



Audit Report



OIG-27-009

FINANCIAL MANAGEMENT

**Report on Federal Financing Bank's Description of its
Loan Services System and the Suitability of the Design
and Operating Effectiveness of its Controls for the Period
July 1, 2025 to June 30, 2026**

October 5, 2026

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 5, 2026

**MEMORANDUM FOR CHRISTOPHER L. TUTTLE
CHIEF FINANCIAL OFFICER
FEDERAL FINANCING BANK**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Report on Federal Financing Bank's Description of its Loan Services System and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2025 to June 30, 2026

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, examined management of the Federal Financing Bank's (FFB) description of its loan services system (the System) for processing user entities' transactions throughout the period July 1, 2025 to June 30, 2026 titled "Management of the Federal Financing Bank's Description of its Loan Services System" (the Description) and the suitability of the design and operating effectiveness of the controls included in the Description. This report includes the Description, management's written assertion, and KPMG's independent service auditors' report. The contract required that the examination be performed in accordance with U.S. generally accepted government auditing standards and the attestation standards established by the American Institute of Certified Public Accountants.

In its examination, KPMG found in all material respects:

- the Description fairly presents the System that was designed and implemented throughout the period July 1, 2025, to June 30, 2026;
- the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period July 1, 2025, to June 30, 2026 and subservice organization(s) and user entities applied the complementary controls assumed in the design of FFB's controls throughout the period July 1, 2025, to June 30, 2026; and

- the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period July 1, 2025, to June 30, 2026 if complementary subservice organization controls and complementary user entity controls, assumed in the design of FFB's controls, operated effectively throughout the period July 1, 2025, to June 30, 2026.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an examination in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on FFB's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested. KPMG is responsible for the attached independent service auditor's report dated September 30, 2026, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 486-1415 or a member of your staff may contact Felicia Silver, Acting Manager, Financial Statement Audits, at (771) 210-6004.

Attachment

**Department of the Treasury
Federal Financing Bank**

**Federal Financing Bank Onboarding of
Loans, Pricing of Loans, Disbursements and
Borrowings, Receipts and Repayments,
Journal Vouchers, Cash Reconciliation and
General IT Controls**

**Report on Federal Financing Bank's Description of its Loan Services
System and the Suitability of the Design and Operating Effectiveness of
Its Controls (SOC 1 ® - Type 2 Report)
For the Period July 1, 2025 to June 30, 2026**

**DEPARTMENT OF THE TREASURY
FEDERAL FINANCING BANK**

**REPORT ON FEDERAL FINANCING BANK'S DESCRIPTION OF ITS LOAN
SERVICES SYSTEM AND THE SUITABILITY OF THE DESIGN AND OPERATING
EFFECTIVENESS OF ITS CONTROLS**

FOR THE PERIOD JULY 1, 2025 TO JUNE 30, 2026

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**I. INDEPENDENT SERVICE AUDITORS' REPORT PROVIDED BY
KPMG LLP**



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Service Auditors' Report

Deputy Inspector General, Department of the Treasury
Chief Financial Officer, Federal Financing Bank:

Scope

We have examined management of the Federal Financing Bank's (FFB) accompanying description of its Loan Services system (the System) for processing user entities' transactions throughout the period July 1, 2025 to June 30, 2026 titled "Management of the Federal Financing Bank's Description of its Loan Services System" (the Description) and the suitability of the design and operating effectiveness of the controls included in the Description to achieve the related control objectives stated in the Description, based on the criteria identified in "Management of the Federal Financing Bank's Assertion" (the Assertion). The controls and control objectives included in the Description are those that management of FFB believes are likely to be relevant to user entities' internal control over financial reporting, and the Description does not include those aspects of the System that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V "Other Information Provided by Management of FFB" is presented by management of FFB to provide additional information and is not a part of the Description. Information about section V has not been subjected to the procedures applied in the examination of the Description and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description and, accordingly, we express no opinion on it.

FFB uses the subservice organizations identified in section III to perform some of the services provided to user entities. The Description includes only the control objectives and related controls of FFB and excludes the control objectives and related controls of the subservice organization(s). The Description also indicates that certain control objectives specified by FFB can be achieved only if complementary subservice organization controls assumed in the design of FFB's controls are suitably designed and operating effectively, along with the related controls at FFB. Our examination did not extend to controls of the subservice organization(s), and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls assumed in the design of FFB's controls are suitably designed and operating effectively, along with related controls at FFB. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section II, management of FFB has provided the Assertion about the fairness of the presentation of the Description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. FFB is responsible for preparing the Description and Assertion, including the completeness, accuracy, and method of presentation of the Description and Assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the Assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the Description.



Service Auditors' Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in the Assertion, the Description is fairly presented and the controls were suitably designed and operated effectively to achieve the related control objectives stated in the Description throughout the period July 1, 2025, to June 30, 2026. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves:

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Inherent Limitations

The Description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the System that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the Description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives stated in the Description, is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section IV.

Opinion

In our opinion, in all material respects, based on the criteria described in FFB management's Assertion

- the Description fairly presents the System that was designed and implemented throughout the period July 1, 2025, to June 30, 2026;



- the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period July 1, 2025, to June 30, 2026 and subservice organization(s) and user entities applied the complementary controls assumed in the design of FFB's controls throughout the period July 1, 2025, to June 30, 2026; and
- the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period July 1, 2025, to June 30, 2026 if complementary subservice organization controls and complementary user entity controls, assumed in the design of FFB's controls, operated effectively throughout the period July 1, 2025, to June 30, 2026.

Restricted Use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of management of FFB, user entities of FFB's System during some or all of the period July 1, 2025, to June 30, 2026, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Washington, D.C.
September 30, 2026

II. MANAGEMENT OF THE FEDERAL FINANCING BANK'S ASSERTION



FEDERAL FINANCING BANK
WASHINGTON, D.C.

September 30th, 2026

Management of The Federal Financing Bank's Assertion

We have prepared the accompanying description of FFB's Loan Services system (the System) for processing user entities' transactions throughout the period *July 1, 2025 to June 30, 2026* titled "Management of the Federal Financing Bank's Description of its Loan Services System" (the Description) for user entities of the System during some or all of the period *July 1, 2025 to June 30, 2026* and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, ***including information about controls implemented by subservice organizations and user entities of the System themselves***, when assessing the risks of material misstatement of user entities' financial statements.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls assumed in the design of FFB's controls are suitably designed and operating effectively, along with related controls at the FFB. The Description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

- a) The Description fairly presents the System made available to user entities of the System during some or all of the period *July 1, 2025, to June 30, 2026*, for processing their transactions as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the Description
 - i. presents how the System made available to user entities of the System was designed and implemented to process relevant user entity transactions, including, if applicable,
 - (1) the types of services provided, including, as appropriate, the classes of transactions processed;
 - (2) the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the System;
 - (3) the information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities;
 - (4) how the System captures and addresses significant events and conditions other than transactions;
 - (5) the process used to prepare reports and other information for user entities;
 - (6) services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them;

- (7) the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls;
 - (8) other aspects of our control environment, risk assessment process, information and communication (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.
 - ii. includes relevant details of changes to FFB's System during the period covered by the Description.
 - iii. does not omit or distort information relevant to FFB's System, while acknowledging that the Description is prepared to meet the common needs of a broad range of user entities of the System and their auditors, and may not, therefore, include every aspect of the System that each individual user entity of the System and its auditor may consider important in its own particular environment.
- b) The controls related to the control objectives stated in the Description were suitably designed and operated effectively throughout the period *July 1, 2025, to June 30, 2026*, to achieve those control objectives ***if subservice organizations and user entities applied the complementary controls assumed in the design of FFB's controls throughout the period July 1, 2025, to June 30, 2026.*** The criteria we used in making this assertion were that:
 - i. the risks that threaten the achievement of the control objectives stated in the Description have been identified by FFB management.
 - ii. the controls identified in the Description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the Description from being achieved; and
 - iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Christopher L.
Tuttle

 Digitally signed by Christopher L.
Tuttle
Date: 2026.09.30 10:12:34-04'00'

Christopher L. Tuttle

FFB Chief Financial Officer

September 30th, 2026

**III. MANAGEMENT OF THE FEDERAL FINANCING BANK'S
DESCRIPTION OF ITS LOAN SERVICES SYSTEM**

OVERVIEW OF OPERATIONS

The Federal Financing Bank (FFB) is a government corporation and an instrumentality of the United States (U.S.) under the general supervision and direction of the Secretary of the Treasury (SOT). Congress created the FFB in 1973, at the request of the U.S. Department of the Treasury. The FFB makes funds available to Federal agencies and to federally guaranteed borrowers in accordance with agency program requirements.

As of March 31, 2025, the FFB's total assets were \$226.4 billion with loans, capitalized interest, and interest receivable totaling \$219.4 billion. The FFB currently manages 12 active programs. Two of these programs, held with the Federal Deposit Insurance Corporation (FDIC) and the U.S. Agency for International Development (USAID), have five borrowers and one borrower respectively but together total \$115.5 billion or 51% of total receivables. The next largest programs are the Department of Agriculture's Rural Utilities Services (RUS) program totaling \$47.1 billion with 617 borrowers and the Department of Energy's (DOE) Title XVII loan programs totaling \$29.2 billion with 28 borrowers. The remaining programs have 47 borrowers. There are 698 total FFB borrowers.

Description of Loan Services

The FFB uses the proprietary Loan Management Control System (LMCS) to manage the full life cycle of a multi-billion-dollar portfolio of loans and conducts essential banking operations, including loan life cycle management and accounting functions. The LMCS stores promissory note details, which define the terms of loan commitments, generates loan interest rates, repayment schedules, manages general ledger balances and tracks repayment of the loans.

The FFB more specifically:

- Provides lending terms for a wide variety of loan structures, including onboarding of loans, pricing of loans and documentation of loans.
- Processes disbursements and receipts of funds between the FFB and the Federal Agency as well as on behalf of the Federal Agency and federally guaranteed borrower(s).
- Establishes and controls the record keeping of the Loan funds processed by FFB.
- Reports transactions in the LMCS and United States Standard General Ledger (USSGL).
- Provide monthly reports to the Federal Agencies reflecting the loan activities and balance.

