

OIG EVALUATION OF AGENCY COMMENTS

This appendix provides our comments on Attachment No. 1 to the Department's February 16, 2001 Response to the Draft Report on Internal Control and Compliance. Our individual comments correspond to the Department's numbered comments included in Attachment No. 1 to their response.

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| 1 | <p>We have modified the report to indicate that most of the material weaknesses and reportable conditions discussed in this report relate to issues discussed in prior years' reports. This should reduce the chance that readers might conclude that the status of weaknesses has remained totally unchanged. However, as indicated in the response, our statement in the draft report was technically correct. Moreover, our draft specifically stated that HUD has made some progress.</p> <p>In giving the numeric count of material weaknesses, the Department incorrectly indicates that the number for fiscal year 1997 was 11. The correct number is seven.</p> <p>Simplistic numeric comparisons from year to year do not recognize that merely grouping issues differently can affect the count of material weaknesses and reportable conditions. For example, in our report on HUD's fiscal year 1999 financial statements, we reported two separate weaknesses on multifamily monitoring and HA monitoring. As noted in our fiscal year 2000 report, we refocused the discussion of these two weaknesses to better emphasize the impact that these monitoring weaknesses have on HUD's ability to ensure that housing subsidies are being correctly calculated by HUD's intermediaries based on HUD requirements. The single material weakness we report for fiscal year 2000 encompasses public housing and tenant based Section 8 programs administered by PIH along with project based subsidy programs administered by the Office of Housing. A simple numeric comparison could lead to a conclusion that, since the number of "weaknesses" dropped from two to one, HUD has made progress. However, in our judgment, monitoring weaknesses relating to subsidy determinations have actually worsened, based on the results of the quality control study and magnitude of rent errors.</p> |
| 2 | <p>We have modified the report to simply state that remaining issues are being communicated separately and dropped reference to the nature of the issues.</p> |
| 3 | <p>We disagree with the CFO's assertion that the core financial system substantially meets the requirements of OMB Circular A-127. Determination of whether an agency's financial management systems, as a whole, and/or its core financial system comply with federal requirements depends upon applying experienced judgment in assessing the financial impact of noncompliance with the individual requirements. Financial impact can affect both: (1) accurate financial reporting and (2) proper financial decision making. The state of the financial systems at FHA and the Department's core financial system have subjected financial reporting and decision making to above normal risks.</p> <p>Financial Reporting: The core financial system (HUDCAPS and its interfaces with its subsidiary payment and funds control systems -- LOCCS and PAS) has not been able to report its general ledger fund disbursements and receipts (SF-224) to Treasury. Instead, a substitute manual system residing on a personal computer database is used to report its financial transactions to Treasury. In its response, the CFO claims that this manual database can be traced directly to the system's general ledger; however, our tests of the database revealed that approximately 35 percent of the entries could not be traced to the general ledger as these entries were not recorded to the general ledger</p> |

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| | <p>until one to several months later.</p> <p>Financial Decision Making: Financial decision making, such as determining if funds are currently available for new procurement actions, is dependent upon timely information. The timeliness of the Department’s accounting information is hindered by the untimely reprocessing of rejected transactions held in the Document Suspense File (SUSF) and from transactions that bypass the automated PAS to HUDCAPS interfaces which are being summarized in separate personal computer databases and posted manually. The JFMIP requires that the “interface linkages must be electronic unless the number of transactions is so small that it is not cost-beneficial to automate the interface.”</p> <p>During our separate audit of HUDCAPS for six sampled document types, we found that over 25 percent of the PAS to HUDCAPS rejected transactions in the SUSF and close to 30 percent of the more prevalent HUDCAPS rejected transactions were not reprocessed until over three months later. Some items remained for six months or longer. The number of rejected transactions held in the SUSF averaged 5,107 over four different review dates (selected from the period April 2000 to February 2001).