



GAO

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

September 18, 2002

The Honorable Van Zeck
Commissioner
Bureau of the Public Debt

Subject: *Bureau of the Public Debt: Areas for Improvement in Computer Controls*

Dear Mr. Zeck:

In connection with fulfilling our requirement to audit the U.S. government's fiscal year 2001 financial statements,¹ we reviewed the general and application computer controls over key financial systems maintained and operated by the Department of the Treasury's Bureau of the Public Debt (BPD). This report for public release summarizes the results of our fiscal year 2001 work, including our follow-up on previous years' recommendations.

The Department of the Treasury is authorized by Congress to borrow money on the credit of the United States to fund operations of the federal government. Within Treasury, BPD is responsible for prescribing the debt instruments, limiting and restricting the amount and composition of the debt, paying interest to investors, and accounting for the resulting debt. BPD is also responsible for issuing Treasury securities to trust funds for trust fund receipts not needed for current benefits and expenses.

We used a risk-based and rotation approach for testing general and application controls. Under that methodology, every 3 years the data center and all key applications are subjected to a full-scope review, which includes testing in all the computer control areas defined in the *Federal Information System Controls Audit Manual*.² The scope of our work for fiscal year 2001 was to follow up on vulnerabilities identified in our prior years' reports and to perform a full-scope review of BPD's entitywide computer control security program, access controls, application software development and change controls, systems software, segregation of duties, and service continuity. We also performed full-scope application controls reviews over two key applications and limited-scope reviews of another four key applications. We performed our work at the BPD data center from September 2001 through

¹31 U.S.C. 331(e) (2000).

²U.S. General Accounting Office, *Federal Information System Controls Audit Manual, Volume I: Financial Statement Audits*, GAO/AIMD-12.19.6 (Washington, D.C.: June 2001).

January 2002. Our work was performed in accordance with U.S. generally accepted government auditing standards. We requested comments on a draft of this report from the Commissioner of BPD. The comments are summarized later in this report.

As noted above, our review addressed both general and application controls. An effective general control environment (1) protects data, files, and programs from unauthorized access, modification, and destruction; (2) limits and monitors access to programs and files that control computer hardware and secure applications; (3) prevents the introduction of unauthorized changes to systems and applications software; (4) prevents any one individual from controlling key aspects of computer-related operations; and (5) ensures the recovery of computer processing operations in case of disaster or other unexpected interruption. An effective application control environment helps ensure that transactions performed by individual computer programs are valid, properly authorized, and completely and accurately processed and reported.

As we reported in connection with our audit of the Schedules of Federal Debt for the fiscal years ended September 30, 2001, and 2000,³ BPD maintained, in all material respects, effective internal control relevant to the Schedule of Federal Debt related to financial reporting and compliance with applicable laws and regulations as of September 30, 2001. BPD's internal control, which includes the general and application controls over key BPD systems relevant to the Schedule of Federal Debt, provided reasonable assurance that misstatement, losses, or noncompliance material in relation to the Schedule of Federal Debt for the fiscal year ended September 30, 2001, would be prevented or detected on timely basis.

Our follow-up on the status of BPD's corrective actions to address vulnerabilities identified in our fiscal years 1997 through 2000 audits found that BPD had corrected or mitigated the risks associated with 8 of the 13 general and application control vulnerabilities discussed in our prior reports and are in the process of addressing the remaining 5.

We identified opportunities to strengthen general and application controls. In a separately issued Limited Official Use Only report, we communicated detailed information regarding our findings to BPD managers and made 18 recommendations to strengthen certain general computer controls in the areas of access, system software, application software development and change controls, and service continuity and to improve application-specific accuracy and authorization controls. None of the vulnerabilities we found pose significant risks to BPD financial systems. Nevertheless, they warrant BPD managers' action to further decrease the risk of inappropriate disclosure and modification of sensitive data and programs and misuse of or damage to computer resources, and disruption of critical operations.

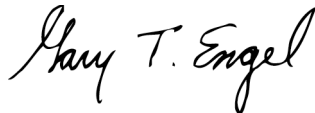
³U.S. General Accounting Office, *Financial Audit: Bureau of the Public Debt's Fiscal Years 2001 and 2000 Schedules of Federal Debt*, GAO-02-354 (Washington, D.C.: February 15, 2002).

In commenting on a draft of this report, the BPD Commissioner generally agreed with our findings. He stated that in many cases, BPD had already corrected or has plans to correct the identified problems.

We are sending copies of this report to the Chairman and Ranking Minority Member of the Senate Committee on Governmental Affairs; Subcommittee on Treasury and General Government, Senate Committee on Appropriations; House Committee on Government Reform; and Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. We are also sending copies of this report to the Department of the Treasury, the Inspector General of the Department of the Treasury, and the Director of the Office of Management and Budget. Copies will also be made available to others upon request and are available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have any questions regarding this report, please contact Paula M. Rascona, Assistant Director, at (202) 512-9816. Other key contributors to this assignment were Louise DiBenedetto, David B. Hayes, Greg Wilshusen, and Mickie Gray.

Sincerely yours,

A handwritten signature in cursive script that reads "Gary T. Engel".

Gary T. Engel
Director
Financial Management and Assurance