Relevant Aspects of the Control Environment, Risk Assessment and Monitoring

Control Environment

The FFB is subject to the general supervision and direction of the SOT. The Board of Directors is comprised of the incumbents of the following Treasury offices: the SOT, who as provided by law is the Chairman; the Deputy Secretary; the Under Secretary for Domestic Finance; the General Counsel; and the Fiscal Assistant Secretary.

The officers are incumbents of the following Treasury offices (corresponding Bank positions are in parentheses): the Under Secretary for Domestic Finance (President); the General Counsel (General Counsel); the Assistant Secretary for Financial Markets (Vice President); the Fiscal Assistant Secretary (Vice President); the Deputy Assistant Secretary for Public Finance (Vice President and Treasurer); the Director of Federal Program Finance (Vice President); and the Director, Office of Federal Lending (Secretary and Chief Financial Officer). A delegation by the Bank President authorizes any Bank Vice President, in consultation with any other Bank officer, to exercise the powers of the Presidency.

The staff of the FFB is organized into four units: accounting, information technology, lending, and operations. Each functional unit is headed by a Director who reports to the Chief Financial Officer.

- The Director of Accounting is responsible for loan transactions, including but not limited to overseeing loan disbursements and repayments as well as managing accounting and financial reporting.
- The Director of Information Technology (IT) is responsible for management and oversight of the IT infrastructure, including but not limited to software development and maintenance of mission critical applications that support lending and accounting functions.
- The Director of Lending is responsible for loan administration functions, including but not limited to loan origination, loan structuring, and managing customer relationships.
- The Director of Operations is responsible for general management functions, including but not limited to budgeting, procurement, human resources, strategic planning, and facilities.

The Directors hold semi-weekly management meetings, one of which includes the Director of Federal Program Finance, to discuss operational performance, special processing, and goals. In addition, a biweekly meeting is held with the Deputy Assistant Secretary for Public Finance (Vice President and Treasurer).

Written position descriptions for employees are maintained. The descriptions are inspected annually and revised as necessary.

References are sought and background, credit, and security checks are conducted for all FFB personnel when they are hired. Additional background, credit, and security checks are performed every three to five years. The confidentiality of program entity information is stressed during the new employee orientation program and is emphasized in the personnel manual issued to each employee. Treasury on behalf of FFB provides a mandatory orientation program to all full-time employees and encourages employees to attend other formal outside training.

All FFB employees receive an annual written performance evaluation and salary review. These reviews are based on goals and objectives that are established and reviewed during meetings between the employee and the employee's supervisor. Completed appraisals are reviewed by senior management and become a permanent part of the employee's personnel file.

Risk Assessment

The FFB has placed into operation a risk assessment process to identify and manage risks that could affect FFB's ability to provide reliable transaction processing for program entities. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures and controls to manage these risks. Additionally, all mission-critical systems and general support systems are subject to an internal risk-based review each year. This review identifies assets and possible threats to these assets, provides a measure of vulnerability of the system to these threats, and confirms control or protective measures are in place.

Monitoring

The FFB's management and supervisory personnel monitor the quality of internal control performance as a normal part of their activities. Management and supervisory personnel reviews help ensure the accountants process transactions and perform internal controls. In addition, management reviews financial reports that summarize the FFB transaction processing. The FFB also uses the results of the annual Office of Management and Budget (OMB) Circular A-123 Internal Control testing as a tool for identifying opportunities to strengthen controls.

Information and Communication

IT Systems – LMCS

The LMCS is a proprietary application used to manage the full life cycle of FFB's multi-billion-dollar portfolio of loans and to conduct essential banking operations, including loan life cycle management and accounting functions. The LMCS stores promissory note details, which define the terms of loan commitments, generates loan interest rates and repayment schedules, and manages general ledger balances and ensures repayment of the loans. Because the LMCS performs loan pricing and financial modeling functions, the

system coding also contains some advanced mathematical algorithms.

The LMCS system is hosted in the Treasury TCloud FedRamp High environment approved Amazon Web Services (AWS) platform-as-a-service (PAAS) package. The requirements for LMCS are dynamic and evolve over time as new FFB customers and loan programs are incorporated into the system. In addition, requirements for LMCS and the Information Technology infrastructure supporting the systems are affected by Government oversight bodies, external auditors, and legislative changes. The operations and maintenance of the LMCS requires daily system monitoring, an agile approach to software development and maintenance, and robust customer support.

The FFB's Authority to Operate (ATO), System Security Plan (SSP) and other required IT documents and audits are certified in coordination with the Treasury Enterprise Application Cyber Security Group (EAC). Our Information Systems Security Officer (ISSO) is also a member of the EAC Team. Our EAC ISSO is active in reviewing and certifying our weekly and monthly cyber security related system scans, patching and maintenance cadence, and incident response. We also meet with our EAC and TCloud representatives on a weekly basis to discuss and address near term pertinent issues with establishing longer-term objectives.

Communication

The FFB has implemented various methods of communication to ensure that all employees understand their individual roles and responsibilities over transaction processing and controls. These methods include orientation and training programs for newly hired employees and use of electronic mail messages to communicate time sensitive messages and information. Managers also hold periodic staff meetings as appropriate. Every employee has a written position description that includes the responsibility to communicate significant issues to management.

Control Objectives and Related Controls

Complementary User Entity Controls (CUECs)

The FFB's controls related to its system supporting the delivery of loan processing services cover only a portion of overall internal control. It is not feasible for the control objectives related to the FFB's services to be achieved solely by the FFB. Therefore, each program entity's internal control over financial reporting should be evaluated in conjunction with the FFB's controls.

In order for program entities to rely on the FFB's controls, each program entity must evaluate its own internal controls to determine whether the identified complementary program entity controls have been implemented and operating effectively.

Program entities should have established controls to provide reasonable assurance to:

CUEC Description	FFB Control Activity
Receipt amounts are reviewed and approved.	FFB Receipts-KC-001
Disbursement records are reconciled to the FFB's records to ensure that they receive the proper FFB disbursements, and any noted discrepancies are resolved in a complete, accurate, and timely manner.	FFB-Advance Requests-KC-01; FFB-Disbursements/Borrowings-KC-001; FFB-Disbursements/Borrowings-KC-002; FFB-Disbursements/Borrowings-KC-003; FFB-Disbursements/Borrowings-KC-004; FFB-Disbursements/Borrowings-KC-005; FFB-Cash Reconciliations-KC001
Disbursement advance requests are provided to the FFB within the required time frame.	FFB-Advance Requests-KC-01
The monthly FFB financial reports are reviewed to ensure that receipt and disbursement transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner.	FFB-Disbursements/Borrowings-KC002; FFB-Disbursements/Borrowings-KC-004; FFB-Disbursements/Borrowings-KC-005; FFB-Receipts-KC-001; FFB-SOT Principal Repayments-KC-001; FFB-SOT Principal Repayments-KC002; FFB-SOT Interest Repayments-KC-001; FFB-SOT Interest Repayments-KC-002; FFB-SOT Interest Repayments-KC-003; FFB-Agency Principal Repayments-KC-001; FFB-Agency Principal Repayments-KC-002; FFB-Agency Principal
Borrowing requests are authorized and accurate.	FFB-Advance Requests-KC-01
Borrowing amounts do not exceed amounts approved by the Agency apportionment.	FFB-Onboarding Loans-KC-02; FFB-Advance Requests-KC-01
The Interest Rate Confirmation Notice provided by FFB are reviewed to ensure that borrowing, interest, and repayment transactions are accurately recorded. Any noted discrepancies are resolved in a complete, accurate, and timely manner.	FFB-Pricing Loans-KC-01; FFB-Disbursements/Borrowings-KC-004
Agency is verifying all disbursements are permitted per any laws, regulations, etc. prior to instructing FFB to disburse on their behalf.	FFB-Advance Requests-KC-01
Monthly reconciliation of accounts.	FFB-Cash Reconciliations-KC-001; FFB-Cash Reconciliations-KC-002; FFB-Cash Reconciliations-KC-003; FFB-Cash Reconciliations-KC-004

Subservice Organizations

In order to provide loan servicing processing services, the FFB relies on systems and services provided by other organizations external to the FFB (subservice organizations). The achievement of control objectives depends on whether controls at the subservice organizations anticipated in the design of the FFB's controls were implemented and operating effectively. These subservice organizations are not part of the scope to be audited.

The Treasury provides systems and services described as follows for the following applications and IT environments:

Central Accounting Reporting System (CARS) – FFB uses CARS to process net expenditure transfers based on advance requests from program entities. FFB relies on the Bureau of Fiscal Services (BFS) Borrowings group and Budget Appropriation and Analysis Section group to post these transactions. The FFB also submits receipt and expenditure reporting activity to and from treasury account symbols (TAS) accounts via the CARS Classification Transactions and Accountability (CTA) module monthly. In addition, FFB uses CARS to reconcile the cash balance.

Intragovernmental Payment and Collection (IPAC) System – The FFB initiates expenditure transaction activity and receives expenditure transaction activity from program entities via the IPAC system.

Collections Information Repository (CIR) – The Federal Reserve Bank of Cleveland maintains CIR and uploads the receipt information into the FFB agency location code (ALC). CIR contains all the deposits from the prior business day which are used to record cash receipts on behalf of borrowing agencies.

Government-Wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) – GTAS is a web-based system implemented for use in Government-Wide reporting, established to combine the functionality of all systems reporting trial balance data.

Secure Payment System (SPS) – The FFB uses SPS to send loan disbursement to the borrower on behalf of the requesting agency.

Treasury Information Executive Repository (TIER) – The Department of Treasury provides hosting and management of TIER. The FFB reports both proprietary and budgetary execution data in TIER for agency loan balances. Once approved by Treasury, this information is loaded into Government-Wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

TCloud – The Department of Treasury provides hosting for the FFB's LMCS application environments on an IaaS/PaaS hosting environment using a multitenant, government-only cloud computing environment managed by Treasury OCIO and

offered under Treasury's shared services program.

Monitoring of Subservice Organizations

The FFB monitors the services performed by its subservice organizations through various reconciliations to ensure that operations and controls expected to be implemented at the subservice organization are functioning effectively. The FFB also obtains relevant System and Organization Controls (SOC) 1 reports from subservice organizations.

