

OFFICE OF INSPECTOR GENERAL

Audit Report

**Audit of the Business Process Controls in the
Financial Management Integrated System**

**Report No. 14-10
August 01, 2014**



RAILROAD RETIREMENT BOARD

EXECUTIVE SUMMARY

The Railroad Retirement Board, Office of Inspector General conducted an audit to assess the adequacy of the selected business process controls in the Financial Management Integrated System (FMIS) for the financial management activities of budget formulation and execution, general ledger, and reporting.

Key Findings

We determined that a significant deficiency exists for the business process controls in FMIS based on our audit findings, which are summarized below.¹

- The selected business process controls for the financial management activities in the general ledger were not operating and effective for the preparation and approval process for accounting transactions. We identified 34 accounting transaction errors, which were not considered valid or confidential for the selected controls. Twenty four of those transactions, totaling approximately \$1.6 billion, had partial or no supporting documentation, making their financial recording questionable. We estimated that there are 197 accounting transaction errors in the universe of accounting transactions prepared by the Bureau of Fiscal Operations (BFO) from October 2013 through March 2014 (see Appendices I through III for more information).
- BFO had not clearly documented or maintained policies and procedures for FMIS transaction processing. They had also not been updated to incorporate changes that have taken place since FMIS became operational.
- Transactions were modified by the Financial Systems Manager contrary to BFO policy and FMIS security profiles were not always appropriate.

Key Recommendations

To address the identified weaknesses, we recommend that BFO:

- improve controls to ensure the validity of the transaction by attaching sufficient supporting documentation in FMIS;
- develop policies and procedures specific for FMIS and update current ones to incorporate FMIS;
- update the BFO Accounting Procedures Guide to document the policy prohibiting administrators of BFO systems from entering, approving, or modifying FMIS transactions; and

¹ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- review and revise FMIS security roles to ensure that the principles of segregation of duties is established and to ensure that only authorized personnel can initiate and view appropriate transactions.

Management Responses

The Bureau of Fiscal Operations concurred with these recommendations.

The full text of agency management's response is included in this report as Appendix IV.

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INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit of the business process controls in the Financial Management Integrated System (FMIS).

Background

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. The RRB paid \$11.7 billion in retirement/survivor benefits and \$84.5 million in unemployment and sickness insurance benefits during fiscal year (FY) 2013.

The RRB uses its financial management system to record financial transactions to support the preparation and reporting of the agency's annual financial statements, which includes the Balance Sheet and the Statements of Net Cost, Changes in Net Position, and Budgetary Resources. In October 2013, the RRB transitioned from an older financial management system, the Federal Financial System (FFS), to FMIS.

FMIS has various types of controls, including business process controls, which are the automated and manual controls applied to business transaction flows and relate to the completeness, accuracy, validity, and confidentiality of transactions and data during processing. FMIS contains components for budget formulation and execution, general ledger, medical exams and consulting opinions, procurement, accounts payable, accounts receivable, and reporting. The Bureau of Fiscal Operations (BFO) is responsible for FMIS, which was developed by a third-party contractor.

Guidance for information system control audits conducted in accordance with generally accepted government auditing standards is provided in the Government Accountability Office's (GAO) *Federal Information System Controls Audit Manual* (FISCAM), which identifies the four critical elements of business process controls as the following:

- transaction data input is complete, accurate, valid, and confidential;
- transaction data processing is complete, accurate, valid, and confidential;
- transaction data output is complete, accurate, valid, and confidential; and
- master data setup and maintenance is adequately controlled.

This audit directly supports the OIG's understanding of the FMIS business process controls related to the mandated annual financial statement audit.

Audit Objective

The audit objective was to assess the adequacy of selected business process controls in FMIS for the financial management activities of budget formulation and execution, general ledger, and reporting.

Scope

The scope of the audit was the FMIS business process controls for October 2013 through March 2014.

A limitation on the scope of our audit procedures occurred regarding the Statement of Budgetary Resources, which we were unable to audit because it was not prepared by BFO during our scope period. Another scope limitation was the accounting transactions that BFO prepares and records in FMIS for the National Railroad Retirement Investment Trust (NRRIT) which we could not audit due to the provisions provided in the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90). Under that law, the NRRIT is not a department, agency or instrumentality of the Government of the United States and therefore is exempt from compliance with Title 31, United States Code which governs the monetary and financial operations of the Federal government. The law requires that the NRRIT annually engage an independent, qualified public accountant to audit its financial statements. As such, NRRIT transactions that were selected in our random samples were replaced with other transactions (see Appendices I through III for additional information).

