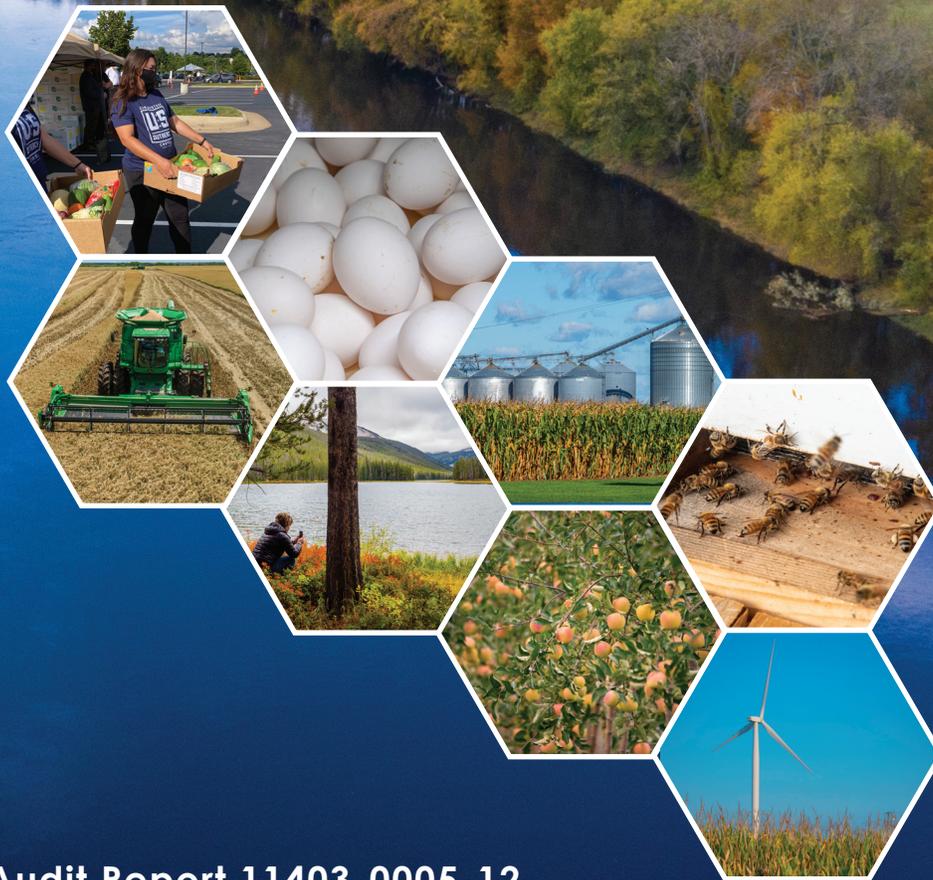


Independent Service Auditor's Report on National Finance Center's Description of Its Payroll and Personnel Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the period October 1, 2020 through June 30, 2021



Audit Report 11403-0005-12

September 2021

OFFICE OF INSPECTOR GENERAL

IMPORTANT NOTICE

This audit report contains sensitive information that has been redacted for public release, due to privacy concerns.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: September 20, 2021

AUDIT

NUMBER: 11403-0005-12

TO: Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Anita Atkins
Acting Director of the National Finance Center

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Independent Service Auditor's Report on the National Finance Center's Description of Its Payroll and Personnel Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2020 through June 30, 2021

This report presents the results of the System and Organization Controls 1 Type 2 examination conducted in accordance with Statement on Standards for Attestation Engagements No. 18 for the United States Department of Agriculture's (USDA) National Finance Center (NFC) description of its payroll and personnel systems used to process user entities payroll and human resource transactions throughout the period October 1, 2020 to June 30, 2021. The report contains an unmodified opinion on the description and controls that were suitably designed to provide reasonable assurance that the control objectives would be achieved.

Davis Farr LLP, an independent certified public accounting firm, conducted the audit. In connection with the contract, we reviewed Davis Farr's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards (issued by the Comptroller General of the United States), was not intended to enable us to express, and we do not express, opinions on the USDA NFC's description of its payroll and personnel systems used to process user entities payroll and human resource transactions throughout the period October 1, 2020 to June 30, 2021. Davis Farr LLP is responsible for the attached auditor's report, dated September 2, 2021, and the conclusions expressed in the report. However, our review disclosed no instances where Davis Farr LLP did not comply, in all material respects, with Government Auditing Standards, issued by the Comptroller General of the United States, and relevant attestation standards established by the American Institute of Certified Public Accountants.

It is the opinion of Davis Farr LLP, in all material respects, based on the criteria described in NFC's assertion that:

- A. The description fairly presents the NFC's payroll and personnel systems for processing user entities' transactions that were designed and implemented throughout the period October 1, 2020 to June 30, 2021.
- B. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2020 to June 30, 2021, and subservice organizations and user entities applied the complementary controls assumed in the design of NFC's controls throughout the period October 1, 2020 to June 30, 2021.
- C. The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period October 1, 2020 to June 30, 2021, if complementary subservice organization and user entities controls assumed in the design of NFC's controls operated effectively throughout the period October 1, 2020 to June 30, 2021.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. The redacted version of this report will be made publicly available at <http://www.usda.gov/oig> in the near future.