Complementary Subservice Organizations Controls

The FFB controls related to its system supporting its delivery of Loan management processing services cover only a portion of overall internal control for each partner agency of FFB. It is not feasible for the control objectives related to services provided by the FFB to be achieved solely by the FFB. Therefore, each partner agency's internal control over financial reporting must be evaluated in conjunction with the FFB's controls and the related tests and results described below, taking into account the related complementary subservice organization controls expected to be implemented at subservice organizations. Complementary subservice organization controls and the FFB's control objectives that depend upon them are described for Treasury OCIO and Bureau of Fiscal Service systems below.

List of Complementary Subservice Organization Controls

#	Complementary Subservice Organization Control	Related Control
Treasury Office of the Chief Information Officer (OCIO)- TCloud		
1	Treasury OCIO is responsible for ensuring that the TCloud managed enclave used for the FFB's LMCS environments is operated within an authorized FedRAMP High government cloud environment and inherits applicable physical, environmental, infrastructure, and platform controls from the underlying cloud service provider.	CO 10
2	Treasury OCIO is responsible for testing, approving, implementing, and communicating changes to the TCloud managed enclave services and provided security boundary controls supporting the FFB's LMCS environments, including zero trust network security and IAM boundary controls.	CO 10

#	Complementary Subservice Organization Control	Related Control
Bureau of Fiscal Services – CARS, IPAC, CIR, and SPS		
3	Responsible for having controls that reports and statements necessary to process receipts, disbursement requests are complete, accurate, and made available to FFB in a timely manner for CARS, IPAC, and CIR.	CO 03, CO 04, CO 06
4	Responsible for having controls that transactions are processed completed, accurate and timely for SPS.	CO 03
5	Responsible for performing patching and application changes for CARS, IPAC, CIR, SPS, and distributed environment.	CO 03, CO 04, CO 05, CO 06
6	Responsible for maintaining physical access and environment controls for CARS, IPAC, CIR, SPS and distributed environment.	CO 03, CO 04, CO 05, CO 06
7	Responsible for maintaining privilege user access and logical security over the servers, hardware devices, and related to CARS, IPAC, CIR, SPS.	CO 03, CO 04, CO 06
8	Responsible for granting, reviewing, and removing user access to CARS, IPAC, CIR, SPS and distributed environment.	CO 03, CO 04, CO 06
9	Responsible for performing data back-ups for CARS, IPAC, CIR, SPS and distributed environment	CO 03, CO 04, CO 06

Control Objectives

This examination will focus on the internal controls related to the FFB's use of LMCS to manage its portfolio of loans made to Federal agency customers, including other controls relevant to the integrity of the FFB's management and accounting of loans.

The FFB identified three service areas under scope of this examination: lending, accounting, and IT. Each of these service areas contain business processes and related controls that are administered through the use of LMCS.

The specific controls that will be subject to this examination, listed by service area are:

Lending Business Processes and Controls

1. Onboarding of loans
2. Pricing of loans

Accounting Business Processes and Controls

3. Disbursements and borrowings
4. Receipts and repayments
5. Journal vouchers
6. Cash reconciliations

IT General Controls

7. Logical Access Control
8. Configuration Management
9. Segregation of Duties
10. Computer Operations

Lending Business Processes and Controls

The lending business processes and controls determine how the FFB onboards, prices, and documents new loans into the LMCS. Specifically, these processes consist of receiving and reviewing new notes and bonds (including modifications and cancellations), certificates, and designation notices from the sponsoring program agency on behalf of borrowing entities and creating new borrower commitments within the LMCS to route through the FFB management for review and approval.

Additionally, the FFB reviews and approves the advance request received from the sponsoring program agency on behalf of the borrowing entity, records the loan information within the LMCS, and prices the loan within the LMCS to generate a pricing memo and repayment schedule.

1. Onboarding of loans

Prior to FFB onboarding new loans, a Program Financing Agreement (PFA) or a Note Purchasing Agreement (NPA) must be established between the FFB and the sponsoring agency. PFAs and NPAs define the terms and conditions governing note and bond purchasing commitments and define the servicing agreements between the FFB and the sponsoring agency.

Once a PFA, NPA, or memorandum of understanding is established, the sponsoring program agency can present the FFB with new notes and bonds for purchase. The FFB's business process to onboard new loans includes performing detailed reviews of the new note or bond, certificate, and designation notice from the sponsoring program agency on behalf of borrowing entities for completeness and accuracy and then creating new borrower commitments within the LMCS and routing the borrower commitments through FFB management for review and approval.

2. Pricing of loans

Once a PFA, NPA, or memorandum of understanding has been executed between the FFB and a sponsoring program agency and a borrower commitment has been established, sponsoring program agencies remit advance requests to the FFB on behalf of borrowing entities. Advance requests are requests for an advance of funds against pre-established notes or bonds.

The FFB lending team performs thorough reviews and approvals of the advance requests prior to pricing a loan or recording it in the LMCS.

Once advance requests are reviewed and approved, the FFB utilizes the Treasury Yield Curve (YC) and prices the loan within the LMCS one business day prior to the advance date noted on the advance request and produces a pricing memo that is certified by both the FFB and the Office of Debt Management (ODM).

The final step performed in the pricing of loans is for FFB Lending to generate the repayment (i.e. amortization) schedule within the LMCS, which is automatically emailed to the borrower and sponsoring program agency.

Accounting Business Processes and Controls

After the lending processes are completed, the FFB accounting team performs processes and controls for direct loan servicing, general ledger preparation, and cash management operations. These processes consist of disbursing the funds to the borrowing entity, approving the loan request within the LMCS to record the disbursement and borrowing transactions within the general ledger, and subsequent generation and certification of disbursement and borrowings reports. Additionally, the FFB accounting team performs functions for applying cash receipts from borrowers, processing principal and interest repayments, journal vouchers to record administrative expenses for shared services, and various monthly cash reconciliations.

3. Disbursements and borrowings

The disbursements and borrowings process begins when the FFB accounting team receives the approved advance request from the FFB lending team. An approved advance request triggers the following actions as described below:

- A. FFB's request for borrowings from Treasury under pre-established notes;
- B. FFB's loan to the federal agency; and,
- C. the preparation of the fedwire to disburse the funds to the borrowing entity on behalf of the agency.

The approved advance request must contain Lending comments with the Borrower ID, Date of Disbursement, and two lending staff initials. In addition, the approved advance request must contain the amount to be disbursed, and instructions for disbursements (bank account name, bank name, bank account number, bank account aba, tax id, justification, and corresponding bank information, if provided). The approved advance request received from lending notifies the FFB accounting team that a new loan disbursement has been approved and is ready for funds to be disbursed to the borrowing entity on the approved advance date.

The FFB accounting team utilizes the information from the approved advance request to execute the transaction in the Secure Payment System (SPS) to disburse funds (wire transfers) on behalf of the federal agency to the borrowing entity. The Data Entry Officer (DEO) will initially input the needed data (Amount, Agency Information, Appropriation Remarks 1, 2, 3, 4, Payment Details, Payment number, Beneficiary Name, Beneficiary Bank, Depositor Acct No., Routing Number, Product Code, Beneficiary Bank Remarks(BBK), Payee Remarks One and Two, Justification, Top Offset, Taxpayer Identification Number (TIN), Treasury Account Symbol (TAS) Business Event Type Code (BETC)) into SPS to start the transaction and will download the draft Same Day Pay Detail Report (SDPR) for accountant 1 to review. The loan advance request from the borrowing entity approved and sent by the federal agency also triggers the FFB to disburse funds to the federal agency and request borrowings from Treasury under pre-established notes.

Next, accountant 1 will approve the loan within the LMCS, which generates two Standard Forms (SF) 1151s (an SF 1151 for the FFB's transfer of loan funds to the agency lender and an SF 1151 for the FFB's related borrowings from the SOT) and records the corresponding general ledger entries within the LMCS (posting to the ledger will occur the next morning unless a manual general ledger run is executed). To update accounting records at the Treasury (that is, funding transfers between Treasury Account Symbols), the financial specialist will draft two non-expenditure transactions within Treasury's Government-wide Accounting (GWA) CARS and download a copy of the transactions for accountant 1 to review. Once accountant 1 is satisfied that the accounting period, agency reference, transaction date, effective date, most recent comments, legal authority, treasury accounts, and supplemental information (maturity dte, interest rate, cohort year, subcohort) are all correct, accountant 1 will sign the draft and certify the transactions in CARS.

The next step in the disbursements and borrowing process requires accountant 2 to re-review all documents for accuracy and, on the day of disbursement, certify the disbursement of funds to the borrowing entity within SPS. Accountant 2 will also approve the repayment schedule in LMCS on day of disbursement. The Director of Accounting or delegatee will perform a final reconciliation and review of all related source documentation and if satisfactory, will sign the certified SDPR, 1151s and CARS draft. Once the 1151s are signed, the financial specialist will send a copy of the signed 1151-FFB to the Bureau of Fiscal Service Budget Appropriation and Analysis Section (BAAS).

Should any exceptions be noted at any point of review, it must be resolved prior to moving to the next step. The reviewer will notify the necessary parties (DEO/ financial specialist, and or accountant 1) for correction and to resolve the issue. If the exception is discovered after disbursement and the CARS transactions have not been posted by the Bureau of Fiscal Service Borrowing group and or BAAS group, then accountant 1 will immediately notify them to reject the transactions so that corrections can be made. If the CARS transactions have been posted, accountant 1 and financial specialist will work together to create a negative CARS transaction to reverse the original transaction and execute new transactions with the correct data.

4. Receipts and repayments

As determined in the agency program agreement with FFB, principal and interest payments are received from borrowers either from a fedwire received in the FFB account via the CIR or through the receipt of the 1151 (principal) or the 1081, or IPAC for interest and fees. Programs currently using the fedwire method include Community Development Financial Institutions-Bond Guarantee Program (CDFI-BGP), Federal Deposit Insurance Corporation as Receiver for First Republic Bank (FDICRFRB), Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bank (FDICRSVB), Department of Education (ED) Historically Black College and University (HBCU), Department of Housing and Urban Development section 542(c) Housing Financing Agency Risk Sharing Program (HUD-542), and USAID. All other programs make their repayment directly via 1151s and the 1081 or IPAC process.

