



Audit Report



OIG-09-017

Management Letter for Fiscal Year 2008
Audit of the Financial Management Service's
Schedule of Non-Entity Government-wide Cash

December 18, 2008

Office of Inspector General

DEPARTMENT OF THE TREASURY

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. Section 552.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 18, 2008

**MEMORANDUM FOR JUDITH R. TILLMAN, COMMISSIONER
FINANCIAL MANAGEMENT SERVICE**

FROM: Michael Fitzgerald /s/
Director, Financial Audits

SUBJECT: Management Letter for Fiscal Year 2008
Audit of the Financial Management Service's
Schedule of Non-Entity Government-wide Cash

I am pleased to transmit the attached management letter in connection with the audit of the Financial Management Service's (FMS) Fiscal Year (FY) 2008 Schedule of Non-Entity Government-wide Cash. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of FMS's Schedule of Non-Entity Government-wide Cash for FY 2008. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*; and the *GAO/PCIE Financial Audit Manual*.

As part of its audit, KPMG LLP issued and is responsible for the accompanying management letter that discusses certain matters involving internal control and other operational matters that were identified during the audit but were not required to be included in the auditors' reports.

This letter contains sensitive information about FMS's information technology policies and practices, such as thresholds and tolerances, which requires protection from public dissemination. This information was redacted in our report for public dissemination in accordance with Exemption 2 of the Freedom of Information Act, 5 USC § 552(b)(2). Recipients of this letter should not show or release its contents for purposes other than official review to prevent publication or other improper disclosure of the information it contains.

In connection with the contract, we reviewed KPMG LLP's letter and related documentation and inquired of its representatives. Our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

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Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audits at (202) 927-5076.

Attachment

cc: Kenneth E. Carfine
Fiscal Assistant Secretary

**U.S. DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
FISCAL YEAR 2008**

Non-Entity Government-wide Cash

Management Letter (**REDACTED VERSION**)

November 17, 2008

U.S. DEPARTMENT OF THE TREASURY

Non-Entity Government-wide Cash

Fiscal Year 2008

Management Letter

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

November 17, 2008

Inspector General, U.S. Department of the Treasury and
Commissioner of the Financial Management Service:

We have audited the Schedule of Non-Entity Government-wide Cash (GWC) of the U.S. Department of the Treasury's Financial Management Service (FMS) as of September 30, 2008 (hereinafter referred to as the "Schedule") and have issued our report thereon dated November 17, 2008. The Schedule as of September 30, 2007 was audited by other auditors whose report thereon dated November 8, 2007, expressed an unqualified opinion on that Schedule. In planning and performing our audit of FMS's Schedule, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule and not for the purpose of expressing an opinion on the effectiveness of FMS's internal control relating to GWC. Accordingly, we do not express an opinion on the effectiveness of FMS's internal control relating to GWC. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that we present for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized in Exhibit I.

Our audit procedures are designed primarily to enable us to form an opinion on the Schedule described above, and therefore may not bring to light all deficiencies in policies, procedures, or internal control that may exist. We aim, however, to use our knowledge of FMS relating to GWC gained during our work to make comments and suggestions that we hope will be useful to you. We would be pleased to discuss these comments and recommendations with you at any time.

FMS's responses to our comments and recommendations have not been subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of FMS management, the U.S. Department of the Treasury's Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

**Financial Management Service
Non-Entity Government-wide Cash**

Current Year Comments and Recommendations

September 30, 2008

1. Lack of Timely Monitoring of STAR Account 20A1840, Agency Location Code (ALC) 20180011, Deposits in Suspense

We noted that the Cash Analysis Branch within the Cash Accounting Division did not monitor STAR Account 20A1840, ALC 20180011, on a timely basis after a former employee retired. The STAR Suspense Listing for ALC 20180011 contained 46 items as of July 24, 2008, including 12 items with vouchers dated between November 20, 2007 and March 31, 2008. The Governmental Accountability Office (GAO) *Standards for Internal Control in the Federal Government* states, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties." In this regard, Standard Operating Procedures within FMS provide for monitoring ALC20180011 daily. The lack of timely monitoring over the items that remain in STAR Account 20A1840, ALC 20180011, increases the risk that amounts are not being reported in the Schedule, nor resolved on a timely basis.

Recommendation:

We recommend that FMS management ensure smooth job transitions for changes in personnel so that the monitoring of suspense accounts is performed in a timely manner.

