Office of Inspector General
Corporation for National and Community Service

AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S
FISCAL YEAR 2004 FINANCIAL STATEMENTS
MANAGEMENT LETTER

Audit Report Number 05-02
October 29, 2004

Corporation for
NATIONAL & COMMUNITY SERVICE

Prepared by:

COTTON & COMPANY LLP
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Alexandria, Virginia 22314

This report was issued to Corporation management on December 23, 2004. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than June 23, 2005, and complete its corrective actions by December 23, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service

Independent Audit of the Corporation for National and Community Service's Fiscal Year 2004 Financial Statements – Management Letter Audit Report 05-02

Introduction

In accordance with the Government Corporation Control Act (31 U.S.C. §§ 9101-10), the Office of Inspector General (OIG) engaged Cotton and Company LLP to audit the Corporation for National and Community Service's Fiscal Year 2004 financial statements. Their audit, conducted in accordance with government auditing standards, resulted in an unqualified opinion on the Corporation's financial statements. Audit Report 05-01, *Audit of the Corporation for National and Community Service's Fiscal Year 2004 Financial Statements*, describes the basis for the opinion as well as a reportable condition: the Corporation's monitoring of grantee activities. This reportable condition was not considered to be a material weakness.

During the engagement, the auditors also noted certain matters involving the control over financial reporting and other operational matters that were not considered material weaknesses or reportable conditions. This Management Letter discusses these matters and includes recommendations for corrective action.

The contract required that the audit be done in accordance with generally accepted government auditing standards. In compliance with our statutory responsibilities, we reviewed Cotton & Company's reports and related audit documentation, interviewed their representatives, and performed other procedures to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review of cotton & Company's work was not intended to enable us to express, and we do not express, opinions on the Corporation's financial statements or on conclusions on compliance with laws and regulations. Cotton & Company is responsible for the enclosed reports and the conclusions expressed therein. However, our review disclosed no instances where Cotton & Company did not comply, in all material respects, with generally accepted government auditing standards.

We provided a draft of this report to the Corporation for review and comment. The Corporation's response is included as Appendix A. In its response, the Corporation agreed with the recommendations and stated that corrective action has been completed on many of the matters.

COTTON & COMPANY LLP
auditors • advisors

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Inspector General
Board of Directors
Corporation for National and Community Service

INDEPENDENT AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S FISCAL YEAR 2004 FINANCIAL STATEMENTS

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the Corporation for National and Community Service as of and for the year ended September 30, 2004, we considered the Corporation's internal control to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During the audit, however, we became aware of several matters that present opportunities for strengthening internal control and operating efficiency. We previously reported on the Corporation's internal control in our report dated October 29, 2004. This letter does not affect our report on the financial statements of the Corporation dated October 29, 2004.

We will review the status of these comments during our next audit of the Corporation's financial statements. We have already discussed many of these comments and suggestions with the Office of the Inspector General and Corporation staff, and we will be pleased to discuss these comments in further detail at your convenience. Our comments and recommendations are attached.

We would like to express our appreciation to Corporation representatives who assisted us in completing our audit. They were always courteous, helpful, and professional.

Very truly yours,

COTTON & COMPANY LLP

Alan Rosenthal, CPA
Partner

October 29, 2004
Alexandria, Virginia

established 1984

INDEPENDENT AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S FISCAL YEAR 2004 FINANCIAL STATEMENTS

MANAGEMENT LETTER

Cotton & Company LLP conducted the Fiscal Year (FY) 2004 financial statements audit of the Corporation for National and Community Service. During the audit, we became aware of several matters that present opportunities for strengthening internal control and operating efficiency. These matters are discussed in this management letter in the following categories:

- Grants Management
- National Service Trust
- Accounts Receivable and Debt Collection
- Human Resources and Payroll
- Vendor Payments
- General Electronic Data Processing Controls
- Property

A. GRANTS MANAGEMENT

A.1. Office of Management and Budget (OMB) Circular A-133 audit findings and their resolution are not adequately documented in the A-133 tracking database.

