



U.S. Department of Agriculture



Office of Inspector General  
Financial & IT Operations

## **Audit Report**

### **Statement on Auditing Standards No. 70 Report on National Finance Center General Controls – Fiscal Year 2008**

Report No. 11401-28-FM  
September 2008

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UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL



Washington D.C. 20250

September 19, 2008

REPLY TO

ATTN OF: 11401-28-FM

TO: Charles R. Christopherson, Jr.  
Chief Financial Officer  
Office of the Chief Financial Officer

THROUGH: Kathleen A. Donaldson  
Audit Liaison Officer  
Office of the Chief Financial Officer

FROM: Robert W. Young /s/  
Assistant Inspector General  
for Audit

SUBJECT: Statement on Auditing Standards No. 70 Report on the National Finance Center  
General Controls – Fiscal Year 2008

This report presents the results of our Statement on Auditing Standards (SAS) No. 70 audit at the National Finance Center (NFC) for fiscal year 2008. The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants standards that are commonly referred to as a SAS No. 70 audit. This report contains an unqualified opinion on the general control environment and does not contain recommendations. The projection of any conclusions based on our audit findings to future periods are subject to the risk that changes may alter the validity of such conclusions. This report is intended solely for the management of NFC, its customer agencies, and their auditors.

We appreciate the courtesies and cooperation extended to us during this review. If you have any questions, please call me at (202) 720-6945, or have a member of your staff contact Jane Bannon, Director, Administration and Finance Division, at (202) 720-1918.

# ***Executive Summary***

## ***Statement on Auditing Standards No. 70 Report on the National Finance Center General Controls – Fiscal Year 2008 (Audit Report No. 11401-28-FM)***

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### **Results in Brief**

This report presents the results of our Statement on Auditing Standards (SAS) No. 70 audit on the U.S. Department of Agriculture's (USDA) National Finance Center (NFC) for fiscal year 2008. Our objectives were to perform procedures necessary to express opinions about whether (1) NFC's description of controls presents fairly, in all material respects, the aspects of NFC controls that may be relevant to a customer agency's internal control as it relates to an audit of financial statements; (2) the controls included in the description were placed in operation and suitably designed to achieve the associated control objectives, if those controls were complied with satisfactorily and customer agencies and subservice organizations applied the controls specified in the description; and (3) the controls we tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the associated control objectives were achieved during the period from July 1, 2007, through June 30, 2008.

NFC uses the USDA National Information Technology Center (NITC) to provide certain configuration management, contingency planning, maintenance, media protection, physical and environmental protection, system and communication protection, and system and information integrity control activities for its Human Capital Management System (EmpowHR). Our examination did not extend to NITC control activities, which were evaluated in our SAS No. 70 audit for NITC (Audit Report No. 88501-12-FM).

In our opinion, NFC's description of controls presented fairly, in all material respects, the relevant aspects of NFC controls. Also, in our opinion, the controls included in the description were suitably designed and operating with sufficient effectiveness to provide reasonable assurance that associated control objectives would be achieved if the described policies and procedures were complied with satisfactorily, and customer agencies applied the controls specified in the NFC description of controls.

### **Recommendations In Brief**

We do not make any recommendations in this report.

## ***Abbreviations Used in This Report***

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|         |  |
|---------|--|
| ABCO    | Administrative Billing and Collection System |
| ADMIN   | Miscellaneous Administrative Systems Group   |
| CLER    | Centralized Enrollment Clearinghouse System  |
| DPRS    | Direct Premium Remittance System             |
| EmpowHR | Human Capital Management System              |
| ID      | identification                               |
| ISA     | interconnection security agreement           |
| NFC     | National Finance Center                      |
| NITC    | National Information Technology Center       |
| PAS     | Payroll Accounting System                    |
| PMSO    | Position Management System                   |
| PPS     | payroll/personnel system                     |
| SAS     | Statement on Auditing Standards              |
| SETS    | security entry and tracking system           |
| SSP     | system security plan                         |
| ST&E    | security test and evaluation                 |
| USDA    | U.S. Department of Agriculture               |

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

## ***Report of the Office of Inspector General***

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TO: Charles R. Christopherson, Jr.  
Chief Financial Officer  
Office of the Chief Financial Officer

We have examined the accompanying description of the controls referenced in exhibit A for the U.S. Department of Agriculture's (USDA) National Finance Center (NFC) and its subservice organizations other than the USDA National Information Technology Center (NITC). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of NFC controls and the controls of NFC subservice organizations other than NITC that may be relevant to a customer agency's internal control as it relates to the audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily and customer agencies and subservice organizations applied the controls specified in the NFC description of controls; and (3) such controls had been placed in operation as of June 30, 2008.

NFC uses NITC for certain configuration management, contingency planning, maintenance, media protection, physical and environmental protection, system and communication protection, and system and information integrity control activities for its Human Capital Management System (EmpowHR). The accompanying description includes only the relevant control activities of NFC and its subservice organizations other than NITC and does not include NITC control activities. Our examination did not extend to NITC control activities, which were evaluated in our Statement on Auditing Standards No. 70 audit for NITC (Audit Report No. 88501-12-FM). The control objectives were specified by NFC.

Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the standards issued by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In our opinion, NFC's description of controls in exhibit A presents fairly, in all material respects, the relevant aspects of NFC that had been placed in operation as of June 30, 2008. Also, in our opinion, the controls included or referenced in exhibit A were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and customer agencies applied the controls contemplated in the design of NFC's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls to obtain evidence about their effectiveness in meeting the control objectives during the period from July 1, 2007, to June 30, 2008. The specific controls and the nature, timing, extent, and results of our tests are identified in exhibit B. This information will be provided to customer agencies of NFC and to their auditors to be taken into consideration, along with information about the internal control at customer agencies, when making assessments of control risk for customer agencies. In our opinion, the controls that we tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in the description of controls were achieved during the period from July 1, 2007, to June 30, 2008.

The relative effectiveness and significance of specific controls at NFC and its subservice organizations other than NITC, and their effect on assessments of control risk at customer agencies, are dependent on their interaction with the controls and other factors present at individual customer agencies. We have performed no procedures to evaluate the effectiveness of controls at individual customer agencies as part of this audit.

The description of controls at NFC and its subservice organizations other than NITC is as of June 30, 2008, and information about tests of the operating effectiveness of specific controls covers the period from July 1, 2007, through June 30, 2008. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at NFC and its subservice organizations other than NITC is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes may alter the validity of such conclusions. Finally, the accuracy and reliability of data processed by NFC and the resultant reports ultimately rests with the customer agency and any compensating controls implemented by such agency.

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

/s/

Robert W. Young  
Assistant Inspector General  
for Audit

September 19, 2008

The subsequent sections of the report, Exhibit A (pages 3 through 29) and Exhibit B (pages 30 through 44), are not being publicly released due to the sensitive security content.