</p> <p>Besides the manual SF-224 system, there are several other manual bypasses of the Department’s automated interface edit systems, including certain PAS funds and the FHA insurance and general ledger systems. Transactions from three PAS controlled funds (4015, 4015A, and 4098) are not included in the automated PAS/HUDCAPS interface and recording process but are accumulated and posted on a monthly summary basis.</p> <p>The FHA accounting system information, based upon the federally required standard general ledger (SGL) and credit reform accounting, is not available within FHA until an extensive monthly manual process is completed. This process involves making manual credit reform entries from numerous subsidiary systems using separate analyses or spreadsheets and submitting these on floppy disks, electronic mail attachments, or mainframe disk or tape files to an FHA employee who consolidates and processes them into the commercial FHA general ledger. These, and the rest of the monthly transactions are then processed by a contractor on a personal computer database with a crosswalk that converts commercial account codes to federal SGL account codes. For fiscal year 2000, the resulting information was not forwarded to the Department’s (HUDCAPS) general ledger until 10 months into the fiscal year.</p> <p>On September 29, 2000, we issued an audit memorandum to the Department citing deficiencies in the documented SDM studies and analyses and recommended that implementation of the purchased FHA federal-compliant software package be delayed until adequate feasibility studies and risk analyses are completed. The Department’s response in November included copies of the same SDM documentation reviewed by us during our prior audit. Its February 9 response included additional details which we are currently reviewing. In the meantime, FHA has already initiated its implementation of the software. The total estimated FHA implementation cost for this software and the subsidiary system upgrades/interfaces is over \$38 million. Although the Department is providing or performing additional details and analyses after they have already embarked on the implementation, we have asked them to perform sufficient analyses to determine whether the solution under consideration is feasible.</p> |
| 4 | <p>The JFMIP analysis conducted by the CFO involved the use of a questionnaire survey which it sent to the HUD program and other offices for assessing compliance to 252 individual JFMIP requirements.</p> |

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| | <p>The CFO analysis survey is similar to the JFMIP checklist procedure, contained in the General Accounting Office's publication -- "February 2000 Core Financial System Requirements Checklist for Reviewing Systems Under the Federal Financial Management Act (GAO/AIMD-00-21.2.2)." However, this publication also recommends that this checklist be supplemented by actual testing and qualification procedures used by JFMIP in its certifications of core financial system software for the federal government. The CFO analysis did not include these later procedures.</p> <p>During our HUDCAPS audit work, which included tracing transactions through the systems and interfaces, we found other noncompliance issues besides the three mentioned in the response. For example, use of the UTTCOR utility to make changes in HUDCAPS without sufficient audit trails (discussed later in this report) is another compliance issue. Regardless of the total number of noncompliance issues that might have been found through JFMIP certification testing procedures, the noncompliance issues mentioned in our comments under No.3, are material weaknesses. Whether the SF-224 report is submitted to Treasury via a new bulk transfer method or under the existing method, the report must be based upon the recorded general ledger transactions.</p> |
| 5 | <p>We combined two bullets into one and rearranged the order of remaining five bullets to more closely follow the order of our succeeding narrative and have. For the two bullets regarding Section 8 rent subsidy problems, we added references to the report narrative sections to note where they are discussed in greater detail.</p> <p>With respect to duplicate data entry or reprocessing, the Department's financial systems have several manual processes which are inefficient and increase the chances for recording errors. FHA has manual processes for making credit reform entries (see discussion under No. 3). The three PAS funds, also discussed under No. 3, require the accountants to take spreadsheets with monthly extracts of the fund transactions and make journal voucher entries to record the summary figures to HUDCAPS. An integrated automated interface would eliminate these extra entries and, at the same time, provide interface edit controls to help catch potential recording errors.</p> <p>In regards to the FHA fund control problems, this year's independent auditor reported that FHA had submitted a short term plan to improve the control over budgetary funds; however, the auditor also reports that the non-integrated FHA fund control system problems are still part of the material weakness of FHA's information technology systems.</p> <p>See our comments herein and under No.3 regarding the requirement for automated interfaces.</p> |