The Corporation reviews the Federal Audit Clearinghouse (FAC) database during the award approval process to determine if grantees submitted audit reports to FAC in accordance with OMB Circular A-133 and to determine if any findings noted relate to the Corporation.

Our review of the A-133 tracking database maintained by the Corporation indicated that the follow-up and resolution of audit findings is not consistently documented in the database. Further, existing data entries lack adequate supporting documentation. Without this information, we are unable to verify the timeliness of audit resolution.

To ensure that grantee internal control weaknesses and noncompliance issues are identified and properly resolved in a timely manner, we recommend that the Corporation ensure that FAC reviews occur on a timely basis to identify whether weaknesses and compliance problems are noted for grantees prior to the award of grant funding. We recommend that personnel responsible for resolution and closure follow up with grantees to ensure that exceptions are corrected promptly. This information should be accurately transcribed into the FAC database, and documentation to support this information must be maintained.

A.2. Grant closeout procedures do not ensure that projects are closed in a timely manner.

The Corporation has several policies regarding grant closeout. We noted, however, that effective communication among grant managers, grant specialists, and grantees does not always occur. Corporation personnel attempt to accommodate grantees, which sometimes results in grant closeouts not being performed in accordance with the Corporation's policies for timeliness. A principal cause is the failure by grantees to submit final Financial Status Reports (FSRs) within the allotted 90-day period following the end of the grant period.

We reviewed a sample of 45 closed grant files and noted that 10 files were not closed within 180 days following the end of the grant period. Of these 10 files, 5 were attributed to grantees failing to submit their closeout documents within the allotted 90-day period.

Inconsistent closeout procedures place the Corporation at risk of not identifying amounts advanced to grantees that should be returned to the Corporation. Furthermore, inconsistent closeout procedures prevent the Corporation from making timely adjustments to financial statements, if necessary.

We recommend that the Corporation develop a consistent method of identifying expired grants and enforce timely administrative closeout of these grants. Further, we recommend that the Corporation develop timelines for Service Center staff to request required documentation before the expiration date to ensure that grants are closed out in a timely manner. Also, we recommend that the Corporation communicate the importance of semiannual FSRs to applicable grantees and perform follow-up procedures when grantees are late.

A.3. Member files did not always contain required documents.

During our review of member files, we requested 45 samples. Our sample encompassed all AmeriCorps programs, consisting of AmeriCorps State, AmeriCorps National, National Civilian Community Corps (NCCC), and VISTA. Of the 43 provided, seven samples did not have proper enrollment forms, and eight did not have proper exit forms. Additionally, four of the 31 AmeriCorps State and National samples did not have time sheets. During member file testing we noted a lack of documentation of proof of citizenship and age eligibility in a number of instances.

We recommend that the Corporation develop policy guidelines that comply with established regulations for adequate proof of citizenship and age eligibility for NCCC and VISTA. Further, we recommend that the Corporation reinforce its policy and guidance to ensure that member files contain all such documents for all programs.

A.4. Member enrollment and end-of-term forms are not always processed in a timely manner.

We reviewed a download of e-SPAN data as of June 30, 2004. This data contained 28,131 members who had completed program requirements during FY 2003 and FY 2004. Of these members, 7,216 were not exited within 30 days of program completion. Further, it was noted that of 43 members (from the files reviewed in A.3. above) who completed programs during FY 2003 and FY 2004, 19 members were not enrolled within 30 days of starting service.

Delays in processing member enrollment/exit information could affect the calculation of the National Service Trust Award Liability and related expenses.

We recommend that the Corporation coordinate with Grants Management and Program Offices to reemphasize the importance of timely processing member exit information within the allotted 30-day period following a member's completion of service.

B. NATIONAL SERVICE TRUST

B.1. Interest forbearance procedures are not always followed.

