has been delayed due to DOJ's need for clarification from the offerors of various areas within their proposals, and the amount of time the offerors need to respond appropriately. The clarifications address important requirements that will be instrumental in ensuring success in implementing the chosen software.</p> <p>Milestone 9: Due to new IT related issues that surfaced, substantial compliance with the Federal Financial Management Improvement Act (FFMIA) has not been met. These new issues were related to weaknesses in general controls and change control management within several Department components. Addressing these new issues required use of existing resources which diverted efforts in resolving previously identified material weaknesses.</p>					

Additionally, new IT Security Standards created more stringent compliance requirements. The Department has developed a rigorous corrective action plan, which should increase compliance during FY 2006.

Milestones	Original Target Date	Current Target Date	Actual Date of Completion
1. Planning phase, including milestones.	05/30/02	08/15/02	08/15/02
2. Develop requirements for issuance of COTS solicitation.	02/21/03	02/21/03	02/14/03
3. Develop consolidated requirements for draft I&I solicitation.	03/27/03	04/15/03	04/15/03
4. Receive/evaluate/award contract for COTS software.	05/30/03	2 nd Q/FY04	03/29/04
5. Develop/conduct COTS acceptance testing that will include full DOJ pilot simulation.	10/17/03	1 st Q/ FY05	11/23/04
6. Issue final I&I solicitation.	06/03/03	2 nd Q/FY05	05/27/05
7. Receive/evaluate/award contract for I&I contractor.	08/29/03	1 st Q/FY06	
8. Implement COTS UFMS software for designated program/component.	10/01/04	FY 2006	
9. Bring systems into substantial compliance with FFMIA.	04/01/03	09/30/06	

How We Will Know It Is Fixed

Modern financial systems that comply with federal financial system requirements will be implemented, and system dependent audit recommendations will be closed.

U. S. DEPARTMENT OF JUSTICE Corrective Action Report Issue and Milestone Schedule				Date of Submission	
				First Quarter Update:	
				Second Quarter Update:	
				Third Quarter Update:	
				End of Year Report: 10/21/05	
Issue Title				Issue ID	Organization
Accounting Standards Compliance					Department of Justice
Date First Initiated	Original Target for Completion	Current Target for Completion	Actual Date of Completion	Issue Type (Organization Rating)	
12/19/02	09/30/03	04/30/06		Financial System Material Weakness	
Source Title			Date of Source Report	Issue Type (DOJ Rating)	
FY 2002/2003 Integrity Act Review and Financial Statement Audit Report			FY 2002/FY 2003	Financial System Material Weakness	
Issue Description					
<p>In the FY 2003 audit reports, the Federal Bureau of Investigation (FBI); the Offices, Boards, and Divisions (OBDs); the Working Capital Fund (WCF); the United States Marshals Service (USMS); and the Asset Forfeiture Fund/Seized Assets Deposit Fund (AFF) were reported by the auditors as having material weaknesses in their compliance with certain federal accounting standards. Included were findings related to weaknesses in business processes, financial transaction recording, and reporting, including seized asset accounting. In FY 2004, several material weaknesses were identified for OJP that included inconsistencies in its financial reporting processes (e.g., grant accounting and monitoring). Weaknesses existed in ATF's accrual accounting methodology in FY 2004. A new material weakness regarding improper segregation of duties was added to the USMS for FY 2004. The FBI has two material weaknesses. In FY 2005, the auditors identified material weaknesses for FBI, ATF, OJP, and USMS. FBI's property material weakness reported in FY 2004 was downgraded to a reportable condition in FY 2005. A new material weakness regarding general access controls and system software was added to ATF for FY 2005. OJP was able to obtain an unqualified opinion on its restated FY 2004 financial statements. Weaknesses still exist in controls over grants management, financial reporting, and in its information system controls environment. USMS's reportable condition related to controls over recording property was upgraded to a material weakness in FY 2005.</p>					
What We Will Do About It					
<p>In FY 2005, ATF strengthened their accrual accounting methodology and controls. OJP has significantly improved its financial reporting processes, however, substantial material weaknesses still exist in Information Technology and financial reporting. The FBI eliminated one material weakness involving property. The USMS will strengthen and eliminate its reported material weaknesses regarding segregation of duties and other accounting concerns. The USMS's general and application controls financial systems material weakness was reclassified as a Section 2 program material weakness.</p> <p>In light of new A-123 requirements, the FMFIA material weaknesses will be reformatted in the future.</p> <p>Milestone 1: Due to insufficient staffing for financial statement preparation to date, the FBI has not achieved the specific staffing level goal set as part of the corrective action plan. However, the general ledger unit (GLU) has only one position in the unit that has not been filled. On September 19, 2005, contract accountants reported for duty with the FBI. This contract support will assist with producing current financial statements, as well as</p>					

