

Memorandum

To: Wayne Howard, Focus Leader
Management Accountability and Audit Follow-up

From: Clarence Smith, Focus Leader
Financial Management Systems

Subject: Summary Report on Results of Financial Management Systems Compliance Review

Introduction

This report presents the results of the Financial Management Systems Compliance Review. The objective of the review was to assist the Office of Financial Management (PFM) in conducting a financial management review of the Department's Core financial systems required under OMB Circular A-127, Financial Management Systems Requirements; OMB Circular A-123, Management Accountability and Control; and OMB Circular A-130, Management of Federal Information Resources. Moreover, Federal agencies are also required, under the Federal Managers' Financial Integrity Act (FMFIA) Section 4 requirements and under the Federal Financial Management Improvement Act (FFMIA), to assure that their systems meet certain requirements. Specifically, OMB Bulletin No. 98-08, Audit Requirements for Federal Financial Statements, defines FFMIA audit requirements.

The results of the Review will be used to determine compliance with the above stated requirements and to support conclusions in the Department's Annual Accountability and Audit reports.

Background and Scope

The above stated OMB Circulars, OMB Bulletin, and Financial Acts require agencies to determine whether their Core financial systems meet certain requirements. Bureaus were asked to respond to multiple choice statements with regard to their Core financial system in the following six major areas: Data Management; Transaction Processing; Reporting; Systems Integrity and Control; System Performance; and Documentation/Training & User Support. Each of the six major areas has subareas that pertain to it.

The methodology used to conduct the Review was the automated management control assessment approach. This assessment approach has been used for other management control assessments in all bureaus over the last three years. The automated assessment approach is performed electronically using an off-the-shelf survey and analytical software tool called Survey Tracker. The software provides diagnostic and executive-level reporting, as well as identification of potential material non-compliances and best practices.

Bureau responses to multiple choice statements prepared by PFM in the six major areas were compiled and a diagnostic report produced using the Survey Tracker software. The results of the assessment will be used to identify any potential material non-compliances in the Department's Core financial systems which will be subjected to further review, analysis and validation by PFM.

Results of Automated Assessment

The results of the automated assessment indicated that overall the Department's Core financial systems were in compliance with stated regulations and requirements. However, the Core financial systems will need to be strengthened in the coming years with regard to the following areas:

- Intergovernmental Transaction Processing
- Intra-agency and Interagency Consolidations
- General Ledger Analysis and Reconciliation Processing
- Processing of invoices received in Electronic Formats through and Electronic Commerce arrangement
- Access to Information Processing (such as, user-defined criteria to access data; designing reports and extracting files; access to historical files)
- Accessibility and accuracy of program information (Program Execution) by Program Managers
- System Performance (such as, graphical user interface; scroll bar; drop-down lists; radio buttons; icons; cut, copy, paste functionality; upgradeability; open system architecture; modern financial tools; menu driven functions)

Based upon PFM's review of bureaus' responses to the Review and following analytical analysis, it is concluded that the Department's Core financial systems are in compliance with stated regulations and requirements. Moreover, no potential material weaknesses were noted or documented. No recommendations will be made.