Methodology

To accomplish the audit objective, we:

- identified applicable FISCAM criteria and other guidance;
- reviewed agency policies and procedures;
- interviewed agency staff;
- conducted walkthroughs;
- identified and tested FMIS business process controls; and
- tested a random sample of accounting and budgetary transactions recorded in the general ledger to determine whether the controls over voucher preparation and the review and approval process are operating and effective.

To assess the reliability of the FMIS data, we:

- compared data elements in FMIS with the corresponding data in FFS from the prior year, and the United States Standard General Ledger;
- compared FY 2014 FMIS beginning balances with FY 2013 FFS ending balances;
- reviewed the completeness of transaction information;
- conducted interviews with financial management personnel regarding data integrity; and
- tested the accuracy of document numbers in FMIS.

We determined that the FMIS data was sufficiently reliable for the purposes of this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. Except for the scope limitations described on the previous page, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork at RRB headquarters in Chicago, Illinois from January 2014 through May 2014.

RESULTS OF AUDIT

Our audit determined that the business process controls in FMIS for the financial management activities of budget formulation and execution, and reporting for the financial statements are operating and effective. However, the business process controls for the financial management activities of general ledger transaction preparation and the approval process are not operating or effective for accounting transactions.

We determined that a significant deficiency exists for the business process controls in FMIS.² Our random sample, designed to test whether controls over accounting and budgetary transaction preparation and the approval process are operating and effective, identified 34 accounting transaction errors, 24 of which affect financial reporting validity due to partial supporting documentation or no supporting documentation (see Appendix I and II for details). We estimated that there could be 197 accounting transaction errors in the universe of accounting transactions for the period of October 1, 2013 through March 31, 2014 (see Appendix III for details).

We also found that:

- personally identifiable information (PII) had not been redacted on two attachments provided in FMIS;
- one transaction did not provide an audit trail;
- BFO policies and procedures regarding FMIS have not been documented or are not clearly documented and maintained;
- five transactions were modified by the Financial Systems Manager; and
- FMIS security access profiles need to be reviewed and revised.

The assessments provided above are in correlation with the four critical elements of the FISCAM business process controls:

- transaction data input which includes supporting documentation was accurate and complete, but not always valid or confidential;
- transaction data processing was accurate, valid, complete and confidential;
- transaction data output which includes financial statements was accurate, valid, and confidential, but not always complete because the Statement of Budgetary Resources was not completed prior to the end of fieldwork so we were not able to provide an assessment with respect to the budgetary financial statement; and

² A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- master data setup and maintenance were adequately controlled, however, improvements are needed for documentation of control procedures and security profiles.

The details of the audit findings and recommendations for corrective action follow. The full text of management's responses is presented as Appendix IV in this report.

General Ledger Controls

The selected business process controls for the financial management activities in the general ledger were not operating and effective for the preparation and approval process for accounting transactions. Our review also identified a lack of an audit trail for a portion of a beginning balance.

Our random sample of 135 budgetary and accounting general ledger transactions identified 34 accounting transaction errors (25.2%) which were not considered valid or confidential for the selected controls.

- Twenty-four transactions had partial supporting documentation or no documentation which makes the financial recording questionable. These transactions totaled approximately \$1.6 billion.³ We estimated that there are 197 accounting transaction errors without adequate support in the universe (see Appendices I through III for more information).
- Eight transactions did not contain the Document Checklist that summarizes the required support as required by BFO guidance.
- Two transactions contained PII in the supporting documentation maintained in FMIS, contrary to BFO procedure.

Partial or No Supporting Documentation

Our review of FMIS transactions identified instances where the supporting documentation was inadequate or missing. Documentation for 23 transactions was inadequate and there was no support for 1 transaction. When support for this transaction was requested, BFO could not provide it. For eight other transactions, a required document checklist was missing from the support.

The GAO *Standards for Internal Control in the Federal Government* (Standards) state that internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. BFO's *Accounting Procedure Guide* (APG) requires approvers to review transactions and supporting documentation to ensure completeness and accuracy.

³ This amount represents the monetary total for the 24 transactions.

These errors occurred because BFO staff did not create or attach the proper supporting documentation in FMIS due to oversight. In addition, BFO approvers did not properly review the FMIS transactions to ensure that support was complete and accurate.