As principal and interest payments are received from borrowers, the FFB accounting team ensures the accuracy and completeness of cash receipts remitted by reconciling the expected cash receipts report to Treasury's CIR, or 1151 (principal) or 1081, or IPAC for interest and fees and applies the receipts within the LMCS to update the general ledger. When funds come directly to FFB via CIR accountant 1 will create a CARS CTA to reclass the funds from FFB to the agency.

Principal repayments from agency lender to the FFB and the FFB to the SOT are then processed in GWA CARS. Financial specialist will draft the transaction in CARS and download a copy of the transactions for accountant 1 to review. Once accountant 1 is satisfied all the data is correct, he/she will sign the draft CARS transactions report and certify the transaction in CARS.

Interest repayments are accounted for separately. The FFB accounts for interest repayments from agency lenders via IPAC transactions or via a SF 1081 and corresponding monthly CTA process. Interest payments received via IPAC are excluded from the CTA process since Treasury CARS has already been updated to account for these receipts. Interest receipts via 1081 are executed via CARS CTA after payment is applied in LMCS. The financial specialist will draft the CARS CTA using the 1081 and accountant 1 will review before certifying the transactions in CARS. Interest repayments from the FFB to the SOT are processed in one of two ways:

- A. Non-Federal Credit Reform Act (FCRA) interest payments will be processed and remitted directly to the SOT via IPAC transactions. For these transactions, the FFB uses LMCS to create a bulk file upload for IPAC. The Financial specialist will select the transactions to include in LMCS, and the accountant will verify the transaction information prior to file creation. Once the file is created, the financial specialist will upload the file into IPAC system and submit. An Accountant will review the submitted file and sign-off on the file following their review. Once completed, the Director of Accounting or their delegee will complete a final review and sign off if all information is correct.
- B. For FCRA interest payments, the FFB aggregates all collections throughout year and, at year end, FCRA receipts are reconciled to determine any differentials on what is still due or excess collected. FFB will coordinate with the federal agency on the reconciliation and, if funds are still due, either the federal agency will pay FFB via IPAC or ask FFB to collect via CARS CTA. If excess was collected, FFB will pay back the federal agency via IPAC or with CARS CTA. The federal agency will submit a Credit Subsidy Calculator (CSC) file to FFB for review and accountant 1 will compare this to the LMCS Credit Reform Fiscal Year Summary (CRFYSUM) report to determine underpayment or overpayment. After payment is sent or received, a manual journal voucher will be recorded. Once all transactions with the federal agencies are completed, FFB will then confirm and process one IPAC payment to repay the SOT for the total FCRA interest for the year and record a journal voucher for the transaction. Accountant 1 will prepare the journal voucher and Director of Accounting or their delegee will review and approve in LMCS.

5. *Journal vouchers*

Journal vouchers are used infrequently at the FFB. The most common journal vouchers processed by the FFB are for rounding issues, unusual items, and recording administrative expenses for shared services. The controls surrounding the recording of journal vouchers are similar regardless of the nature of the accounting transaction recorded by the FFB. All journal vouchers are processed by an accountant and then reviewed and approved by a second accountant or the director of accounting. Accountant 1 will create the journal voucher in LMCS by entering the accounting period, and description of transaction, account/subaccount, debit/credit and amount. In addition, accountant 1 will load any supporting documentation (IPAC, trial balance, etc.) into the folder on SharePoint with the draft copy of the Journal voucher for accountant 2 to review. Accountant 2 will review and sign the draft journal voucher and support, then approve the Journal voucher in LMCS. For unusual items, the journal voucher may also require review and approval by the director of accounting.

6. *Cash reconciliations*

The FFB accounting team performs various monthly cash reconciliations:

- A. Disbursements reconciliation: Ensures that disbursements of loan funds to borrowing entities reconcile to the FFB's borrowings from the Secretary of the Treasury in both the LMCS and GWA CARS. Using the disbursement reconciliation excel file, the accountant will retrieve the disbursement report from LMCS and the posting documents from CARS and loads all the information into the excel file to determine discrepancies. Any discrepancies will require research to determine if inquiries are needed to resolve issues.
- B. LMCS to GWA CARS cash receipts reconciliation: Ensures the FFB's receipts for principal repayments from agency lenders and the FFB's corresponding repayments of principal to the SOT reconcile within both the LMCS and GWA CARS for the month. Using the receipts reconciliation excel file, the accountant will retrieve the cash receipt report from LMCS and the posting documents from CARS and load all of the information into the excel file to determine any discrepancies, any discrepancies will require research to determine any inquiries need to resolve issues.
- C. Expected cash receipts reconciliation: Compares the expected cash receipts that the FFB expected to receive and record in the LMCS at the beginning of the month to the cash receipts that were processed and recorded in the LMCS as of the end of the month. Typical differentials are due to maturity extensions and any prepayments.

- D. Account statement reconciliation: Ensures the FFB's total cash balance reconciles between the LMCS and GWA CARS. Financial specialist/accountant will pull the account statement report from CARS and compare this to the Cash Receipts report and Summary trial balance reports from LMCS. Any discrepancies will be researched and recorded in the reconciliation spreadsheet, with reconciling items clearly described.
7. Incoming data from external systems is manually entered into the LMCS, while outgoing data is transmitted from the LMCS to agency customers and Treasury systems via manual reports, extensible markup language (XML) files, or electronic text files. The LMCS does not have any direct interface with external systems.

The FFB's management identified relevant data transmissions through an evaluation of the nature and purpose of the data files, including understanding whether the transmitted data impacts financial or other important data in LMCS and, if so, what the likely impact would be to incomplete, inaccurate or untimely acceptance.

Incoming and outgoing data transmissions include the following:

Incoming and outgoing data transmissions	Direction
BFS-XML file (Daily transaction data of borrowings from FFB is sent to BFS via XML)	Outgoing
RUS-XML file sent (Daily transaction data of the REA program is sent by FFB to RUS via XML)	Outgoing
Monthly Report: ACCRUMN (<i>FFB Interest Accrual Report for Programs</i>)	Outgoing
Monthly Report: CRFYSUM (<i>FFB Credit Reform FY Summary Report</i>)	Outgoing
Monthly Report: G/L balances (<i>FFB G/L Transaction Listing for Account</i>)	Outgoing
Monthly Report: CRMONTHLY (<i>FFB Credit Reform Monthly Report</i>)	Outgoing
Document per agency request: SF-1151 (<i>Principal Non-expenditure Transfer</i>)	Outgoing
Document per agency request: SF-1081 (<i>Interest</i>)	Outgoing
Billing statements per agency request: USAID	Outgoing
Treasury System used to create FedWires: SPS	Outgoing

Incoming and outgoing data transmissions	Direction
Treasury System used to record cash transactions in USSGL: CARS	Outgoing
Treasury System used to receive or make intragovernmental transactions: IPAC	Incoming and Outgoing
Treasury System/Report used to collect and record cash Fedwire transactions made into FFB account: CIR	Incoming and Outgoing

Information Technology General Controls

Underlying the FFB's lending and accounting functions are the IT general controls, business process application controls, and information security controls surrounding the LMCS application.

The LMCS user-interface code and a subset of the business logic which facilitates the management of the life cycle of the loan are written in Java. The FFB uses Oracle Enterprise Edition to store all LMCS and yield curve data. The FFB LMCS infrastructure deployment resides in Treasury's TCloud, which utilizes the FedRamp approved AWS.

The FFB IT team has full control over LMCS user access, addressing change requests for code updates and production environments, and defining user responsibilities with lending and accounting business owners and ensuring those user roles are commensurate with their duties and sufficiently segregated to ensure individual users do not have the ability to perform incompatible functions within the LMCS.

The FFB IT team implements controls aligned with the defined business rules provided by the Lending and Accounting business owners.

The FFB maintains a formal SSP in collaboration with Enterprise Application Cybersecurity (NIST-compliant) to manage information security and privacy risks impacting its IT applications, as required by the Federal Information Security Modernization Act (FISMA).

**IV. MANAGEMENT OF THE FEDERAL FINANCING BANK'S CONTROL
OBJECTIVES AND RELATED CONTROLS, AND KPMG, LLP'S TESTS OF
OPERATING EFFECTIVENESS AND RESULTS OF TESTING**

Information Provided by KPMG LLP

This report, when combined with an understanding of the controls at program agencies, is intended to assist auditors in planning the audit of program agencies' financial statements or program agencies' internal control over financial reporting and in assessing control risk for assertions in user entities' financial statements that may be affected by controls at FFB.

Our examination was limited to the control objectives and related controls specified by FFB in Section IV of the report and did not extend to controls in effect at user entities. It is the responsibility of each program agency and its independent auditor to evaluate this information in conjunction with the evaluation of internal control over financial reporting at the program agency in order to assess total internal control. If internal control is not effective at user entities, FFB's controls may not compensate for such weaknesses.

FFB's internal control represents the collective effect of various factors on establishing or enhancing the effectiveness of the controls specified by FFB. In planning the nature, timing, and extent of our testing of the controls to achieve the control objectives specified by FFB, we considered aspects of FFB's control environment, risk assessment process, monitoring activities, and information and communications.

The following clarifies certain terms used in this section to describe the nature of the tests performed:

- A. Inquiry – Inquiring of management and others within the service organization who, in the service auditors' judgment, may have relevant information.
- B. Observation – Observing operations and inspecting documents, reports, and printed and electronic records of transaction processing.
- C. Inspection – Examining records or documents, whether in paper form or electronic form.
- D. Reperformance – Independently executing of procedures or controls that were originally performed as part of the entity's internal control.

In addition, as required by paragraph .36 of Attestation Standards - Clarification and Recodification (AT-C) section 205, Assertion Based Examination Engagements (American Institute of Certified Public Accountants, Professional Standards), and paragraph .30 of AT-C section 320, when using information produced (or provided) by the service organization, we evaluated whether the information was sufficiently reliable for our purposes by obtaining evidence about the accuracy and completeness of such information and evaluating whether the information was sufficiently precise and detailed for our purposes. Procedures used included:

- A. Inspecting the source of the information;
- B. Inspecting the query, script, parameters used to generate the information;
- C. Observing the generation of information; and
- D. Inspecting management's reconciliation of reports.