Corporation policies require that interest forbearance payments over $5,000 be approved by the Supervisor of the Trust. Ten payments of more than $5,000 were made during FY 2004. The Supervisor of the Trust did not approve four of these payments.

We recommend that the Corporation reemphasize the importance of following this approval policy and periodically conduct reviews of data to ensure that all interest forbearance requests of more than $5,000 are verified and approved before payment.

B.2. Trust disbursement procedures are inconsistent.

Trust disbursement procedures for payments to educational institutions require that payments in excess of $1,500 be made in two separate amounts. The first payment should be made when course work begins and the second payment should be made halfway through the semester. It was noted in four out of six instances tested that when no dates were provided, payments were made in one lump sum.

We recommend that the Corporation modify the current standard operating procedure to include a procedure on how to process a payment when the institution does not provide adequate information regarding start and mid-point dates.

B.3. VISTA member partial awards are inconsistent.

A review of e-SPAN found one VISTA member and one non-VISTA member received awards without completing the minimum hours of service required to be eligible for a partial award.

We recommend that Trust personnel coordinate efforts with the Office of Information Technology (OIT) to correct the deficiency in e-SPAN that allowed this condition to occur.

C. ACCOUNTS RECEIVABLE AND DEBT COLLECTION

C.1. Debt collection activities are inconsistently conducted.

Debt collection activities are not consistently conducted in accordance with Corporation policies and procedures. In three out of 15 delinquent receivables tested, delinquencies aged more than 60 days were not forwarded to Accounting and Financial Management Services for further collection efforts in a timely manner. We also noted that all requested files could not be produced. Of the files reviewed, one was missing the cost share authorization, and two had not been invoiced.

We recommend that the Corporation review and emphasize debt collection policies to Corporation staff and implement monitoring procedures to ensure that policies are followed. Those procedures should be enforced to ensure that files are properly maintained.

D. HUMAN RESOURCES AND PAYROLL

D.1. Overtime was not always approved in writing.

We reviewed employee time sheets and noted that overtime was recorded without advance written approval in three instances. We verified the policy requiring advance written approval of overtime with the Office of Human Resources. This policy is not clearly documented or correctly applied. Although an overtime approval form does exist, it is not consistently used. Failure to attach this form to time sheets limits the monitoring abilities of the timekeeper. Unapproved overtime may be misused by employees and may not be budgeted for by supervisors.

We recommend the Corporation clearly document and distribute its advance written approval policy for overtime and allow timekeepers to reject employee time sheets without proper attachments.

E. VENDOR PAYMENTS

E.1. Vendor payments are not always disbursed in a timely manner.

During the review of procurements, we found disbursements that were paid in excess of 30 days. The Corporation appropriately included interest when disbursing these late payments, which prevented violations of the Prompt Payment Act. One reason for the delay is that certain contracts have to be verified by several offices to ensure that goods and/or services have been provided before vendor payments are made.

We recommend that the Corporation place stricter controls over responsible offices, reemphasize the importance of timely payments, investigate offices with delinquent payments, and resolve bottlenecks in the disbursement process.

F. GENERAL ELECTRONIC DATA PROCESSING CONTROLS REVIEW

F.1. Certain general controls on information security are weak.

As part of the FY 2004 audit, we reviewed controls over systems that process and report information in support of the Corporation's annual financial statements. We also reviewed network access controls used to secure and safeguard financial information traveling over the Corporation's network. This review was conducted under the guidelines of the Government Accountability Office's (GAO) *Federal Information Systems Control Audit Manual* (FISCAM).

The systems included in our audit were:

- Windows NT and 2000 servers (network);
- Momentum Financial System;
- eSPAN; and
- eGrants.

For our audit we relied on special publications and guidelines developed by the National Institute of Standards and Technology (NIST); guidelines developed by the National Security Agency (NSA); guidelines from the Center for Internet Security (CIS); and OMB Circular A-130 (Appendix III).