| 6 | <p>The timing of the transfer of FHA account balances was discussed in our report section. Although the first and second quarter transfers did not occur until 10 months into the fiscal year, we noted improvement in the timing of the two subsequent quarters.</p> <p>The improvements mentioned in the second paragraph of the response only involved minor improvements in the current manual processes, which even after these improvements, are still extensive.</p> <p>We agree that HUDCAPS, which is being used in the Department to handle administrative contract transactions, should have been used to handle similar FHA transactions. We therefore, agree with this change; however, the FHA insurance systems represent the bulk of the FHA transactions and any improvement in the existing manual processing is not scheduled until fiscal year 2002.</p> |
| 7 | <p>See our comments concerning the average size and aging analysis of the suspense file under No. 3.</p> |

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| | The suspense file includes HUDCAPS originated items as well as PAS and LOCCS originated items. |
| 8 | See our comments under No.3. |
| 9 | See our comments under No.3 and 4. |
| 10 | HUD agreed with OIG's assessment. Subsequent to issuing our February 16 draft, we informed the Department that we were adding a separate reportable condition to the report on Fund Balance with Treasury reconciliations. The Department generally agreed with the reportable condition. |
| 11 | We disagree with the CFO's request that our narrative be revised and expanded. Our assessment of the FHA plans was based upon review of the FHA vision statement and recent discussions with the FHA officials, including a project leader. The narrative represents the current status of FHA plans as presented to us. The "Financial Data Warehouse" terminology used by us in the narrative is the same as the project title under HUD's Project Accounting System and is consistent with the terminology used in our September audit memorandum. |
| 12 | See our comments under No.3. Although the COTS package selected by FHA is JFMIP compliant (which we have so stated), the JFMIP certification tests are performed at the software vendor's site, which do not resemble actual conditions where the software will ultimately be installed and implemented. FHA has 19 subsidiary systems with which the software package has to interface either directly or indirectly through the warehouse. In addition, FHA has unique insurance and governmental programs and requirements that may complicate implementation of the software. Therefore, a JFMIP certification of a software package, by itself, will not guarantee successful implementation. |
| 13 | <p>It is clear from our discussions with management and from this response that there is still a considerable amount of indecision as far as the future software platform for the Department's core financial system. If movement away from the current HUDCAPS system is seriously being contemplated, then the appropriate SDM studies and analyses should be undertaken as soon as possible to see if such a change is feasible and cost beneficial. This analysis is important to avoid any significant costs for unnecessary HUDCAPS modifications if it will be abandoned in the near future.</p> <p>Information on pages 5 and 6 updates our past reports' discussion of the CFO's system integration plans and initiatives and how they have changed. Actually, we have recommended in other system audit reports and communications that development of the departmental grants management system and executive information system be transferred to the CIO.</p> |
| 14 | The Enforcement Center has developed a tracking system to track enforcement actions. However, the system was not fully operational and did not contain information on all enforcement actions. Therefore, performance information came from various sources including manual records which are less reliable than a centralized system with good internal controls. |
| 15 | The Department's comments support the reportable condition. |
| 16 | In our judgment, it is appropriate to classify the two issues separately. While the issues are interrelated, they are not redundant. The first relates to weaknesses with HUD's and intermediaries' responsibilities to properly determine correct rents and make subsidy payments. To the extent that intermediaries perform these functions, HUD has various monitoring responsibilities. The material weakness with verification of subsidy payments relates specifically to separate activities carried out by HUD to perform income matching to detect income from sources that have not been reported by assisted households. Intermediaries are required by HUD to verify income sources reported by assisted households but are not required to perform income matching |

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| | KPMG's conclusions with respect early warning and loss prevention only apply to control risks associated with the FHA mortgage insurance. As our report notes, additional control risks are associated with multifamily projects receiving assistance under other HUD programs, most notably the Section 8 program. |