Management's Response: Concur

Standard Operating Procedures have been updated and reviewed with the employee. ALC 20180011 is now being properly monitored on a daily basis. ALC 20180011 is reconciled by obtaining postings to the ALC from CASHLINK II and the STAR system. Involved financial institutions are contacted to make voucher corrections to the proper ALC or the financial institutions may provide the correct deposit ticket/debit voucher to Cash Analysis Branch to make the correction on the financial institution's behalf.

2. Portions of Cash Accounts Excluded from the Schedule of Non-Entity Government-Wide Cash: Held by Bangkok, CSSGL #20A1225, and Charleston, CSSGL 20A1226 USDOS

We noted that only a portion of the balances of FMS accounts 20A1225 and 20A1226 were included in the GWC Schedule. The balances in these accounts totaled approximately \$111 million. Of that, approximately \$79 million is not being reflected in the Schedule of Non-Entity Government-Wide Cash.

In the past, U.S. dollars balances in accounts 20A1225 and 20A1226 have not been included in the Schedule since the Charleston and Bangkok USDOS have not reported the balances in the various bank accounts and cashier offices throughout the world that make up these balances.

**Financial Management Service
Non-Entity Government-wide Cash**

Current Year Comments and Recommendations

September 30, 2008

The Governmental Accountability Office (GAO) *Standards for Internal Control in the Federal Government* states, “An integral component of an organization’s management provides reasonable assurance that the following objectives are being achieved....reliability of financial reporting. Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency’s operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.”

By not including the entire balances of accounts 20A1225 and 20A1226 in the Schedule of Non-Entity Government-wide Cash at September 30, 2008 caused the Schedule to be understated by approximately \$79 million.

Recommendation:

We recommend that FMS management work with USDOs in Charleston and Bangkok to obtain a complete accounting of the nature, amounts and locations that make up the balances in 20A1225 and 20A1226 and include these amounts in the Schedules of Non-Entity Government-wide Cash.

Management Response: Concur

A corrective action plan has not been finalized at this time. Management expects to complete a corrective action plan by March 30, 2009.

3. GOALS II/CITRIX Password History Configuration Not in Compliance with Established Policy

Although the Government Online Accounting Link II (GOALS II)/Citrix System Security Plan and the FMS IT Security Standards Manual require that information systems store a history of the last ** passwords used, we found the password history setting on GOALS II/Citrix operating system has not been configured in accordance with FMS Policy. Specifically, the password history on the GOALS II/Citrix server “SYBASEEP” has been set to record the last ***** passwords. By allowing a user the ability to use passwords too frequently increases the likelihood of a password becoming compromised.

Recommendation:

We recommend that FMS set the password history configuration on the GOALS II/Citrix “SYBASEEP” server to **.

[* - information REDACTED - FOIA EXEMPTION 2, 5 U.S.C. §552(b)(2)]

Management Response: Concur

This low risk issue was closed during fieldwork.

**Financial Management Service
Non-Entity Government-wide Cash**

Current Year Comments and Recommendations

September 30, 2008

4. User System Access Is Not Being Removed in a Timely Manner upon Separation of Employment from FMS (Repeat Condition)

Three (3) out of fifteen (15) FMS employees who separated from FMS in FY 2008 did not have their network access removed in accordance with the FMS Human Resources Division Standard Operating Procedure EXT-08-01: Employee Exit Clearance or the FMS IT Security Standards Manual.

FMS Human Resources Division Standard Operating Procedure EXT-08-01: Employee Exit Clearance states, "Upon notification of an employee's departure through the Employee Exit Clearance System, Information Resources takes necessary steps to remove FMS system access within ***** after the date of the separation/transfer."

FMS IT Security Standards Manual S-0200.25, Personnel Security Controls, section Separation from Duty states, "All accounts shall be deactivated within ***** of an individual's departure on friendly terms and immediately upon an individual's departure on unfriendly terms."

If an individual's system access is not removed in a timely manner upon their separation, these individuals continue to maintain the ability to access and/or modify, add, or delete sensitive data.

[* - information REDACTED - FOIA EXEMPTION 2, 5 U.S.C. §552(b)(2)]

Recommendation:

We recommend that FMS management remove access to all information systems within the timeframes outlined in the FMS Human Resources Division Standard Operating Procedure EXT-08-01: Employee Exit Clearance and the FMS IT Security Standards Manual.