In conducting our review of internal control over information technology (IT), we reviewed controls in the following FISCAM categories:

- Entity-wide security program planning and management;
- Access controls;
- Application software development and program change controls;
- System software controls;
- Segregation-of-duty controls; and
- Service continuity controls.

Within these six review areas, we noted three conditions, as detailed below, in which the information security general control environment could be improved. The Corporation often has good security practices in place, but it does not have formal, documented policies and procedures in place for all practices. We found that technical configuration control weaknesses exist in both the network operating system and the eSPAN/eGrants database. These technical control deficiencies within the general support system and major applications weaken controls within financial applications. These weaknesses also

reduce the reliability, integrity, and confidentiality of the financial data used to prepare the Corporation's financial statements. More specifically, we noted the following three conditions:

1. The current Windows 2000 domain controllers and a Windows NT member server supporting the eSPAN/eGrants system are not configured in compliance with NIST, NSA, and other Federal regulations. The OIT has not created a minimally acceptable baseline configuration for server operating systems. While many of the vulnerabilities identified in previous audits have been addressed, the remaining weaknesses represent a moderate risk to the Corporation.

2. The Oracle 8i database supporting the eSPAN and eGrants systems is not configured in compliance with Federal guidance from CIS, NIST, and NSA. During the audit, high-risk vulnerabilities were promptly addressed by Corporation management, but the current configuration still represents a moderate risk. Additionally, OIT has not created a minimally acceptable baseline configuration for the Oracle database management system.

3. Documentation of policies, procedures, and standards is not in place for some areas, including:

    a. Rules of behavior for the network and major applications.
    b. The Program manager sign-off requirements to approve system use within certification and accreditation packages.
    c. Account reviews for all systems.
    d. Corporation draft policy on Systems Development Life Cycle should be finalized, approved and distributed to OIT personnel.
    e. Policies prohibiting eating and drinking in the computer room.
    f. Segregation of incompatible duties for both IT administrative functions and financial data management. Documented job descriptions do not accurately reflect assigned duties, responsibilities, and segregation of duties.
    g. Job rotation or mandatory vacation for key IT personnel.
    h. Technical training requirements for IT personnel.
    i. Employee participation in the Corporation's security awareness program.

To correct the above issues, we recommend that the Corporation's Office of Information Technology (OIT):

1. Review deficiencies in the Windows 2000 server configurations and take corrective actions to ensure that the configuration is consistent with NIST and NSA guidelines. To correct the Windows NT deficiencies, we recommend that OIT complete its efforts to fully migrate from Windows NT to Windows 2000. Also, OIT should create minimally acceptable baseline configurations for all server operating systems that adequately address security and comply with Federal guidance.

2. Review deficiencies in the Oracle 8i database configurations. Continue with the planned upgrade of the database to Oracle 9i. Ensure that technical guidance for Federal systems, such as the CIS Benchmark, is followed during and after implementation of the new version of Oracle. Also, OIT should create a minimally acceptable baseline configuration for the Oracle database management system that adequately addresses security and complies with Federal guidance.

3. Document policies, procedures, and standards as follows:

    a. Continue current efforts to document rules of behavior that apply to all systems. Ensure that all users read and agree to the rules of behavior.

b. Continue the current certification and accreditation process. Ensure that the system owners and program managers officially acknowledge the residual operating risks and accept the risks of having the particular system in production.
c. Develop fully documented procedures for the methodology and frequency of account reviews for the network platforms and financial applications currently conducted by OIT.
d. Continue efforts to improve the SDLC methodology. Ensure that the changes made to the document are approved by senior management and are distributed to affected personnel for implementation.
e. Develop a policy that prohibits potentially risky behavior in the computer room, including eating and drinking.
f. Document the policy and procedures for segregation of incompatible duties. These procedures should include reviews for incompatible permissions in all major systems. The policy should detail required steps for the initial creation of accounts, and should require account reviews at regularly scheduled intervals.
g. Create job rotation or mandatory vacation requirements to ensure that critical duties are performed by more than one person.
h. Create a training plan for key IT personnel. Ensure that system administrators and security personnel have sufficient and current training on systems for which they are responsible. Ensure that training is part of the implementation plan for new and updated systems.
i. Create policy and procedures to ensure that all system users participate in the Corporation's security awareness training program. Active tracking and monitoring of participation is required to ensure all users participate.