| 17 | <p>We properly identified the Quality Control Study referred in our draft report as an "Interim Final Report", and as such, the basic conclusions will not change. The contractor designated the report as an "Interim Final Report" because this version of the report did not include findings from HUD's Income Matching Program. Also, the final version of the report will include an additional analysis of the TRACS/MTCs data. Neither of these additions will change the core findings addressed in the "Interim Final Report."</p> <p>We revised our report to clarify the purpose of the Quality Control study. However, we feel further clarification, as suggested, that the study's estimated subsidy overpayments will not necessarily be available for budgetary reductions or program cost recoveries is not necessary. This was appropriately addressed by the CFO in Note 17 – Rental Subsidy Payment Errors of the FY 2000 Consolidated Financial Statements.</p> |
| 18 | We revised our report to state that HUD provides grants and subsidies to approximately 4,200 HAS nationwide. About 3,200 HAS administer public housing units and another 1,000 HAS , with no public housing, manage units under the Section 8 programs. (Many HAS administer both public housing and section 8 programs). |
| 19 | We did not revise the report to add information on PH - FASS because we could not substantiate, based on our audit work, that REAC's PH - FASS captures all IPA audit findings, questioned costs and corrective action plans for HAS. The integration of the FASS data into PIC was covered in the section <i>PIH Monitoring Systems are not fully utilized</i> . To develop PIC's capability requires an interface with PH - FASS. |
| 20 | Footnote 6 was revised to reflect that the Conference Report (House Report 106-988) accompanied and described the fiscal year 2001 VA-HUD Appropriations Act, which was signed by the President on October 27, 2000 and became Public Law 106-377. |
| 21 | We revised the report to indicate that the PHAS scores were not yet considered official for fiscal year 2000. We also revised the report to indicate that on June 6, 2000, HUD amended the final PHAS rule to provide that the PHAS regulation is applicable to HAS with fiscal years ending on or after June 30, 2000, and accordingly, REAC reportedly began issuing the official PHAS scores. However, we did not acknowledge in the report that PHAS information was used for risk-based targeting of monitoring and assistance, and negotiation of corrective action with HAS since testing of fiscal year 2001 risk-based targeting of monitoring and assistance, and related corrective actions were outside the scope of this financial audit. |
| 22 | We did not revise the report since HUD was barred from taking adverse action based on the PHAS scores alone and the PHAS scores were not used as intended, mainly in transferring troubled HAS to the TARCS for recovery efforts. In addition, PIH did not issue guidance on developing technical assistance strategy and corrective action plans based on the PHAS scores until January 16, 2001. However, we did revise the report to indicate the protocol was changed to designate the TARCS as responsible for the recovery of troubled HAS whether or not they are transferred from the PIH field offices to the TARCS for monitoring. |
| 23 | We changed the reference to the compliance supplement as suggested. We added a comment that the selection of quality control FASS-QA reviews was risk targeted and not statistically valid. Because PHAS was not fully implemented, we did not assess the impact of IAS' audits on the PHAS |

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| | scores and affect on risk designations and monitoring. |
| 24 | We did not revise the report to indicate “before June 30, 2000” since the PIH notice states on or after June 30, 2000. |
| 25 | We did revise the report to acknowledge that HUD now asserts that based on current staffing, the two TARCS will be able to service only 150 troubled HAS each. However, we also point out that HUD lacks a resource estimation process to adequately determine such staffing needs. |
| 26 | We did not revise the report since our field work showed that the field offices did not always receive the results from physical inspections, i.e., one field office reported that they were not being notified when there were health and safety violations as a result of the physical inspections. |
| 27 | HUD’s comment is similar to one made last year. In our response last year we stated that the BOP process should include monitoring goals for all three monitoring tools: physical inspections, audited financial statements, and management and occupancy reviews. Within the context of our ongoing discussions with multifamily program staff this year, we discussed the evolving use of REMS and, the need to update criteria and adjust reporting in the BOP to work in concert with REMS and an integrated risk management system. Essential agreement was reached and audit recommendations were written to account for these discussions. We believe what we have already provided in the way of recommendations and evidentiary matter is sufficient and closed the section on the BOP with a comment citing the date the Office of Housing provided when they plan to address the recommendations that were already agreed to. |