The risk of errors in FMIS financial data increases when the validity of transactions cannot be determined due to inadequate or missing support.

Recommendations

We recommend that the Bureau of Fiscal Operations:

1. improve controls to ensure the validity of the transaction by attaching sufficient supporting documentation in FMIS; and
2. improve controls so that the review and approval process ensures that the supporting documentation is complete and accurate.

Management's Response

The Bureau of Fiscal Operations concurred with these recommendations.

Personally Identifiable Information in FMIS Support

Confidentiality with regard to PII was not always protected in supporting documentation in FMIS. We found PII in the supporting attachments maintained in FMIS for two transactions.

The RRB's *Rules of Behavior for Information Technology Systems* states that access to confidential, sensitive, or PII must be restricted to authorized individuals who need it to conduct their jobs.⁴ This entails refraining from intentional disclosure and using measures to guard against accidental disclosure.

Additionally, BFO's APG states that PII on any supporting documentation should be blacked out with a marker before being scanned and attached to FMIS transactions.

The PII within these documents were not identified by the preparer due to the volume of the supporting documentation and the approver did not review the attachments thoroughly.

⁴ According to the Office of Management and Budget (OMB) "the term PII means any information about an individual maintained by an agency, including, but not limited to, education, financial transactions, medical history, and criminal or employment history and information which can be used to distinguish or trace an individual's identity, such as their name, social security number, date and place of birth, mother's maiden name, biometric records, etc., including any other personal information which is linked or linkable to an individual." OMB M-06-19 (Washington D.C.: July 12, 2006).

Because the transaction preparer neglected to redact the PII and the approver did not review attachments for PII thoroughly, anyone who has access to view FMIS attachments could view the PII and potentially use the information for unlawful purposes.

Recommendations

We recommend that the Bureau of Fiscal Operations:

3. redact the PII from the two FMIS transactions cited in this finding; and
4. strengthen controls to ensure that preparers redact all PII and approvers thoroughly review support for PII.

Management's Response

In regard to Recommendation 3, the Bureau of Fiscal Operations stated that they will redact the PII from the two FMIS transactions cited in this finding.

In regard to Recommendation 4, the Bureau of Fiscal Operations stated that they have strengthened controls regarding PII. The Bureau of Fiscal Operations stated that they issued a memorandum to Bureaus and Offices requesting that the paper documents that they provide to the Bureau of Fiscal Operations for recording transactions in FMIS should not contain PII.

No Audit Trail for Reversal

During our review of FMIS opening balances, we identified a portion of a beginning balance, approximately \$17.3 million, that wasn't supported by a journal voucher transaction. Therefore, the recorded balance in the general ledger did not include a proper audit trail.

According to BFO's APG, preparers of the affected financial statements are to post adjusting journal entries to their respective spreadsheets. The Accounting Officer will check spreadsheets to ensure entries are properly cross-footed and that cross checks are intact.

While BFO explained that this was an automatic reversal, which would not require supporting documentation, we were unable to locate any evidence that this was an automatic reversal generated by FMIS. This was also inconsistent with how a similar reversing entry was documented.

Without the proper documentation, there is no audit trail for the balances being recorded in the general ledger, increasing the likelihood of inaccuracies.

Recommendation

We recommend that the Bureau of Fiscal Operations:

5. document all changes to balances in the general ledger, excluding automatic reversals, by preparing a journal voucher with adequate support.

Management's Response

The Bureau of Fiscal Operations concurred with this recommendation.

Policies and Procedures

We found that policies and procedures for FMIS internal controls and transactions are not clearly documented or maintained by BFO.

According to GAO Standards, internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

Agency management stated that policies and procedures specific for FMIS had not been prepared, and existing ones had not been updated, due to time and personnel constraints. When we inquired about their written policies and procedures, BFO stated that the documentation could be found in an online help tool accessible through FMIS. The online help is not specific for FMIS policies and procedures for the RRB.

FMIS Procedures Need to be Documented

The RRB did not have documented policies and procedures that are tailored for FMIS transaction processing, which include:

- review and approval of errors that have been overridden;
- master data change, approval, and maintenance;
- review of processing results; and
- budgetary transactions.

Policies and Procedures Need to be Updated

We found that not all of BFO's policies and procedures have been updated to reflect the changes that have occurred since FMIS became operational.