G. PROPERTY

G.1. Property records between Headquarters and Service Centers do not always agree.

During site visit testing of property at the Southwest and Pacific Service Centers, we noted discrepancies between the inventory lists provided by Headquarters and by the Service Centers. Property custodians are not aware of all responsibilities associated with property maintenance.

We recommend that the Corporation coordinate property custodian activities and ensure that employees review Corporation Policy Number 500 regarding property management.

STATUS OF PRIOR-YEAR MANAGEMENT LETTER COMMENTS

Fiscal Year 2003 Management Letter Comment	Fiscal Year 2004 Status
A.1 Oversight of OMB Circular A-133 reporting/audit findings are not resolved in a timely manner.	This issue remains open.
A.2 Grant closeout procedures do not ensure that projects are closed in a timely manner.	This issue remains open.
B.1 The process of reviewing Web-Based Reporting System (WBRS) Reconciliation Reports should be strengthened.	Management has fully implemented corrective actions to address this issue. This issue is closed.
B.2 Member end-of-term forms are not always processed in a timely manner.	This issue remains open.

Fiscal Year 2003 Management Letter Comment	Fiscal Year 2004 Status
B.3 Interest forbearance procedures are not always followed.	This issue remains open.
B.4 Trust investment reconciliations are not performed in a timely manner.	Management has fully implemented corrective actions to address this issue. This issue is closed.
B.5 National Service Trust disbursements were late.	Management has fully implemented corrective actions to address this issue. This issue is closed.
C.1 VISTA receivables of $30 or less are directly written off.	Management has fully implemented corrective actions to address this issue. This issue is closed.
C.2 Debt collection activities are inconsistently conducted.	This issue is reported as C.1 this year and remains open.
C.3 Cost-share agreements are not reconciled in a timely manner, and discrepancies exist between eSPAN and Momentum.	Management has fully implemented corrective actions to address this issue. This issue is closed.
D.1 Overtime was not always approved in writing.	This issue remains open.
D.2. Controls over time sheet reporting are weak in some instances.	Management has fully implemented corrective actions to address this issue. This issue is closed.
E.1 Vendor payments are not always disbursed in a timely manner.	This issue remains open.
F.1 Certain general controls on information security are weak.	This issue remains open; however, several of the high-risk items identified in FY 2003 have been corrected. Some less significant conditions were noted during the FY 2004 review.

APPENDIX A

CORPORATION RESPONSE

CORPORATION
FOR NATIONAL
AND
COMMUNITY
SERVICE

MEMORANDUM

Date: December 20, 2004

To: Carol Bates, Acting Inspector General

From: Bill Anderson, Deputy CFO for Financial Management

Subject: Comments on Management Letter

Thank you for the opportunity to comment on the draft management letter on the results of your audit of the Corporation's fiscal 2004 financial statements. The Corporation is pleased that it continues to receive a clean opinion on its financial statements and that the audit found continued improvement in our internal controls. The management letter recommends several areas for further improvement. The Corporation's response to each recommendation is outlined below. In addition, the Corporation has completed action on seven of the 14 recommendations included in the report; therefore, this response serves as notice of final action for those items.

Corporation Comments

Finding A.1 – OMB Circular A-133 audit documentation. The audit recommends that the Corporation: ensure that FAC reviews occur on a timely basis; follows up with grantees to ensure that exceptions are corrected promptly; accurately transcribes data into the FAC database; and maintains supporting documentation.