| 28 | The 95 percent BOP achievement on physical inspection follow up relates to only a portion of the Multifamily project portfolio and is based on adjusting the goal for follow up efforts handled by organizational units other than multifamily program staff. The comments in the report profile the results for all risk categories without regard to what HUD organizational component the Office of Housing is relying on. While not part of the internal control report, information from the statistical sample was presented in the briefing to Office of Housing officials. Considering the planned increased use of contract administrators and the planned move towards an integrated risk approach, our reporting is appropriate and relevant. It is the BOP process that needs to be adjusted as was discussed in our response to item 27. |
| 29 | Given the existing agreement by the multifamily program division to have policies and procedures reviewed and updated (following a plan to be in place by Sept. 30, 2001), to focus on this particular reference to policy lacks substance. The policy in this area is more dependent on the individual who does the review, i.e. requiring annual reviews of the contract administrators for non-troubled projects. Our intent is to suggest, as we do at the end of the paragraph in this section, that the basis of when to do management and occupancy reviews should be risk based, and designed to address both management of the physical condition of the project and occupant eligibility. However, we will remove the reference to annual reviews within this context. Within an integrated risk approach, the appropriate use of a particular monitoring tool depends on the availability and results of the use of other tools |
| 30 | In our judgment, the evidence we present in the report support the wording of the heading and does not imply this was simply an oversight. |
| 31 | Our response to the management/occupancy review issue is discussed above Under item 29. With respect to the second observation we modified the sentence that discusses the deployment of the contact administrator function so it reflects the additional information multifamily program staff provided us in response to our draft report. With respect to the reference to REMS data problems, we believe one example in this section of our report is sufficient. |
| 32 | Our comment and recommendation are accurate for the time frame covered by our report and the |

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| | comment made by multifamily staff with respect to the recommendation further validates that it is a work in progress. Furthermore, the comment Multifamily provided ignored the reference to reporting throughout the year. Until this effort is in place and demonstrated to be working, the recommendation is relevant. |
| 33 | The discussion under the reportable condition relates to the delivery of payments and its location in the report is a matter of our professional judgment. |
| 34 | Our draft was updated to include the additional information provided by the Office of Housing on the contract administrator function. The inclusion of a discussion of other controls mentioned by the Office of Housing in their response are addressed elsewhere in our report. |
| 35 | The requested change was made. |
| 36 | Contrary to the assertion in the comment, evidence was presented to us during our audit and is part of our evidence gathering that was discussed with the multifamily program staff. We have provided sufficient description of the problem, and noted in our report that the Office of Housing has addressed the problem. |
| 37 | The issue raised by the Office of Housing is addressed in the last sentence to this section on page 23 of the draft report. |
| 38 | The first paragraph of the comments from Multifamily refers to tenant income certification. This is not the subject of this section of the report. The second paragraph of the comments refer to a control labeled, "upfront reviews". This too is not the subject of our report in this section. We are discussing post payment reviews. Multifamily comments detail their plans to implement new controls in an "automated process." Our report acknowledges the development and deployment of these new controls even though they were not operational at the time of the audit. Further, it should be noted that this discussion of an "automated process" is similar to a discussion raised last year. To the extent that information technology (IT) issues are discussed in more detail, we address these issues in our report under the IT section. Finally, as we state in our caption to this section, no sanctions have been taken and our audit work supports this comment. |
| 39 | The existence of written procedures was not substantiated by staff, who conduct the post payment reviews, either in Chicago or the Voucher Process Division in Kansas City, and as such we suggested they be provided with written policies and procedures. In light of the results from our audit testing, the statement in our report was not changed. |