The following written procedures still refer to FFS, and therefore, do not agree with FMIS processing:

- Dual Benefit Payments, Program Accounts Receivable, and Cancelled Check Operations reconciliations;
- Standard Voucher and Journal Voucher process from preparation through recording in FMIS;
- Instructions for Adjusting Journal Entry Worksheet and Financial Statement Checklists; and
- Opening Balances.

Management's assertions cannot be validated without documented or updated policies and procedures. Policies and procedures help to ensure effective internal controls and safeguard the integrity of financial data.

Recommendations

We recommend that the Bureau of Fiscal Operations:

6. develop policies and procedures specific for FMIS; and
7. update current policies and procedures to incorporate FMIS.

Management's Response

The Bureau of Fiscal Operations concurred with these recommendations.

Transactions Modified by Prohibited Personnel

We found that the Financial Systems Manager in BFO inappropriately modified FMIS transactions totaling approximately \$41.1 million.

According to GAO Standards, transactions and other significant events should be authorized only by persons acting within the scope of their authority. BFO policy indicates that administrators of BFO systems are prohibited from entering, approving, or modifying transactions in BFO systems.

This policy is not documented in the BFO APG. BFO explained that payroll transactions modifications were necessary when FMIS was in its initial stages and that they were made by the Financial Systems Manager.

Transactions modified by personnel that do not have those responsibilities give the appearance of impropriety and there is also an increased risk the transactions may not be properly prepared.

Recommendation

We recommend that the Bureau of Fiscal Operations:

8. update the BFO APG to document the policy prohibiting administrators of BFO systems from entering, approving, or modifying FMIS transactions.

Management's Response

The Bureau of Fiscal Operations concurred with this recommendation.

FMIS Security Profiles Need Review

Some of the current security profiles in FMIS did not follow the principles of segregation of duties or the proper execution of transactions. We identified certain FMIS security profiles that could allow:

- users to initiate and approve their own transactions because they have more than one set of access privileges;
- non-RRB employees (contractors) to initiate and view certain transactions; and
- non-BFO employees to initiate certain transactions.

According to GAO Standards, key duties and responsibilities need to be divided or segregated among different people to reduce the risk of errors or fraud. This should include separating the responsibilities for preparing and approving the transactions. No one individual should control all key aspects of a transaction or event. Transactions and other significant events should be authorized only by persons acting within the scope of their authority.

Some of the access privileges do not adhere to the necessary internal controls because they were not reviewed for these principles when the security profiles were established in FMIS. The security profiles in FMIS were created based on the access privileges that existed in FFS when the systems transition took place. In addition, we were informed that access privileges set up for FMIS test purposes may not have been updated when those privileges were no longer needed.

With the current security profile structure, the integrity of FMIS financial transactions, and the RRB's financial statements, could be at risk.

Recommendation

We recommend that the Bureau of Fiscal Operations:

9. review and revise FMIS security roles to ensure that the principles of segregation of duties is established and to ensure that only authorized personnel can initiate and view appropriate transactions.

Management's Response

The Bureau of Fiscal Operations concurred with this recommendation. The Bureau of Fiscal Operations stated that they will work with the third-party provider to generate a report/query suitable for review by RRB business managers to ensure that segregation of duties is established in their business organizations, and to ensure that only authorized personnel in those business organizations can initiate and view transactions.

This appendix presents the methodology and results of our non-statistical sampling to assess the adequacy of manual and automated internal controls related to the recording of accounting transactions in FMIS which includes standard vouchers (SVs) and journal vouchers (JVs).

Sample Objective

Our sampling objective is to assess the adequacy of the selected business process controls for the financial management activities in the general ledger and specifically to determine whether controls over accounting transaction preparation and the approval process are operating and effective.

Scope

The scope was SVs and JVs recorded in FMIS from October 1, 2013 through March 31, 2014. All such units in the universe were subject to selection.

Review Methodology

We used random sampling for tests of controls using a 90% confidence level and 10% tolerable rate which directed a 90 case sample. The acceptable number of deviations was one error. One error would permit the auditors to infer, with a 90% confidence level, that controls were adequate to ensure accuracy, validity, completeness, and confidentiality of processing.

Accuracy

We tested for accuracy by determining whether the correct accounts were debited/credited with the pre-defined accounting transaction (SVs only) and support documents agreed to the SVs or JVs.