Management Response: Concur

NFR Number GWC-IT-2008-01 identifies three (3) former FMS employees that did not have their system access removed in a timely manner. One employee cited was processed through the old exit clearance process prior to new procedures being implemented in March 2008. The circumstances surrounding the separations of the other two employees were complicated and unique. FMS continues to ensure that access to all information systems is removed in a timely manner as detailed below:

- Compliance with the revised Exit Clearance SOP is being monitored on a weekly basis by the Manager, HR Operations and Systems Branch (HROSB) and the Deputy Director, Human Resources Division. The HROSB Manager is providing weekly reports to the Deputy Director summarizing all separations (FMS-wide) entered into the Exit Clearance System. The summary includes: a list of all separating employees, effective date of the separation, date the separation was entered into the Exit Clearance System, and the name of the HR Specialist (or Assistant) that entered the separation into the Exit Clearance System.

**Financial Management Service
Non-Entity Government-wide Cash**

Current Year Comments and Recommendations

September 30, 2008

- The HR Systems and Processing Team Leader is also monitoring personnel actions as they are being processed to ensure the Servicing HR Specialist is entering a corresponding action into the Exit Clearance System timely.
- As a further “check and balance,” a member of the HR Systems and Processing Team runs daily reports of all pending and processed actions in HR Connect to verify that a corresponding request has been entered into the Exit Clearance System for every separation.

To underscore FMS’ commitment to addressing this finding, the Deputy HR Director will provide a weekly report to the Assistant Commissioner (and CFO), Management detailing all pending FMS separations and the date the separation was entered into the Exit Clearance system.

5. Interconnection Security Agreements (ISA) Were Not in Place for Several CA\$HLINK II System Interconnections (Repeat Condition)

In FY 2008, FMS completed corrective actions to implement an MOU (Memorandum of Understanding) and/or ISA (Interconnection Security Agreement) for the CA\$HLINK II application’s external connections. However, the MOU for the CA\$HLINK II external connection to Commodity Credit Corporation (CCC) has expired and an MOU for the interconnection with the Fifth Third Bank is not in place.

The Financial Management Service (FMS) Information Technology Standards Manual states, “FMS’s Information Services Directorate develops Memorandums of Understanding (MOUs) and Interconnection Security Agreements (ISAs) for all direct connections to the Enterprise System. MOUs and ISAs are valid for three years from the date of the last signature on the document and are reviewed annually.”

The National Institute of Standard and Technology Special Publication 800-47 *Security Guide for Interconnecting Information Technology Systems* provides a management approach for interconnecting IT systems, with an emphasis on security. The document recommends development of an Interconnection Security Agreement (ISA) and a Memorandum of Understanding (MOU). The ISA specifies the technical and security requirements of the interconnection and the MOU defines the responsibilities of the participating organizations.

**Financial Management Service
Non-Entity Government-wide Cash**

Current Year Comments and Recommendations

September 30, 2008

FMS management is developing policies and procedures to identify interconnections and interfaces to external information systems, document each interface and interconnection in the system's security plan, and to develop an MOU and ISA for these interfaces and interconnections. This activity is being tracked as a Plan of Action and Milestone by FMS management. However, the lack of an official record that documents interfaces with systems external to FMS could create inaccurate expectations, responsibilities and weak security protections between both parties in the connection.

Recommendation:

We recommend that management continue to monitor the process to ensure that MOUs and ISAs are put in place for all interconnections with the CASHLINK II application, including the Fifth Third Bank.

Management Response: Partially Concur

FMS notified our point of contact (POC) at the Commodity Credit Corporation (CCC) that our MOU and ISA were expiring. We provided updated templates for their review and signature. Shortly thereafter, CCC notified FMS that the CCC POC had passed away, thereby causing a delay in executing the agreements. Another individual assumed the responsibility of putting the agreements through the review process at CCC. After several e-mails to check on the status, CCC has notified FMS that the agreements have been completed and are ready for signature. FMS has done due diligence in making sure the agreements are executed but ultimately cannot control the other party to the agreement. Although we recognize the agreement was not signed by September 30, 2008, we do not agree that this issue should be a finding for FMS. Our process is solid and successful for the portion within our control.

PNC Bank has been working with Fifth-Third Bank on an MOU and an ISA for a connection for another FMS application, unrelated to Ca\$hlink II. This caused confusion at PNC Bank on the status of the agreement required for Ca\$hlink II. The confusion has been resolved and the agreement is now signed.