Corporation Response – As the audit noted, Corporation grants staff in the service centers and at headquarters review the Federal Audit Clearinghouse (FAC) prior to the award of grant funding to identify weaknesses and compliance problems noted in the A-133 audit, if any. If the FAC review discloses findings grants management specialists note the status of corrective action. This review is documented on the grants officer certification form. However, we agree that documentation of corrective action is not always maintained consistently in the Corporation's A-133 audit resolution database. We will bring the grants management specialists together for training on the use and documentation requirements for the Corporation's A-133 audit resolution process. The training will be conducted in conjunction with one of the upcoming Grants Management certification classes that we are conducting in the spring or summer of 2005.

Finding A.2 – Grant closeout procedures. The audit recommends that the Corporation develop a consistent method of identifying expired grants; enforce timely administrative closeout of grants; communicate the importance of semiannual FSRs to applicable grantees; and perform follow-up procedures when grantees are late.

Corporation Response – The Corporation has implemented a consistent method of identifying expired grants, but needs to implement additional controls to ensure grantees submit closeout documents on time and accurately. We are modifying the closeout processes in eGrants to send automatic notifications to grantees 30 days before their grant expires instructing them on the steps for closeout and informing them that their FSRs must be submitted within 90 days of the expiration date of the grant. Grantees will be informed that access to their accounts at HHS may be denied if their reports are late. eGrants will send a series of reminders to grants staff and grantees to make sure they are aware of upcoming deadlines.

In addition, the Corporation is preparing an instructional document on the closeout process that instructs grantees on how to reconcile their records and reports and update the HHS Payment Management System to facilitate the closeout process. These new processes and follow-up procedures should ensure that the Corporation tracks the closeout process effectively and closeouts are not delayed because of grantee reporting delinquencies. The eGrants enhancements are scheduled to be completed by March 2005 and the instructional document will be disseminated to the field by June 2005.

Finding A.3 – Member file documentation. The audit recommends that the Corporation develop policy guidelines that comply with established regulations for adequate proof of citizenship and age eligibility for NCCC and VISTA and reinforce its policy and guidance to ensure that member files contain all such documents for all programs.

Corporation Response – The Corporation will reinforce its policy and provide guidance to grantees, NCCC and VISTA staff to ensure that member files properly document eligibility.

Finding A.4 – Member enrollment and end-of-term form processing. The audit recommends that the Corporation reemphasize the importance of timely processing member exit information within the allotted 30-day period following a member's completion of service.

Corporation Response – The Corporation recently reemphasized with its grantees, state offices and sponsors the importance of timely processing of member exit information. In addition, the Corporation will regularly review performance in this area to ensure compliance with the requirement. [Final Action Completed]

Finding B.1 – Interest forbearance procedures. The audit recommends that the Corporation reemphasize the importance of following this approval policy and periodically conduct reviews of data to ensure that all interest forbearance requests of more than $5,000 are verified and approved before payment.

Corporation Response – The Corporation reemphasized to Trust staff the need to ensure that all interest accrual documents are approved by the Trust Manager prior to payment. Additionally, the Trust Manager will monitor this process to ensure that any such payments are properly approved. [Final Action Completed]

Finding B.2 –Trust disbursement procedures. The audit recommends that the Corporation modify the current Standard Operating Procedure to include a procedure on how to process a payment when the institution does not provide adequate information regarding start and mid-point dates.

Corporation Response – The Trust Standard Operating Procedures (SOP) allows administrative staff some flexibility in processing split payments. The SOP states: "*If the payment is for current educational expenses and exceeds $1,500, you should split the payment into two equal amounts unless the midpoint date given for the enrollment period has already passed or is less than 30 days in the future. In that case, pay the full amount. No split should be made for payments to loan holders, regardless of the payment amount.*" In addition, staff must weigh when the voucher request is received in conjunction with the payment dates or if adequate information is not reflected on the voucher. The Trust manager will monitor this process to ensure that payments are made properly. [Final Action Completed]

Finding B.3 – VISTA member partial awards are inconsistent. The audit recommends that Trust personnel coordinate efforts with the Office of Information Technology to correct the deficiency in e-SPAN that allowed this condition to occur.