Validity

We tested validity by determining if source documents adequately support the transaction. We also tested whether the transaction was prepared by the assigned preparer and approved by the designated approver and the transaction was approved by an individual other than the preparer.

Completeness

We tested for completeness by determining that the transaction was only processed once.

Confidentiality

We tested to determine if PII was visible within the transaction or corresponding support.

Results of Review

We tested the 90 randomly selected accounting transactions for the following attributes related to internal controls over transaction processing in FMIS.⁵

Business Process Controls	Tested	Non-Exceptions	Exceptions
Test attributes			
<u>Accuracy</u> <ul style="list-style-type: none"> • Correct accounts were debited/credited (SVs only) 	45	45	0
<u>Validity</u> <ul style="list-style-type: none"> • Source documents were available and/or adequate • Document Checklist included (SVs only) • Transaction was prepared by the assigned individual • Transaction was approved by the designated approver • Transaction was approved by an individual other than the preparer 	90	66	24
	45	37	8
	90	90	0
	90	90	0
	90	90	0
<u>Completeness</u> <ul style="list-style-type: none"> • Transaction is unique, only processed once 	90	90	0
<u>Confidentiality</u> <ul style="list-style-type: none"> • PII was not visible (SVs only) 	45	43	2
Total Exceptions			34

⁵ Two NRRIT transactions (fund 8118) in the original sample were replaced with two new samples; although BFO prepared accounting transactions for the fund, the OIG has no audit authority per the Railroad Retirement and Survivors' Improvement Act of 2001.

Audit Conclusion

Our evaluation of 90 accounting transactions identified 34 transactions (37.8%) where the source documents were either not available, not adequate to validate the transaction, missing the Document Checklist, or where the transaction support contained PII. As a result, we cannot conclude that the business process controls for financial management activities in the general ledger over accounting transaction preparation and the approval process are operating and effective.

Of the 34 exceptions, we determined that 24 affect the validity of the financial reporting. No exceptions were identified for completeness from these tests.

Because of the number of exceptions and the nature of the weaknesses underlying the delays, we did not expand testing to determine whether a larger sample would yield a different result.

This appendix presents the methodology and results of our non-statistical sampling to assess the adequacy of manual and automated internal controls related to the recording of budgetary transactions in FMIS. Budgetary transactions include appropriations, apportionments, allotments, and reprogramming.

Sample Objective

Our sampling objective is to assess the adequacy of the selected business process controls for the financial management activities in the general ledger and specifically to determine whether controls over the budgetary transaction preparation and the approval process are operating and effective.

Scope

The scope was budgetary transactions recorded in FMIS from the October 1, 2013 through March 31, 2014. All such units in the universe were subject to selection.

Review Methodology

We used random sampling for tests of controls using a 90% confidence level and 10% tolerable rate which directed a 45 case sample. The acceptable number of deviations was one error. One error would permit the auditors to infer, with a 90% confidence level, that controls were adequate to ensure accuracy, validity, completeness, and confidentiality of processing.

Accuracy

We tested for accuracy by determining whether the correct accounts were debited/credited with the pre-defined accounting transaction and support documents agreed to standard voucher.

Validity

We tested validity by determining if source documents adequately support the transaction. We also tested whether the transaction was prepared by the assigned preparer and approved by the designated approver and the transaction was approved by an individual other than the preparer.

Completeness

We tested for completeness by determining that the transaction was only processed once.

SAMPLING METHODOLOGY AND RESULTS
BUDGETARY TRANSACTION SAMPLE TESTING

Results of Review

We tested the 45 randomly selected budgetary transactions for the following attributes related to business process controls over transaction processing in FMIS.⁶

Business Process Controls	Tested	Non- Exceptions	Exceptions
Test attributes			
<u>Accuracy</u> <ul style="list-style-type: none"> • Correct accounts were debited/credited 	45	45	0
<u>Validity</u> <ul style="list-style-type: none"> • Source documents were available and/or adequate • Document Checklist not included • Transaction was prepared by the assigned individual • Transaction was approved by the designated approver • Transaction was approved by an individual other than the preparer 	45 NA 45 45 45	45 45 45 45 45	0 0 0 0 0
<u>Completeness</u> <ul style="list-style-type: none"> • Transaction is unique, only processed once 	45	45	0
<u>Confidentiality</u> <ul style="list-style-type: none"> • PII was not visible 	NA		
Total Exceptions			0

Audit Conclusion

Our evaluation of 45 budgetary transactions did not identify any exceptions. As a result, we can conclude that the business process controls for financial management activities in the general ledger over budgetary transaction preparation and the approval process are operating and effective.

