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# Systems and Controls

The Financial Resources Desktop (FReD) system is the primary automated financial system for ATF. The system supports the full range of financial management requirements, including the general ledger function, budget execution, travel, credit card purchases, third party, and Treasury payments. FReD conforms to core requirements prescribed by the Joint Financial Management Improvement Program (JFMIP) and Treasury.

The Bureau's systems modernization efforts are designed to improve the effectiveness and efficiency of financial data processing and reporting capabilities. Planned improvements to the Bureau's financial systems address integrating all financial-related systems and establishing direct links between program costs and performance measures.

The following were financial management system accomplishments in FY 2003:

- Completed the upgrade of financial system software.
- Split the financial transactions associated with ATF between ATF and TTB in support of the organizational split required by the Homeland Security Act. This included identifying the transactions associated with each organization, moving open transactions to the appropriate organization, and determining the appropriate intergovernmental elimination entries for reporting to both Treasury and Justice.
- Started accepting daily imports of integrated charge card data from the vendor bank. This enables better tracking of credit card charges and earlier detection of potentially fraudulent transactions.

FY 2004 systems activities will address the auditors' findings in this area.

## Management Controls Program in ATF

Managers must conform to specific management accountability and improvement policies when designing, planning, organizing, and carrying out their responsibilities in order to ensure the most efficient and effective operation of their programs. These policies address delegation of authority and responsibility, hierarchical reporting of emerging management problems, personal integrity, quality data, separation of key duties and responsibilities, periodic comparisons of actual with recorded accountability of resources, routine assessment of programs with a high potential for risk, systematic review strategy to assess the effectiveness of program operations, and prompt management actions to correct significant problems or improve operations.

Management accountability systems must assure basic compliance with the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the management control standards set by the GAO. ATF performs quarterly reviews of its financial operations, systems, and controls and reports significant results to the Justice Management Division. Beginning with fiscal year 2003, ATF reports this information to the Attorney General and must assure the Attorney General that its management systems incorporate at least the minimum control standards described in the Department guidance. In addition, any inspection, audit, evaluation, peer or program review process, self-assessment, or equivalent, used by ATF management to keep informed about needs and opportunities for improvement must incorporate these same standards into its methodology.

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## Federal Managers' Financial Integrity Act (FMFIA) Summary

The FMFIA requires Federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control and report yearly to the President all material weaknesses found through these evaluations. The FMFIA also requires the heads of agencies to provide the President with yearly assurance that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. To provide this report and assurance to the President, the Attorney General depends upon information from component heads regarding their management controls.

The Bureau centrally manages the FMFIA program, with oversight responsibilities assigned to the CFO. However, each executive office maintains responsibility for a cost-effective system of controls to provide reasonable assurance that Government resources are protected against fraud, waste, abuse, mismanagement, or misappropriation. The Bureau's Executive Staff's responsibilities include ensuring that new and existing programs and administrative support activities are managed efficiently and effectively. All Executive Staff members and managers are accountable for safeguarding resources and are also evaluated as financial managers. Increased emphasis on management controls has had a positive impact on programs achieving the intended results. This process also ensures that the utilization of resources is consistent with mission priorities and that programs and resources are being used without waste, fraud, or mismanagement. There is a strong oversight of ATF operations

through the Headquarters and field divisions review process. In addition, the CFO Steering Committee, chaired by the Deputy CFO, is comprised of deputies of each major Bureau component. This committee provides a forum for monitoring progress, resolving problems, providing coordination, and developing consensus recommendations regarding issues that arise from the Bureau's audit and its management and internal control environment.

In accordance with OMB Circular A-11, we ensure that performance information and data are reliable. The reliability of the performance data is measured by periodic data sampling, benchmarking, and audits, and is monitored by Bureau staff to ensure its integrity and that standard reporting instructions are followed.

## Legal Compliance

ATF management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, ATF performs reviews of its operations. In addition, the DOJ's Office of the Inspector General performed tests with respect to the Federal Financial Management Improvement Act (FFMIA). No significant incidents of non-compliance or program material weaknesses related to financial management were found with the exception noted in the Independent Auditors' Report on Compliance with Laws and Regulations related to ATF's funding of capital leases."