Corporation Response – The Trust Office has submitted a system change request to resolve this discrepancy in the eSPAN system and prevent granting of award when a member has not completed the requisite minimum service. The changes are scheduled for implementation by the end of December 2004.

Finding C.1 – Debt collection. The audit recommends that the Corporation review and emphasize debt collection policies to Corporation staff and implement monitoring procedures to ensure that policies are followed and files are properly maintained.

Corporation Response – The Corporation has reemphasized debt collection policies to Corporation staff and will monitor procedures to ensure that policies are followed. [Final Action Completed]

Finding D.1 – Overtime approval. The audit recommends that the Corporation clearly document and distribute its policy that overtime be approved in advance and in writing and allow timekeepers to reject employee timesheets without proper attachments.

Corporation Response – In a December 15, 2004 message to timekeepers the Corporation reemphasized that overtime must be approved in writing and that timekeepers should reject timesheets requesting overtime that are submitted without proper approval. The Office of Human Capital will periodically review timekeeper performance in this area to ensure compliance. [Final Action Completed]

Finding E.1 – Vendor payments. The audit recommends that the Corporation place stricter controls over responsible offices; reemphasize the importance of timely payments; investigate offices with delinquent payments; and resolve bottlenecks in the disbursement process.

Corporation Response – While the Corporation's prompt pay interest is minimal we are striving to reduce the amount to zero. To that end OPS conducted in-house training for all

personnel involved in the invoicing process on December 14th. As an additional measure, OPS plans to implement a suspense system enabling it to go directly to the responsible COTR and insure that invoices are processed in a timely manner. [Final Action Completed]

Finding F.1 –General information security controls. The audit recommends that OIT: (1) complete its efforts to fully migrate from Windows NT to Windows 2000 and create minimally acceptable baseline configurations for all server operating systems that adequately address security and comply with Federal guidance; (2) continue with the planned upgrade of the database to Oracle 9i, ensure that technical guidance for Federal systems, such as the CIS Benchmark, is followed during and after implementation of the new version of Oracle, and create a minimally acceptable baseline configuration for the Oracle database management system that adequately addresses security and complies with Federal guidance; and (3) document policies, procedures, and standards.

Corporation Response – OIT constantly reviews configuration recommendations from many different sources including NIST and NSA and applies them as necessary. OIT has created a detailed test-to-production scheme for all operating system changes and performs upgrades on servers in an order that insures the maximum protection of mission critical servers. All servers adhere to a consistent baseline software configuration, which is verified at the completion of every server build. The remaining NT servers are being phased out of production as replacement functionality can be placed online; this is expected to be completed by June 2005.

OIT is currently in the process of creating a true Oracle specific server farm which will include a rigid test-to-production scheme for all system changes. As a part of this process, the Oracle databases will be upgraded to version 9i. OIT currently reviews all software and configuration recommendations from many different sources including Oracle, NIST and NSA and applies them as necessary. All servers adhere to a consistent baseline software configuration, which is verified at the completion of every server build.

OIT reviews its processes and policies on an on-going basis and makes changes or develops new policies as necessary on an on-going basis. [Final Action Completed]

G.1 – Property records between Headquarters and Service Centers do not always agree. The audit recommends that the Corporation coordinate property custodian activities and review Corporation Policy Number 500 regarding property management.

Corporation Response – OAMS staff will coordinate property custodian activities and ensure that Corporation Policy Number 500 is updated, available, understood and properly followed. In addition, OAMS staff will perform periodic site visits to ensure that the property policy is implemented properly and understood by the property custodians.

cc: Andrew Kleine
Rosie Mauk
Howard Turner
Merlene Mazyck
Peter Hill
Peg Rosenberry
Tory Wilson