Lending and Accounting Controls

Control Objective 1 – Onboarding of Loans

Controls provide reasonable assurance that new Notes/Bonds are authorized in accordance with contractual terms and are recorded completely, accurately, and in the correct accounting period in LMCS.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
1.01	Prior to issuing loans for an authorized program, the FFB establishes a PFA or NPA that defines the terms and conditions of the agreement between the FFB and the sponsoring program agency (that is, the agency lender). FFB Lending Staff 1 and FFB Lending Staff 2 review all terms and conditions within the PFA or NPA for completeness and accuracy prior to sending the agreement to the director of accounting, chief financial officer (CFO), Office of General Counsel (OGC), and the FFB Vice President/Treasurer for review and concurrence. The FFB Vice President/Treasurer signs and executes the PFA or NPA on behalf of the FFB.	1. For a selection of PFAs and/or NPAs, inspected evidence that agreements were reviewed for completeness and accuracy by FFB staff, concurred upon by the director of accounting, CFO, and OGC, and signed and executed by the FFB VP/Treasurer.	No exceptions noted.
1.02	As loan documents are submitted by sponsoring program agencies to the FFB, FFB Lending Staff 1 performs detailed reviews of the note or bond, the certificate, and the designation notice to ensure the terms and conditions agree with the related PFA or NPA and that the Note/Bond details are complete and accurate. If no exceptions are identified, FFB Lending Staff 1 enters the borrower commitment information into the borrower commitment module within the LMCS and creates a routing package. Exceptions are researched and resolved prior to input to LMCS.	1. For a selection of borrowing packages, inspected supporting documentation related to the FFB staff review of the Note/Bond, the certificate, and the designation notice and determined whether the FFB staff concluded that the details were complete and accurate, any discrepancies were identified and investigated and were subsequently entered into the LMCS commitment module.	No exceptions noted.
1.03	FFB Lending Staff 2 performs a detailed review of note or bond, certificate, designation notice, and the	1. For a selection of routing packages entered by Lending Staff 1, inspected supporting documentation	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	LMCS borrower commitment entered by FFB Lending Staff 1 for completeness and accuracy. If there are no exceptions, FFB Lending Staff 1 and FFB Lending Staff 2 sign and date the loan routing package and send the routing package to various members of FFB management for review and concurrence.	related to the FFB Staff 2's review of the note/bond, certificate, and routing package for completion and accuracy prior to sending the package to FFB management for review and concurrence.	
1.04	After the routing package is reviewed and approved by the FFB lending staff members, the routing package is provided to the director of accounting, CFO, OGC, and FFB vice president for review and concurrence. Once the FFB vice president signs the routing package, FFB Lending Staff 1 updates the start date and changes the note commitment status to "approved" within the LMCS, which allows the sponsoring program agency to begin sending advance requests to the FFB on behalf of borrowing entities. Note: Only the FFB vice president needs to sign on Rural Utility Services notes.	1. For a selection of routing packages, inspected supporting documentation related to the director of accounting, CFO, OGC, and FFB vice president review of the routing package and determined if all required approvals were obtained prior to the FFB staff 1 changing the commitment status to "approved" in the LMCS.	No exceptions noted.

Control Objective 2 – Pricing of Loans

Controls provide reasonable assurance that help ensure new loan Advances are recorded completely, accurately, and in the correct accounting period in LMCS.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
2.01	After FFB Lending Staff 1 reviews and initials the advance request and records the new advance within the LMCS, FFB Lending Staff 2 performs a detailed review of the advance request and compares the request to the information entered into the LMCS by Lending Staff 1. FFB Lending Staff 2 reviews the advance request for completeness and accuracy and to ensure the requested terms are allowable under the applicable program agreement. If there are no exceptions, FFB Lending Staff 2 initials and dates the advance request next to FFB Lending Staff 1's initials to evidence their review and approval of both the advance request and the LMCS entry and emails a copy of the advance request to FFB Accounting to initiate the disbursement process.	1. For a selection of advance requests, a. Inspected the advance request for Staff 1 initials/date and Staff 2 initials/date. b. Inspected the corresponding LMCS record and reperformed the agreement of key terms (e.g., borrower, program, amount, rate, term/maturity date) to the advance request to evidence the comparison was performed. c. Inspected the email from Staff 2 to FFB Accounting with the advance request attached and verified the email timestamp is consistent with initiation after Staff 2 approval.	No exceptions noted.
2.02	After FFB Lending enters loan information from the advance request into the LMCS and runs the loan pricing routine batch job (i.e., the systemic calculation to price the individual loan per the advance request), FFB Lending emails the Office of Debt Management (ODM) the pricing memo generated from the LMCS for review and approval. Once the loan pricing data is validated by ODM and ODM certifies the accuracy of the pricing memo to the FFB, FFB Lending Staff 2 submits the rate certification and pricing approval in the LMCS to generate amortization and repayment schedules. An interest confirmation notice, containing the	1. For a selection of loans/advance requests priced during the examination period, a. Inspected evidence the pricing batch job was run, and a FFB Lending pricing memo was generated from the LMCS. b. Inspected the ODM pricing memo, advance request and LMCS borrower commitment module screenshots and re-performed the comparison of the pricing/advance amount, date of pricing, and the maturity date for completeness and accuracy. c. Inspected the email transmitting the pricing memo to ODM and ODM's certification/approval evidence.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	repayment schedule, is automatically generated by LMCS and emailed to the program agency and borrower. The schedule is reviewed by accounting for completeness and approval by lending and ODM and the following day.	d. Inspected the LMCS record showing Lending Staff 2 submitted the rate certification/pricing approval and that amortization/repayment schedules were generated. e. Inspected the interest confirmation notice email and evidence of accounting review for completeness and Lending/ODM approval, the following day.	

Control Objective 3 – Disbursements and Borrowings

Controls provide reasonable assurance that loan transactions are recognized completely, accurately, and are valid.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
3.01	After the DEO enters required disbursement data from the advance request into the Secure Payment System and generates the SDPR, accountant 1 compares the SDPR with the advance request to confirm that the data is correct. If there are no exceptions, accountant 1 digitally signs the SDPR to evidence review and approval.	1. For a selection of disbursements processed during the examination period, a. Inspected the advance request and the SDPR for the same disbursement and reperformed the comparison for the required fields (date, amount, agency location code, TAS, routing/account numbers). b. Inspected the SDPR for the accountant 1's digital signature to evidence review and approval. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
3.02	After accountant 1 verifies that the advance request agrees with the pending disbursement transaction per the SDPR, accountant 1 compares the program ID, borrower code, disbursement amount, distribution date, and fund symbol on the advance request to the loan details entered by FFB Lending in the LMCS. If there are no exceptions, accountant 1 approves the loan in the LMCS, which generates an SF 1151 for the FFB's borrowings from the Secretary of the Treasury and an SF 1151 for the FFB's disbursement to the agency lender and to support corresponding general ledger entries.	1. For a selection of advance requests/disbursements processed during the examination period, a. Inspected the advance request and the SDPR and reperformed the agreement of the pending disbursement to the advance request. b. Inspected the LMCS loan details and reperformed the comparison of program ID, borrower code, disbursement amount, distribution date, and fund symbol to the advance request. c. Inspected LMCS evidence that accountant 1 approved the loan (user/time stamp or approval status) and inspected the resulting SF 1151(s) and related GL entry evidence generated from the approval.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
3.03	The FFB financial specialist/DEO initiates transactions for its borrowings from the Secretary of the Treasury and the non-expenditure transfers of funds to the agency lender in the GWA CARS, and loads draft copies of the transactions into SharePoint for review. Accountant 1 reviews the SF 1151s generated from the LMCS with the draft CARS transaction. If there are no exceptions, accountant 1 digitally signs the CARS transaction reports and certifies the transactions in GWA CARS.	1. For a selection of borrowings (and related disbursements, if applicable), processed during the examination period, a. Inspected the LMCS SF 1151(s), the related CARS transaction report(s), and (for borrowings) the borrower commitment report and reperformed the comparison of the required attributes (TAS, amount, disbursement date, accounting period, effective date, agency reference number, and applicable supplemental data). b. Inspected the CARS transaction report for accountant 1's digital signature and inspected evidence of certification in GWA CARS (e.g., certification status, audit trail, and/or confirmation screen). 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
3.04	On the day of disbursement, accountant 2 certifies the disbursement in the Secure Payment System, which processes a fedwire transfer (that is, disbursement of loan funds) to the borrowing entity from the federal agency's account. In addition, accountant 2 will approve the repayment schedule in LMCS.	1. For a selection of disbursements processed during the examination period, a. Inspected the advance request and corresponding SDPR and reperformed the comparison of the values in the advance request and SDPR. b. Inspected Secure Payment System evidence that accountant 2 certified the disbursement on the day of disbursement and that the transaction processed as a fedwire transfer to the borrower. c. Inspected evidence in LMCS that the repayment schedule was approved by the accountant 2.	No exceptions noted.
3.05	The Director of Accounting, or their delegate, reperforms the review of the SF 1151s, CARS	1. For a selection of borrowings/disbursements processed during the examination period,	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	transaction reports, and SDPR to ensure completeness and accuracy. If there are no exceptions, the director of accounting, or their delegate, digitally signs the certified SDPR, SF 1151s, and CARS drafts. If a discrepancy is identified, the issue is resolved using the updated accurate information before the director of accounting, or delegate, signs the final approval.	a. Inspected the related SF 1151(s), CARS transaction report(s), and SDPR and reperformed the amount tie-out across the documents (e.g., borrowing amount and disbursement amount on SF 1151(s) agreed to the CARS transaction report(s) and SDPR. b. Inspected the SF 1151(s) for the director of accounting /delegate's digital signature evidencing completion of their review. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control Objective 4 – Receipts and Repayments