automating the process of producing these reports in the future. These process improvements will ensure that GLU is able to produce financial statements in a timely manner. Therefore, the FBI recommended closure to this finding, as concerns over meeting reporting deadlines have been alleviated.

Milestone 2: FBI's current target date was extended due to the need to revisit its current modifications to properly report and capitalize equipment. A system modification to the FBI's Financial Management System, which will require proper reporting of the capitalization of equipment, is being developed. Additionally, a Procurement Administrative Unit will be established to review all requisitions to ensure proper capitalization of equipment.

Milestones 6a, b, c: (In the FY04 PAR these were combined in Milestone 6) OJP did not complete the one part of this, which is now Milestone 6b. The full risk assessment was not completed due to priorities relating to the simultaneous FYs 2003, 2004, and 2005 financial statement audits. OJP expects to complete all risk assessments by 12/31/05.

Milestone 9: The USMS has reviewed employees' responsibilities to ensure proper segregation of duties and disabled unnecessary duties and permissions with STARS. Due to the need to complete modifications of functional profiles, the current target date was extended.

Milestone 10: During FY 2005, this milestone was moved to Section 2 and is being reported as part of the program material weakness, Information Technology Security Weaknesses in Financial Management Systems.

Milestones	Original Target Date	Current Target Date	Actual Date of Completion
1. The FBI will hire additional staff for financial statement reporting process.	06/30/03	02/01/05	09/19/05
2. The FBI will improve its existing process of recording and tracking property in a timely and accurate manner.	09/30/05	04/30/06	
3. The JMD will revise its procedures and provide guidance and training to those processing data for the OBDs and WCF.	09/30/03	06/30/04	06/30/04
4. The USMS will improve its timeliness in business processes, procedures, and reporting practices.	06/30/04	09/30/04	09/30/04
5. The AFF will enhance its monitoring and training processes and establish additional procedures to improve control over transaction processing and reporting.	06/30/04	09/30/04	09/30/04
6a. OJP will improve its grant accounting and monitoring process.	03/31/05	09/30/05	09/30/05
6b. OJP will perform risk assessments and design appropriate control activities to enhance cross-cutting elements within the internal control structure.	03/31/05	12/31/05	
6c. OJP will continue to improve its financial reporting process to ensure policies and procedures are consistent with GAAP.	03/31/05	09/30/05	09/30/05
7. The OJP will improve its financial management systems controls.	06/30/05	06/30/05	04/21/05
8. The ATF will continue to strengthen its accrual accounting methodology.	06/30/05	06/30/05	06/30/05
9. The USMS will improve its segregation of duties in the	06/30/05	12/31/05	

financial systems environment.			
10. The USMS will strengthen the existing weaknesses in its general and application controls.	06/30/05	06/30/05	
How We Will Know It Is Fixed			
Management evaluation of these issues will be supported by audit review.			