⁶ Two NRRIT transactions (fund 8118) in the original sample were replaced with two new samples; although BFO prepared accounting transactions for the fund, the OIG has no audit authority per the Railroad Retirement and Survivors' Improvement Act of 2001.

ESTIMATED IMPACT OF SUPPORTING
DOCUMENTATION ERRORS

The table below shows the estimated impact of supporting documentation errors. There was a universe of 1,142 accounting and budgetary transactions. The accounting transaction error rate was 17.8% (24/135) for supporting documentation errors.

NRRIT transactions were part of the universe, but not included in our testing. We replaced four NRRIT transactions encountered in our sample. In order to get an accurate projection, we estimated the number of NRRIT transactions in the universe and subtracted them from our calculations. When projected to the universe, there would be 197 supporting documentation error transactions in the universe (1,108 x 17.8%).

Transaction Type	Accounting Transactions		Budgetary	Total
	SVs	JVs		
Universe	451	326	365	1,142
Sample Size	45	45	45	135
NRRIT transactions in sample	1	1	2	4
% of NRRIT transactions in sample			4/135	3.0%
Projected number of NRRIT transactions in the universe		1,142 x 3.0%		34
Universe less NRRIT transactions			1,142-34	1,108
% of supporting documentation errors in sample			24/135	17.8%
Projected errors per universe less NRRIT transactions		1,108 x 17.8%		197

We did not project any monetary impact due to the variability of the errors identified.



UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115f (1-92)
 RAILROAD RETIREMENT BOARD

July 31, 2014

TO : Daniel Eckert
 Acting Assistant Inspector General for Audit

FROM : George V. Govan
 Chief Financial Officer

SUBJECT: Draft Report – Audit of the Business Process Controls in the
 Financial Management Integrated System

This is in response to your request for comments on the above draft audit report. Following are my comments on recommendations addressed to the Bureau of Fiscal Operations.

We recommend that the Bureau of Fiscal Operations:

- 1. improve controls to ensure the validity of the transaction by attaching sufficient supporting documentation in FMIS.***

We concur. We will improve controls to ensure the validity of the transaction by attaching sufficient supporting documentation in FMIS.

Target Completion Date: December 2014

- 2. improve controls so that the review and approval process ensures that the supporting documentation is complete and accurate.***

We concur. We will improve controls so that the review and approval process ensures that the supporting documentation is complete and accurate.

Target Completion Date: December 2014

- 3. redact the PII from the two FMIS transactions cited in this finding.***

We concur. We will redact the PII from the two FMIS transactions cited in this finding.

4. *strengthen controls to ensure that preparers redact all PII and approvers thoroughly review support for PII.*

We have strengthened controls regarding PII. On July 14, 2014, I sent a memorandum to Bureaus and Offices requesting that the paper documents that they provide BFO for recording transactions in FMIS should not contain any PII.

5. *document all changes to balances in the general ledger, excluding automatic reversals, by preparing a journal voucher with adequate support.*

We concur. We will document all changes to balances in the general ledger, excluding automatic reversals, by preparing a journal voucher with adequate support.

Target Completion Date: December 2014

6. *develop policies and procedures specific for FMIS.*

We concur. We will develop policies and procedures specific for FMIS.

Target Completion Date: February 2015

7. *update current policies and procedures to incorporate FMIS.*

We concur. We will update current policies and procedures to incorporate FMIS.

Target Completion Date: February 2015

8. *update the BFO Accounting Procedures Guide to document the policy prohibiting administrators of BFO systems from entering, approving, or modifying FMIS transactions.*

We concur. We will update the BFO Accounting Procedures Guide to document the policy prohibiting administrators of BFO systems from entering, approving, or modifying FMIS transactions.

Target Completion Date: August 2014

9. *review and revise FMIS security roles to ensure that the principles of segregation of duties is established and to ensure that only authorized personnel can initiate and view appropriate transactions.*

We concur. BFO will work with CGI to generate a report/query suitable for review by RRB business managers to ensure that segregation of duties is established in their business organizations, and to ensure that only authorized personnel in those business organizations can initiate and view transactions.

Target Completion Date: October 31, 2014

If there is any additional information you need, please advise me.

cc: Tom McCarthy, Chief of TADS
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