Controls provide reasonable assurance that ensure receipts from borrowing entities are recorded completely, accurately, and in the correct accounting period in LMCS/CARS. In addition, provide reasonable assurance that repayments from FFB to SOT are recorded completely, accurately and in the correct accounting period in LMCS/CARS.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.01	Principal and interest payments are received from borrowers either from a fedwire received in the FFB account via the CIR or through the receipt of the 1151 (principal) or the 1081/IPAC for interest and fees. Programs currently using the fedwire method include CDFI-BGP, FDICRFRB, FDICRSVB, HBCU, HUD-542, and USAID. Prior to FFB collecting the funds, FFB reclassifies the total cash amount to the Agency financing account and then proceeds to the normal collection process. For all other programs, the Agency makes their repayment directly via 1151s and the 1081/IPAC process. After cash receipts are remitted by borrowing entities, the financial specialist checks to ensure the LMCS expected cash receipts match the remitted document (if applicable). Any exceptions are resolved prior to moving to the next step. The financial specialist then applies these receipts in the LMCS. After applying the payment the financial specialist will pull all necessary documents to draft the CARS non expenditure transactions. Accountant 1 will review all documents accuracy. The accountant 1 will resolve all exceptions prior to certifying the transactions in CARS. The accountant 1 then signs the SF 1081, SF 1151, and draft CARS to evidence review and approval.	1. For a selection of cash receipts or repayment events processed during the examination period, a. Inspected the source documentation (e.g., CIR or 1081/IPAC) and the LMCS repayment posting (principal/interest) and reperformed the comparison of the LMCS recorded principal and interest to the expected receipt/source documentation and inspected evidence of accountant 1 digital signature on the source document. b. Inspected the related LMCS-generated SF 1081 and SF 1151 and reperformed the comparison to the expected cash receipts and inspected evidence of the accountant 1 digital signature on the SF 1081 and SF 1151.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.02	As the FFB financial specialist initiates repayments of principal to the SOT, the accountant 1 reviews the SF 1151, FFB FCRA transaction breakdown report from LMCS and CARS borrowing transaction detail report (the information entered into GWA CARS by the financial specialist). The accountant 1 reviews for completeness and accuracy until all exceptions are resolved, including cut-off and accounting period. Once there are no exceptions, the accountant 1 digitally signs the CARS borrowing transaction detail report and certifies the principal repayment from the FFB to the SOT in GWA CARS.	1. For a selection of principal repayments processed during the examination period, a. Inspected the SF 1151, FFB FCRA transaction breakdown report, and CARS borrowing transaction detail report for the repayment and reperformed the comparison of document number, transaction effective date, TAS, cohort/sub-cohort, cut-off, and dollar amounts across the documents. b. Inspected the GWA CARS borrowing transaction detail report for the accountant 1 digital signature and inspected evidence in GWA CARS that the accountant 1 certified the repayment (e.g., certification status/audit trail showing user and date/time). 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.03	After the accountant 1 has certified the principal repayment from the FFB to the SOT in GWA CARS, the director of accounting, or delegate, reperforms the review of the SF 1151, FFB FCRA transaction breakdown report, and CARS borrowing transaction detail report to confirm the accuracy of dollar amounts, transaction dates, effective dates, TAS, cohort and sub-cohort information doc numbers. If there are no exceptions, the director of accounting, or delegate, digitally signs the SF 1151 and CARS borrowing transaction detail report.	1. For a selection of SOT principal repayments processed during the examination period, a. Inspected the SF 1151, FFB FCRA transaction breakdown report, and CARS borrowing transaction detail report and reperformed the amount tie-out across the documents (per the defined "dollar amount" fields). b. Inspected the SF 1151 and CARS borrowing transaction detail report for the director/delegate digital signature (and signature date/time, if available). 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.04	In LMCS, the financial specialist selects the non-FCRA interest receipts that were received and applied by the FFB from agency lenders during the month, the accountant 1 reviews the non-FCRA transactions selected by the financial specialist in the IPAC payables module in the LMCS against the cash receipts report (i.e., non-FCRA cash receipts received via SF 1081 that were applied to loan programs or accounts by FFB Accounting during the month). If the amounts agree with the related ALC, Treasury Account and Agency Symbol (TAAS), and BETC data, the accountant approves the IPAC payment in the LMCS, which generates an IPAC payment transmission file which is used to facilitate processing the repayment of non-FCRA interest to the SOT via IPAC.	- For a selection of months during the examination period, - Inspected the cash receipts report for that month and the listing/screenshot/export of the non-FCRA transactions selected in the LMCS IPAC payables module and reperformed the comparison (e.g., total amount selected for payment agrees to the cash receipts report total for non-FCRA interest receipts, and any required sub-totals/attributes per procedure). - Inspected evidence the accountant 1 approved the IPAC payment in the LMCS and that the IPAC payment transmission file was generated for that approval event. - For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.05	After the financial specialist uploads the IPAC payment transmission file in the Treasury's IPAC system to process the repayment of non-FCRA interest received by the FFB from agency lenders during the month, the accountant confirms that the IPAC transaction was processed successfully in the Treasury's IPAC system by reviewing the amount, ALC, TAAS and BETC in the IPAC SOT payment report for accuracy. Any exceptions identified will be resolved prior to moving to the next step. If there are no exceptions identified, the accountant digitally signs the IPAC SOT payment report to evidence the review and approval.	- For a selection of months and/or IPAC file uploads during the examination period, - Inspected evidence of the file upload (e.g., IPAC upload confirmation screen/log) and the corresponding IPAC SOT payment report and reperformed the review by agreeing key fields on the IPAC SOT payment report to the related payment transmission file summary (or LMCS approval summary), such as total amount, payment/effective date, and transaction/reference identifiers. - Inspected the IPAC SOT payment report for the accountant's digital signature (and signature date/time, if available). - For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.06	After the accountant 1 confirms that the IPAC transaction was processed successfully in the Treasury's IPAC system by reviewing the IPAC SOT payment report for accuracy, the director of accounting, or delegate, reviews the IPAC SOT payment report for accuracy. Any exceptions identified will be resolved prior to moving to the next step. If there are no exceptions identified, the director of accounting, or delegate, digitally signs the IPAC SOT payment report to evidence the review and approval.	1. For a selection of months and/or IPAC SOT Payment reports during the examination period, a. Inspected the report and identified the key fields the director/delegate is expected to validate (per policy) and reperformed an example accuracy check (e.g., agreed the total amount and payment/effective date on the IPAC SOT payment report to the related monthly transmission control total or Treasury IPAC payment approval total). b. Inspected the IPAC SOT payment report for the director/delegate digital signature. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.07	After the accountant 1 performs the year-end FCRA interest true-up reconciliation by agency lender and confirms receipt or disbursement of any true up amount, the accountant prepares a draft journal voucher in the LMCS to record FCRA interest adjustments (i.e., adjustments to increase or decrease interest applied to loan accounts in the LMCS). accountant 2 reviews the draft journal voucher against the FCRA interest true-up support for completeness and accuracy. Any exceptions identified will be resolved prior to moving to the next step. If there are no exceptions identified, accountant 2 digitally signs the journal voucher packet and approves the journal voucher in the LMCS.	1. For a selection of year-end JVs recorded during the examination period, a. Inspected the FCRA interest true-up support (by agency lender) and evidence of receipt/disbursement confirmation as well as the draft JV and JV packet from LMCS and agreed the JV total adjustment amount (and agency lender-level amounts, if applicable) to the true-up support, and verified the direction (increase/decrease interest) aligns to the support. b. Inspected evidence that accountant 2 digitally signed the JV packet and approved the JV in LMCS. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.08	After FFB Accounting completes all FCRA interest true-up reconciliations by agency lender for year-end processing and accountant 2 approves the related journal voucher in the LMCS, the director of accounting, or delegate, sends an email to the Treasury Bureau of the Fiscal Service containing the consolidated Credit Reform Fiscal Year Summary Report and requests the bureau's review and concurrence of the final FCRA interest adjustment prior to processing the IPAC payment. If the bureau provides concurrence on the FCRA interest payment amount, the director of accounting, or delegate, approves the IPAC payment and digitally signs the IPAC SOT payment report to evidence their review and approval.	1. For a selection of year end FCRA true up cycles (or related IPAC payment instances), inspected the following: a. Completion of FCRA true-up reconciliations by agency lender and accountant 2's approval of the related JV in LMCS b. Evidence to support coordination of the consolidated Credit Reform Fiscal Year Summary Report to the Treasury Bureau of the Fiscal Service and their review/concurrence (e.g., period, amount, report version), which is required prior to processing the IPAC payment. c. Director/delegate approval of the IPAC payment upon concurrence and digital signature on the IPAC SOT payment report. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.09	As the FFB initiates repayments of principal from agency lenders, accountant 1 compares the SF 1151 and CARS non-expenditure transfer reports to ensure the document number, transaction effective date, TAS, and dollar amounts align and if there are no exceptions, the accountant digitally signs the CARS non-expenditure transfer reports and certifies the principal repayment from the agency lender to the FFB within GWA CARS.	1. For a selection of agency lender principal repayments processed during the examination period, a. Inspected the SF 1151 and the corresponding CARS non-expenditure transfer report and agreed the document number, transaction effective date, TAS, and dollar amount on the CARS non-expenditure transfer report to the SF 1151. b. Inspected the CARS non-expenditure transfer report for the accountant's digital signature and inspected evidence in GWA CARS that the accountant 1 certified the repayment.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
		2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	
4.10	If initial receipts are received from the borrower into FFB's account, accountant 1 transfers the cash receipts between agency TAS (i.e., the receipts need to be transferred from the FFB's TAS to the agency lender's TAS) to ensure balances within the agency lender's account are sufficient to cover repayment transactions. This process pertains to receipts from agency lenders to FFB via fedwire. After the accountant initiates the transfer of funds within GWA CARS, accountant 2 reviews the transaction for completeness and accuracy. If no exceptions are identified, accountant 2 certifies the transfer in GWA CARS and loads a copy of the certified transaction into the SharePoint folder.	1. For a selection of reclassifications processed during the examination period, a. Inspected the GWA CARS reclassification transaction details and the related GWA statement of transactions and agreed the 'TAS from' (FFB TAS) and 'TAS to' (agency lender TAS) and the reclassified dollar amount on the statement of transactions to the GWA CARS transaction detail for the same transaction/date. b. Inspected evidence of accountant 2 review. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.11	After accountant 1 has certified the principal repayment from the agency lender to the FFB in CARS, the director of accounting, or delegate, reperforms the review of the SF 1151 and CARS non-expenditure transfer report to ensure accurate dollar amounts, transaction and effective dates, TAS, cohort and sub-cohort information doc numbers. If there are no exceptions, the director of accounting, or delegate, digitally signs the SF 1151 and CARS non-expenditure transfer report.	1. For a selection of principal repayments processed during the examination period, obtained the SF 1151 and CARS non-expenditure and a. Agreed the principal repayment dollar amount on the SF 1151 to the dollar amount on the CARS non-expenditure transfer report. b. Inspected both documents for the director/delegate digital signature 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
4.12	After repayments the financial specialist prepares the draft CARS transfer (the itemized interest repayments from agency lenders to the FFB that were not remitted to FFB via IPAC), for the accountant 1 to compare the interest repayments on the draft CARS transfer to the applicable SF 1081s generated by the LMCS and the cash receipt report generated from the LMCS at month end to ensure the amounts, TAS and BETC agree.	1. For a selection of SF 224 month-end cycles during the examination period, a. Agreed the total interest repayment amount (and, if applicable, key line items) on the draft SF 224 to the total interest receipts per the cash receipt report and to the related SF 1081 total(s), additionally agreed the CARS Account Symbol(s) on the SF 224 to the symbol(s) reflected on the SF 1081s/cash receipt report. b. Inspected the SF 224 for the accountant 1's digital signature evidencing review/approval. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
4.13	After the financial specialist initiates the draft CARS transfer transaction and notifies the accountant 1 that the pending transactions are ready for review, the accountant 1 compares the interest repayments on the draft CARS transfer to the applicable SF 1081s generated by the LMCS and the cash receipt report generated from the LMCS at month end to ensure the amounts, TAS and BETC agree. If there are no exceptions, the accountant certifies and posts the transactions in GWA CARS and saves a copy to SharePoint.	1. For a selection of SF 224 month-end cycles during the examination period, a. Inspected the previously reviewed/approved SF 224 and the GWA CARS pending transaction listing/report for the same SF 224 activity and agreed the total amount and TAS on the pending GWA CARS transactions to the amounts and TAS on the previously approved SF 224. b. Inspected evidence the accountant certified/posted the transactions in GWA CARS and inspected the saved copy of the final SF 224 generated by GWA CARS.	No exceptions noted.