U. S. DEPARTMENT OF JUSTICE Corrective Action Report Issue and Milestone Schedule				Date of Submission	
				First Quarter Update:	
				Second Quarter Update:	
				Third Quarter Update:	
				End of Year Report: 10/21/05	
Issue Title			Issue ID	Organization	
Financial Reporting Process				Department of Justice	
Date First Initiated	Original Target for Completion	Current Target for Completion	Actual Date of Completion	Issue Type (Organization Rating)	
09/05	09/30/06	09/30/06		Financial System Material Weakness	
Source Title			Date of Source Report	Issue Type (DOJ Rating)	
Management Review and Annual Financial Statement Audits			09/05	Financial System Material Weakness	
Issue Description					
<p>The Office of Justice Programs (OJP) does not have adequate controls in place to ensure that financial statement information is complete, accurate, and properly supported. In addition, the FY 2005 grant accrual calculation was heavily reliant on the availability of a small number of contractors. In an effort to improve in the areas of timely financial reporting and quality assurance, the U.S. Marshals Service (USMS) needs to provide proper oversight and policy compliance in its financial statement preparation process; properly segregate duties within its control environment; facilitate training to staff which directly impacts the audit process; and improve its controls over financial reporting and certain compiled information underlying the financial statements. Federal Bureau Investigation (FBI) needs to improve its controls for timely deobligation of funds and recording and monitoring of advances, establish formal procedures for accrual accounting methodology, maintain required documentation for financial reporting, implement other compensating controls to address internal audit findings, and provide quality assurance over its statement compilation process.</p>					
What We Will Do About It					
<p>To address the weaknesses noted, in the 4th quarter of FY 2005, OJP's Office of the Comptroller (OC) revised and implemented procedures for preparing financial statements, calculating its grant accrual, preparing and documenting journal vouchers, and conducting reconciliations of the general and subsidiary ledgers. In addition, the OC developed an automated tool to reduce human error in the preparation of the September 30, 2005, financial statements. The automated tool is an interim step until the specifications can be finalized so that OJP can fully generate its financial statements from the accounting system of record. OC will conduct training for its staff on calculation of the grant accrual and transition ultimate responsibility for the actual grant accrual calculation to OJP staff. To mitigate the contractor issue, OC has created a library of queries that are used for the grant accrual and is currently testing those queries to ensure that they can be generated and analyzed by other individuals, as needed. Additionally, during FY 2006, OC will be exploring automation of more of the grant accrual process thereby reducing the need for contractor support. USMS will address workload associated with the financial statement preparation process, oversight and policy compliance, and segregation of duties. The existing staff/resources will be realigned to assist with statement preparation progress. USMS will continue to explore the feasibility of personnel skills or recent training received in the areas of auditing. Senior management will continue to facilitate audit status meetings to keep apprised of issues impacting the overall audit process. FBI will tighten current review processes, implement accounts payable methodology and other formal policies and procedures to clarify roles, responsibilities, processes, and key functions for preparation of financial statements and other quality controls in this process. This enforcement will remedy discrepancies and resolve corrective actions.</p>					

In light of new A-123 requirements, the FMFIA material weaknesses will be reformatted in the future.			
Milestones	Original Target Date	Current Target Date	Actual Date of Completion
1. OC will finalize the specifications for enabling IFMIS to fully generate the financial statements.	12/31/05		
2. OC will test the new functionality for fully generating financial statements from the IFMIS and make modifications as needed.	03/31/06		
3. OC will re-test the new functionality for fully generating financial statements from IFMIS and make <u>final</u> modifications as needed.	06/30/06		
4. OC will fully implement the new functionality for generating financial statements from IFMIS.	09/30/06		
5. OC will finalize testing of the grant accrual queries.	12/31/05		
6. OC will conduct training on the grant accrual process for its Accounting Division staff.	12/31/05		
7. OC will revise its grant accrual calculation procedures to include documenting OJP staff review and validation of the quarterly estimated grant accrual amount.	12/31/05		
8. OC will explore alternatives for automating more of the grant accrual process.	06/30/06		
9. OC will document the new grant accrual methodology and will continue to analyze and revise, as appropriate. (Analysis will be conducted 2006: Q1-Q4)	09/30/06		
10. USMS has requested new staff positions to address workloads associated with the financial statement preparation process including oversight and policy compliance and segregation of duties.	09/30/06		
11. USMS will realign existing staff/resources to assist with statement preparation progress.	01/31/06		
12. USMS will explore feasibility of identifying personnel that possess knowledge in the area of auditing and facilitate training to other staff.	01/31/06		
13. USMS will continue to hold regular audit status meetings with senior management staff to keep them apprised of issues impacting the overall audit process.	01/31/06		
14. FBI will improve its controls over financial reporting.	09/30/06		
15. FBI will finalize policies and procedures related to accrual accounting methodology and other financial reporting practices (e.g., deobligation of funds).	09/30/06		
16. FBI will implement other compensating controls to address internal audit findings.	09/30/06		

How We Will Know It Is Fixed
No material weaknesses in this area will be reported in the FY 2006 financial statement audit report, and the FY 2006 financial statements will be fully generated from the accounting system of record. Financial statements will be prepared in a timely manner, free of errors, and comply with applicable reporting requirements.

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