| 40 | Statement in report was modified to insert a reference to the system edit and clarify that the 2 percent relate to a non-system prepayment review effort. |
| 41 | Refer to our comments on No. 16. |
| 42 | We revised the report to add that a PIH survey showed the majority of State wage agencies provide data to HAS and some have electronic systems for this up-front match. |
| 43 | We revised the report to indicate REAC conducted a large nationwide computer income-matching project. |
| 44 | We did not revise the report because we used the word "only" simply to refer to the progress that was made in completing the 1999 large scale match, not the magnitude or importance of the effort. |
| 45 | We revised the report to add the comment "and other sources" in the second and third paragraphs. |
| 46 | We revised the last paragraph to indicate <i>five</i> instead of seven. |
| 47 | We revised the report to indicate that REAC will issue a final report on the first cycle of the large scale match in April 2001, and begin monthly reporting on the resolution of discrepancies reported by POAs until efforts on the cycle are substantially complete. |
| 48 | We did not revise the report since the effectiveness and efficiency of the results of HUD's initial large scale matching effort were not available for review and no analysis has been made whether |

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| | HUD has explored all its options. HUD has moved too slowly in completing the 1998 large scale match project and we are pointing out that the longer it takes for any matching project to be completed the less likely that overpaid subsidies will be recovered. |
| 49 | HUD misinterpreted the control deficiencies described in the draft report. These control deficiencies are not related to any IT development practices or business rules. The deficiencies are mostly in areas of access and data integrity controls. We have provided as much detail as needed. We provided specific recommendations to the appropriate responsible official(s) to address the findings noted in the report. In those instances where the resolution of the problem must be addressed by different offices, we have identified those offices. For example, we identified both the Chief Information Officer (CIO) and the Assistant Secretary for Administration as the responsible offices for the recommendations related to network security and data backup and restoration since they involve technical and management issues that need to be coordinated between those offices. |
| 50 | We have revised the report to acknowledge the efforts that the CFO has done to resolve the deficiencies where appropriate. Our portrayal of the conditions is not misleading. Serious significant deficiencies still exist. Contractor personnel involved with maintenance of financial systems are still allowed access to production data, contrary to internal control standards. In addition, the audit trail developed to track UTCOR usage lacks key information. |
| 51 | The CFO misinterpreted the intent of the finding. The intent of our finding is not whether the amount is reduced but rather that the rejected transactions are timely resolved. |
| 52 | We commend the CFO for taking the appropriate action to delete users with “inactive” accounts and removed update access from several access profiles and will acknowledge the actions taken in the report. We have also revised the report to clarify our statement. |
| 53 | See Comment 3. |
| 54 | The A-127 review reports stated: “We are unable to make a conclusive recommendation to HUD management as to whether any substantial non-compliance is sufficiently material to report outside of HUD. Our scope was limited to reviewing processes “within the box” for each feeder system.” The statement was made on the following for each report: page 44 - A43C, page 33 -A80B, page 34 - F12, page 28-F17, page 32-F31, page 36-F71, and page 35-F72. We will modify our statement: “Based on the scope of the reviews and compliance factors assessed, each is listed as conforming with FFMIA” to “the Department lists the systems as conforming with FFMIA even though the scope of the reviews was limited”. |
| 55 | We disagree with the Department’s suggestion to delete the recommendation. OMB’s guidance (now in draft) on Improving Federal Benefit Payment Integrity will provide specific instruction on implementing the President’s fiscal year 2001 Priority Management Objective (PMO) – <i>Verify that the right person get the right benefit</i> . We believe it is prudent for the Department to factor that guidance into its plans. |
| 56 | We have included the CFO along with the CIO as the responsible officials for the recommendations 5a to 5e. |
| 57 | See comment 56 above. |