Control Objective 5 – Journal Vouchers

Controls provide reasonable assurance that logical access to system and application software is restricted to authorized individuals.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
5.01	LMCS logic defined by FFB Accounting prevents journal voucher (JV) transactions from being initiated or recorded if the related debits and credits do not balance in total (that is, the sum of debits must equal the sum of credits), if amounts within budgetary and proprietary accounts do not balance, and if the general ledger accounts used to record the journal voucher do not conform to defined posting logic.	1. Inspected FFB JV policy and/or system configuration documentation 2. Observed a test user attempt to initiate a JV with unequal debits and credits and determined LMCS prevented the posting.	No exceptions noted.
5.02	LMCS system logic prevents individual users from performing incompatible functions (such as initiating and approving individual transactions), based on the individual's defined user role within the LMCS.	1. Inspected the FFB IT Business Units LMCS Rights User Roles matrix. 2. Inspected role permissions screen shots, system security reports and configuration evidence and determined that permissions are configured to restrict incompatible functions based on assigned user roles.	No exceptions noted.
5.03	By the last business day of the month, an accountant separate from the accountant who prepared the journal voucher (that is, accountant 2) reviews the draft journal voucher and underlying supporting documentation for completeness and accuracy. Specifically, accountant 2 verifies that the accounting period, journal voucher comment, general ledger accounts with associated debit or credit indicators, and amounts are correct. If no issues are identified, the journal voucher approver digitally signs both the journal voucher packet and supporting documentation and approves the journal	1. For a selection of month-end JVs, inspected the JV packet (JV + supporting documentation) and LMCS JV record/workflow and agreed the accounting period and each JV line's GL account, D/C indicator, and amount from the JV to the LMCS entry and to the underlying support, verified the approver digitally signed the JV packet/support and approved the JV in the LMCS. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	voucher in the LMCS. Journal vouchers for unusual items that do not regularly occur on a monthly, quarterly or yearly basis are reviewed and approved by the director of accounting.		

Control Objective 6 – Cash Reconciliations

Controls provide reasonable assurance that ensure cash balances within LMCS are complete and accurate and agree with the balances reported to Treasury in CARS.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
6.01	At month end, the director of accounting, or delegate (that is, accountant 2), reviews and approves the disbursement reconciliation performed by the preparing accountant to ensure FFB disbursements to borrowers and FFB borrowings from the Secretary of the Treasury reconcile within the LMCS and Governmentwide Accounting (GWA) Central Accounting Reporting System (CARS). If there are no reconciling items, the director of accounting, or delegate, approves the reconciliation and evidences approval by either digitally signing the reconciliation or emailing the preparing accountant stating that the disbursements reconciliations has been reviewed and approved.	- For a selection of month end reconciliations, - Reperformed one key tie-out, agreed total borrower disbursements per LMCS for the month to the corresponding CARS total for the month, and documented any variance treatment per the reconciliation. - Inspected evidence of director/delegate approval - For any discrepancies identified in the selection, inspected evidence of management’s investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.
6.02	At month end, the director of accounting, or delegate (accountant 2), reviews and approves the LMCS to GWA CARS cash receipt reconciliation performed by the preparing accountant to ensure principal repayments from agency lenders to the FFB and FFB principal repayment to the SOT reconcile within the LMCS and GWA CARS. If there are no reconciling items, the director of accounting, or delegate, approves the reconciliation and evidences approval by either digitally signing the reconciliation or emailing the preparing accountant stating that the LMCS to GWA CARS cash receipts reconciliation has been reviewed and approved.	- For a selection of month-end reconciliations, inspected the reconciliation file and supporting LMCS and CARS reports used and, - Agreed one key total to the corresponding total per GWA CARS for the same month and documented how any differences would be treated per the reconciliation. - Inspected evidence of director/delegate approval - For any discrepancies identified in the selection, inspected evidence of management’s investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
6.03	At month end, accountant 2 reviews and approves the expected cash receipts reconciliation performed by the preparing accountant for completeness and accuracy to ensure differences between expected and actual cash receipts for the month are documented and supported. Accountant 2 digitally signs the reconciliation to evidence their review and approval.	1. For a selection of month-end expected cash receipts reconciliations, a. Selected reconciling differences and agreed (i) the expected amount to the stated source support, (ii) the actual amount to the stated source support, and (iii) the documented explanation/support was consistent with the variance. b. Inspected the reconciliation for accountant 2's digital signature. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	The following exception was noted: The control activity designed to ensure the accuracy of expected cash receipts through monthly reconciliations did not operate effectively. Specifically, for September 2025, management did not perform the expected cash receipts reconciliation.
6.04	At month end, accountant 2 reviews and approves the account statement reconciliation performed by the preparing accountant for completeness and accuracy to ensure the FFB's total cash balance reconciles between the LMCS and GWA CARS. If there are no exceptions, accountant 2 digitally signs the reconciliation to evidence their review and approval.	1. For a selection of month-end reconciliations, inspected: (a) the reconciliation, (b) the LMCS support used (cash balance report/extract), and (c) the GWA CARS support used (cash balance/account statement report/extract), and a. Agreed the LMCS month-end total cash balance per the support report to the amount shown on the reconciliation and agreed the GWA CARS month-end total cash balance per the support report to the amount shown on the reconciliation, verified any difference was listed as a reconciling item with documented support (if applicable). b. Inspected the reconciliation for accountant 2's digital signature. 2. For any discrepancies identified in the selection, inspected evidence of management's investigation and resolution of the discrepancy.	No exceptions noted. With respect to procedure 2, no discrepancies were identified in our selection. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

IT General Controls

Control Objective 7 – Logical Access

Controls listed below are to provide reasonable assurance that logical access to the application is restricted to authorized individuals.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
7.01	Access to FFB applications is controlled through the assignments of roles. Role assignments for users are determined by the FFB Director/supervisor. Key roles include: • Loan Administrators: Manage borrower profiles, loan origination, loan pricing, repayment schedules, and prepayments. • Accountants: Ensure accuracy of disbursements, receipts, accruals, general ledger, and financial reports, including Bureau of Fiscal Services (BFS) employees who have read-only access for verifying loans. • Application Support Staff: FFB IT personnel who provide application support, including system administrators, system engineers, developers, testers, and FFB IT managers, with read only or very limited access. Access is granted and controlled by the user's Business Unit Director/Supervisor who determines the appropriate role for the user. Specifically, to gain access to FFB Applications the following is required: 1) Signed Form from the FFB Director/Supervisor for FFB personnel, and contractors.	1. For a selection of users granted access to LMCS during the examination, a. Inspected the form/ticket used to request access, the user's Rules of Behavior, User's information, Justification for Access, Cybersecurity and Privacy awareness training, and management's approval of the access and determined if the access was granted commensurate with FFB's delegation of authority. b. Inspected system access granted to FFB applications and determined if access granted matches what was requested.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	2) If BFS users are requested to have read-only access, then an email from a FFB Director will be required for FFB IT to grant their access.		
7.02	When a user begins the process of separating from the FFB, the FFB IT team is notified. FFB Application access is removed no later than 5 business days from the user's termination date. Access can be removed earlier, including on the same business day depending on the timing of the notification. FFB IT follows up with BFS annually to verify that read-only users still require access.	1. For a selection of terminated/resigned users during the examination, inspected system access removal to determine whether access was revoked within 5 days of the users' termination/resignation. 2. Inspected the results of the FFB annual review of LMCS access, including BFS read-only users, to determine whether FFB IT verified that BFS read-only users still required access.	No exceptions noted.
7.03	Accounts are reviewed annually by business directors, program manager and system administrators. A list of all active accounts and their roles is sent by the System Administrator or Program Manager to the appropriate Business Director for a manual review. This process ensures that the appropriate users are active and have the correct roles.	1. Inspected FFB policy describing the process for reviewing access to LMCS on an annual basis. 2. Inspected the results of the FFB annual review of LMCS access and determined whether access was reviewed by the appropriate Business Director commensurate with FFB's delegation of authority. 3. Inspected the results of the LMCS annual review and determined if the appropriate Business Directors were independent of the users they were reviewing. 4. For a requested modification as a result of the review, inspected system evidence to determine whether inappropriate access identified as a result of the review was investigated and access was modified as requested.	No exceptions noted. With respect to procedure 4, no modifications were requested as a result of the review. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control Objective 8 – Configuration Management

Controls listed below are to provide reasonable assurance that the IT configuration management process maintains compliance by monitoring each Change Request (CR) through the FFB IT Software Development Life Cycle (SDLC).