**UNITED STATES DEPARTMENT OF AGRICULTURE
National Finance Center**

Independent Service Auditor's Report on the National Finance Center's Description of its
Payroll and Personnel System and on the Suitability of the Design
and Operating Effectiveness of its Controls

For the period October 1, 2020 through June 30, 2021

Table of Contents

<u>Section</u>	<u>Description</u>	<u>Page</u>
I	Independent Service Auditor's Report	1
II	Assertion of the Management of the National Finance Center	5
III	NFC's Description of its Payroll/Personnel System	
	• Overview of Operations	9
	• Scope of the Description	10
	• Internal Control Framework	10
	• Complementary Subservice Organization Controls	24
	• Complementary User Entity Controls	25
	<i>The NFC's control objectives and related controls are included in Section IV of this report, "Tests of Controls and Results." Although the control objectives and related controls are presented in Section IV, they are an integral part of the NFC's description of its system.</i>	
IV	Tests of Controls and Results:	
	• Purpose and Objectives of the Report	28
	• Tests of Controls	28
	• Control Objectives, Controls and Testing:	
	▪ Control Objective 1: Logical Access	30
	▪ Control Objective 2: Application Program Configuration Management	32
	▪ Control Objective 3: Payroll/Personnel Transactions	35
	▪ Control Objective 4: Master Data	44
V	Other Information Provided by NFC	46

INDEPENDENT SERVICE AUDITOR'S REPORT

Office of the Chief Financial Officer
Deputy Director, National Finance Center
Inspector General, United States Department of Agriculture

Scope

We have examined the United States Department of Agriculture (USDA) National Finance Center's (NFC's) description of its payroll and personnel system entitled "NFC's Description of Its Payroll/Personnel System" for processing user entities' payroll and human resources transactions throughout the period October 1, 2020, to June 30, 2021, (description) and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "Assertion of the Management of the National Finance Center" (assertion). The controls and control objectives included in the description are those that management of the NFC believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the Payroll/Personnel System that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V, "Other Information Provided by NFC" is presented by management of the NFC to provide additional information and is not a part of NFC's description of its payroll and personnel system made available to user entities during the period October 1, 2020, to June 30, 2021. Information about NFC's continuity of operations and alternate work site, and disaster recovery has not been subjected to the procedures applied in the examination of the description of the payroll and personnel system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the payroll and personnel system.

NFC uses two subservice organizations: the USDA Office of the Chief Information Officer (OCIO) to secure, operate and host its payroll/personnel applications; and Kronos to provide webTA securely-coded application changes. The description includes only the control objectives and related controls of NFC and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by NFC can be achieved only if complementary subservice organization controls assumed in the design of NFC's controls are suitably designed and operating effectively, along with the related controls at the subservice organizations. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of NFC's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section II, NFC has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. NFC is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States (U.S. Government Accountability Office). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period October 1, 2020, to June 30, 2021. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves:

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing payroll and human resources transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section IV of this report.

Opinion

In our opinion, in all material respects, based on the criteria described in NFC's assertion:

- a. the description fairly presents the Payroll/Personnel System that was designed and implemented throughout the period October 1, 2020, to June 30, 2021.
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2020, to June 30, 2021, and subservice organizations and user entities applied the complementary controls assumed in the design of NFC's controls throughout the period October 1, 2020, to June 30, 2021.
- c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period October 1, 2020, to June 30, 2021, if complementary subservice organization and user entity controls assumed in the design of NFC's controls operated effectively throughout the period October 1, 2020, to June 30, 2021.

Other Matters

As noted in management's description, there were no identified webTA application changes that required Functional Requirements Document (FRD) approval during the period October 1, 2020, through June 30, 2021. Therefore, we did not test the operating effectiveness of a portion of Control Objective 2, "Controls provide reasonable assurance that changes to application programs are authorized, tested, documented, and approved to support the complete, accurate, and timely processing and reporting of transactions and balances relevant to user entities' internal control over financial reporting," solely as it relates to FRD approval for identified webTA changes. Our opinion is not modified with respect to this matter.

Restricted Use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of the NFC, user entities of NFC's Payroll/Personnel System during some or all of the period October 1, 2020, to June 30, 2021, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Darin Furr LLP

Irvine, California
September 2, 2021

The subsequent sections of the report Section II—Assertion of the Management of the National Finance Center (pages 5–8), Section III—NFC’s Description of its Payroll/Personnel System (pages 9–26), Section IV—Tests of Controls and Results (pages 27–45), and Section V—Other Information Provided by NFC (pages 46–47) are not being publicly released due to the sensitive security content.



Learn more about USDA OIG

Visit our website: www.usda.gov/oig/index.htm

Follow us on Twitter: @OIGUSDA

How to Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

File complaint online: www.usda.gov/oig/hotline.htm

Monday–Friday, 9:00 a.m.– 3:00 p.m. ET

In Washington, DC 202-690-1622

Outside DC 800-424-9121

TDD (Call Collect) 202-690-1202

Bribes or Gratuities

202-720-7257 (24 hours)

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET

Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.