| 58 | We commend the CFO for reducing the number of users with VEND update access and for considering a modification in HUDCAPS to segregate the view of VEND table so access to sensitive employee data can be restricted to the staff in Ft. Worth. However, the intent of our recommendation remains valid. We have revised the recommendation to clarify that it applies to users who have not “updated” VEND in the last six months. Our position is that 194 individuals who have not updated the VEND table during fiscal year 2000 places HUD at undue risk for unauthorized use. Further efforts to reduce this number are needed. Also, the concern raised is not consistent |

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| | with the CFO position in the past since they had previously removed 105 individuals with update authority who had not used the system in a six month period. |
| 59 | We revised the report to reflect that management intends to close recommendation 4a and 4c from OIG Report 96-FO-177-0003. Recommendation 4d will remain open, however, we have incorporated wording changes requested by the Office of Housing. |
| 60 | We revised the report to reflect the extended final action target date of May 26, 2001. |
| 61 | We do not agree that these two recommendations should be dropped because (1) REAC has not issued the final report and (2) they are in the process of developing an approach and indicated that they are refining the matching process based on the large scale match project which they have not yet. |
| 62 | Although we agree that the Department has made progress in performing cash reconciliations, the process remains labor intensive. The cash reconciliations and SF-224 are processed manually. The Department matches system data to identify variances in the cash balance. These variances are input manually into an Excel spreadsheet to perform the cash reconciliations. Therefore, this recommendation should remain open. |
| 63 | The Department did not consistently perform monthly cash reconciliations. The Department completed one cash reconciliation for the first two quarters, one reconciliation for the third quarter, and performed monthly reconciliations for the remaining three months in the fourth quarter of fiscal year 2000. Furthermore, the Department had not completed the monthly cash reconciliations for the first quarter of fiscal year 2001. The cash reconciliation training was not implemented until February 2001, five months into fiscal year 2001. Until the Department consistently reconciles cash on a monthly basis, this recommendation should remain open. |
| 64 | We changed the report to address recommendations 7d and 7j from OIG Report 1999-FO-177-0003 and recommendations 4c and 5b from OIG Report 2000-FO-177-0003 from the Office of Administration to the Office of the Chief Information Officer. |
| 65 | As previously discussed in #63, the cash reconciliation training and the draft procedures were not implemented until February 2001. We will review the procedures and test the effectiveness of the training during audit work for fiscal year 2001. |
| 66 | As of September 30, 2000, the Department was still posting normal accounting transaction adjustments through the Hyperion reporting program. We will review the issued guidance for processing manual adjustments during audit work for fiscal year 2001. This recommendation remains open. |
| 67 | This recommendation will remain open until the OIG has completed their on-going review of the Section 8 conversion issue. |
| 68 | This recommendation should remain open. We agreed on a management decision based on the CFO's April/May decision to reduce the scope of the Financial Systems Integration effort to just the core financial system, which is designated as HUDCAPS. The Department also promised to complete the revised project by September 30, 2000. However, as discussed in the material weakness section on financial systems and in comment No.13, we have not received definitive strategies, plans and accomplishments to indicate that HUDCAPS implementation has been completed and fully compliant. In fact, the CFO vision statement shows that HUDCAPS would be replaced. |
| 69 | We revised the report to reflect management's intention to close recommendation 4f from OIG Report 2000-FO-177-0003. |
| 70 | We revised the report to reflect management's intention to close recommendation 4g from OIG Report 2000-FO-177-0003. |
| 71 | We revised the report to reflect management's intention to close recommendation 7a from OIG |

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| | Report 2000-FO-177-0003. |
| 72 | We revised the report to reflect management's intention to close recommendation 7b from OIG Report 2000-FO-1770-0003. |
| 73 | We revised the report to reflect management's intention to close recommendation 10a from OIG Report 2000-FO-177-0003. |
| 74 | The draft performance and accountability report lists these two systems as not in compliance with Federal Financial Management Systems Requirements (Appendix A-2) therefore they are included in Appendix C. The remediation plan for F75 that was sent to OMB also states that this system will be re-hosted on a web-based platform with a target date of September 30, 2001. We will add to the plan column for F47 that this system is scheduled to move into the new general ledger system. We currently have the A-127 deficiencies listed as stated in HUD's comments. |