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
8.01	Change Requests (CRs) and Simple Change Requests (SCRs) are tested prior to implementation into production. Testing requirements are determined based on the type of change. CRs, which involve code changes, require both Quality Assurance (QA) testing and User Acceptance Testing (UAT). SCRs, which are database-only changes, require UAT. For CRs, QA testing is performed to validate that the code change functions as expected. If defects are identified, they are addressed and QA testing is repeated until the test successfully passes. QA test results are uploaded to the CR SharePoint folder. Upon successful completion of QA testing for CRs, or once an SCR is ready for business validation, UAT is conducted by the business user. After UAT is successfully completed, the business user provides UAT confirmation, and related test artifacts are uploaded to the CR SharePoint folder.	1. For a selection of changes, inspected supporting evidence related to CRs and SCRs and determined if Quality Assurance (QA) Testing and User Acceptance Testing (UAT) were completed successfully for the CR and UAT was completed successfully for the SCR prior to implementation into production.	No exceptions noted.
8.02	Changes are reviewed and approved prior to implementation into the production environment. Following successful completion of required testing for the CR or SCR, approval is obtained via email from the FFB Directors. The FFB Directors may approve or disapprove the implementation. Only approved changes are implemented into production as scheduled.	1. For a selection of changes made during the examination period, inspected the CR/SCR, testing QA and UA testing evidence, and evidence of approval from the FFB Directors and determined if all required steps of the FFB configuration management process were completed prior to implementation to production.	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
8.03	The FFB IT manages and maintains separate development, test, and staging environments for the FFB Applications. These lower environments support developer unit testing, QA testing and UAT before deployment to production. The FFB IT has implemented an Environment Tracker, an MS Excel spreadsheet, maintained by the Project Manager (PM) and/or Business Analyst (BA)/Tester. The Environment Tracker is located in SharePoint (SP).	1. Inspected the FFB Environment Tracker that described the requirements for maintaining separate development, test, staging, and production environments. 2. Inspected system evidence of the FFB lower environments and determined if FFB management separated the environments as outlined in the Environment Tracker.	No exceptions noted.
8.04	FFB IT controls access to the production environment. Developers may not apply production level changes to the FFB Applications. Only designated System Administrators are authorized to apply changes to the FFB production servers or FFB applications. All changes to production systems follow the Configuration Management Plan which requires approval from appropriate FFB Directors before changes are made.	1. Inspected the FFB configuration management plan describing the control to restrict privileged access to make changes to LMCS. 2. Inquired of FFB management regarding the configured permissions in LMCS that grant privileged access to make changes to LMCS. 3. Inspected the LMCS configurations and determined whether the system administrator role grants changes to make changes to LMCS. 4. Inspected system evidence within LMCS and determined whether privileged access to make changes to LMCS is limited to the system administrator role. 5. Inspected system evidence within LMCS and determined whether developers have access to the system administrator role.	No exceptions noted.

Control Objective 9 – Segregation of Duties

Controls listed below are to provide reasonable assurance that there is proper segregation of duties.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
9.01	The roles and permissions for FFB applications are documented in the FFB IT Business Units LMCS Rights-User Roles document. This document outlines the functions within the FFB Applications and specifies the rights for each role. There are four distinct roles within the FFB Application: - Accounting Technician - Financial Specialist (Not currently used) - Accountant - Administration The Accounting roles include Accountant and Accounting Technician. The Lending role is Administration.	1. Inspected the LMCS Rights-User roles document which described the roles restrictions within LMCS. 2. Inspected a system generated listing of LMCS users and determined whether the Accounting Technician, Financial Specialist, and Accountant roles are restricted to the accounting team and the Administrator role is restricted to the Lending team.	No exceptions noted.
9.02	The role-based structure ensures that roles are assigned based on job responsibilities which prevents conflict of privileges. In addition, user roles and permissions are reviewed annually by the System Administrator, Program Manager, and Business Director to ensure that they are current.	1. Inspected FFB policy describing the process for reviewing access to LMCS on an annual basis. 2. Inspected the results of the FFB annual review of LMCS access and determined whether access was reviewed by the appropriate System Administrator, Program Manager, and Business Director commensurate with FFB's delegation of authority. 3. Inspected the results of the LMCS annual review and determined if the appropriate System Administrator, Program Manager, and Business	No exceptions noted. With respect to procedure 4, no modifications were requested as a result of the review. As a result, we were unable to determine the operating effectiveness of this aspect of the control.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
		Directors were independent of the users they were reviewing. 4. For a requested modification as a result of the review, inspected system evidence to determine whether inappropriate access identified as a result of the review was investigated and access was modified as requested.	

Control Objective 10 – Computer Operations

Controls provide reasonable assurance that program agency account balance corrections applied to correct errors in processing or program agency errors are processed timely and accurately.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
10.01	On each business day, FFB IT Operations and Maintenance (O&M) personnel perform daily system health monitoring to confirm that the Production Loan Management and Control System (LMCS) and supporting infrastructure are available to support morning business processing. As part of the daily review, FFB IT reviews the FFB IT Status Report to verify that the Production LMCS URLs are reporting a status of “OK” and that the Production databases are available. This check helps identify potential Production LMCS availability issues that could impact morning business operations. FFB IT also reviews the daily “FFB - EC2 System report for infrastructure awareness” email to confirm that the Production server infrastructure is available. The review verifies that the email indicates “The status was Success. All EC2 instances are running.” This check helps identify Production server availability issues that could impact morning business processing.	1. For a selection of days, obtained evidence of the daily review and inspected the FFB IT status report for that day and confirmed it shows production LMCS ‘URLs = OK’ and production databases available. 2. Inspected the EC2 system report email for the same day and confirmed it indicates ‘the status was success all EC2 instances are running.’	No exceptions noted.
10.02	On each business day, FFB IT O&M personnel review the results of processing activities to confirm that key production processes have completed successfully, and that prior-day application data was captured for backup purposes. As part of the daily review, FFB IT checks the final “Ledger000 execution report” email to verify that the	1. For a selection of days, inspected the final ‘Ledger000 execution report’ email for those days and verified it indicates the Production General Ledger nightly/early morning process completed successfully (e.g., success status/no errors and completion time).	No exceptions noted.

Control #	Description of Controls	Testing Performed by KPMG LLP	Results of Tests
	Production General Ledger (nightly/early morning) process completed successfully.	2. If the email showed warnings/failures, inspected a corresponding incident/ticket and documented resolution.	
10.03	Each business evening, FFB IT O&M personnel perform daily job scheduling and evening readiness checks to confirm that key FFB application processing activities and borrower communication processes are ready to support business operations. As part of the evening readiness review, FFB IT verifies completion of the yield curve data load by confirming receipt of the Treasury Yield Curve YC Processing email. This check helps confirm that the FFB applications have the required yield curve data available to price for borrowers. Upon completion of the review, the System Administrator sends an email confirming that the evening readiness checks were performed. This email confirmation process was implemented in January 2026.	1. For a selection of days, obtained the retained evidence for the readiness review and inspected the Treasury Yield Curve YC Processing email for that evening and verified it was received and indicated the yield curve data load completed (per the defined success criteria). 2. If the email indicated failure/missing, inspected a corresponding incident/ticket and documented resolution/escalation per SOP.	No exceptions noted.

**V. OTHER INFORMATION PROVIDED BY MANAGEMENT OF FEDERAL
FINANCING BANK**

Acronyms and Abbreviations

Management provides this reference for the convenience of report users. It is not part of the description of the system and has not been subjected to the service auditor's examination procedures.

Acronym	Definition	Acronym	Definition
ALC	Agency Location Code	IT	Information Technology
ATO	Authority to Operate	ITGC	Information Technology General Controls
AWS	Amazon Web Services	JV	Journal Voucher
BA	Business Analyst	LMCS	Loan Management Control System
BAAS	Budget Appropriation and Analysis Section	NPA	Note Purchasing Agreement
BBK Remarks	Beneficiary Bank Remarks	O&M	Operations and Maintenance
BETC	Business Event Type Code	OCIO	Office of the Chief Information Officer
BFS	Bureau of the Fiscal Service	ODM	Office of Debt Management
CARS	Central Accounting Reporting System	OGC	Office of General Counsel
CFO	Chief Financial Officer	OMB	Office of Management and Budget
CIR	Collections Information Repository	PaaS	Platform as a Service
CO	Control Objective	PFA	Program Financing Agreement
CR	Change Request	PM	Project Manager
CSC	Credit Subsidy Calculator	QA	Quality Assurance
CTA	Classification Transactions and Accountability	SCR	Simple Change Request
CUEC	Complementary User Entity Control	SDLC	Software Development Life Cycle
DEO	Data Entry Officer	SDPR	Same Day Pay Detail Report
EAC	Enterprise Application Cyber Security Group	SF	Standard Form
EC2	Elastic Compute Cloud	SOC 1	System and Organization Controls 1
FCRA	Federal Credit Reform Act	SOT	Secretary of the Treasury
FFB	Federal Financing Bank	SP	SharePoint
FedRAMP	Federal Risk and Authorization Management Program	SPS	Secure Payment System

Acronym	Definition	Acronym	Definition
FISMA	Federal Information Security Modernization Act	SSP	System Security Plan
GTAS	Government-Wide Treasury Account Symbol Adjusted Trial Balance System	TAS	Treasury Account Symbol
GWA	Governmentwide Accounting	TIER	Treasury Information Executive Repository
IaaS	Infrastructure as a Service	TIN	Taxpayer Identification Number
IAM	Identity and Access Management	UAT	User Acceptance Testing
IPAC	Intragovernmental Payment and Collection	USSGL	United States Standard General Ledger
ISSO	Information Systems Security Officer	XML	Extensible Markup Language

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