DEPARTMENT OF THE TREASURY
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND
CORRECTIVE ACTION PLAN AND STATUS REPORT

Exhibit 1

FY 97 Material Weaknesses	KPMG Recommendations	Corrective Action Plan	Current Status as of 5/31/98
1.A. Absence of a formal Federal Managers' Financial Integrity Act (FMFIA) program to identify and design corrective actions for material weaknesses	Establish a formal management control process and designate the Deputy Director for Management/CFO as the Fund's Management Control Officer	The Director will designate the Deputy Director for Management/CFO as the Fund's Management Accountability and Control Officer and a formal FMFIA/FFMIA program will be implemented during the last half of FY 1998. The program will include an identification of the Fund's Section 2 and 4 assessable units and a schedule for vulnerability assessments by Fund managers. The Financial Manager will develop a Monthly Accountability Plan (MAP) for publishing and reconciling monthly financial and management information and accompanying analysis. (Target completion date: 9/30/98)	The Deputy Director for Management/CFO was designated the Fund's Management Control Officer through a formal delegation dated May 28, 1998. A new Financial Manager entered on duty in April 1998 and began the process of drafting a management accountability order, identifying assessable units, and scheduling vulnerability assessments during the third and fourth quarters of FY 1998.
1.B. Lack of a structured system of documentation for award files	Finalize the awards file maintenance program and develop a "file contents checklist" to identify all documents that should be included in the awards files	Awards Manager will finalize the awards file maintenance program and develop a "file content checklist". (Target completion date: 9/1/98)	Staff is in the process of converting all official award files to the new system described in Policy Memo No. 1. A new checklist will be used to confirm file contents and each file will be reviewed and signed by the Awards Manager. The Awards Manager is currently performing this review function prior to any award disbursement during FY 1998.
1.C. Vacant positions for oversight of awards programs		The Fund will recruit and hire an Awards Manager and other support personnel to adequately provide oversight to the awards programs. (Target completion date: 9/30/98)	An Awards Manager entered on duty in January 1998. The Awards Manager is currently providing oversight for all award closings and award disbursements. The Fund's Awards Management area is now fully staffed with three administrative support personnel to assist in the oversight of the awards program. **This corrective action is now completed.**

FY 97 Material Weaknesses	KPMG Recommendations	Corrective Action Plan	Current Status as of 5/31/98
1.D. Lack of formal post-awards monitoring procedures	Develop formal, ongoing monitoring procedures, and related forms, and place them into operation	The Awards Manager, in partnership with the Fund's program staff, will develop formal, ongoing monitoring procedures, and related forms, and place them into operation during the third quarter FY 1998. (Target completion date: 9/1/98)	The Awards Manager is currently monitoring reporting compliance for all awardees that have assistance agreements. The Awards Manager will also conduct an assessment of the Fund's monitoring needs from both a compliance and program review perspective in conjunction with the program staff. Policies and procedures will be developed and in the third quarter of FY 1998 with full implementation by the fourth quarter FY 1998.
1.E. No formal review of monthly financial statements, accounting records, budgetary reports, and supporting reconciliations	Establish a formal process for preparing, reviewing and distributing monthly financial statements, including specific procedures for follow-up on any issues identified during the process	Develop procedures for reviewing financial data processed and statements and reports prepared by the Bureau of Public Debt's Franchise Service on behalf of the Fund. (Target completion date: 9/30/98)	A monthly management report was prepared for March, April and May 1998 that included financial statements and review of budget reports and supporting reconciliations prepared by the Franchise Service on behalf of the Fund. The Fund met with the BPD Franchise Service in May 1998 to validate processes and procedures. The Fund is preparing monthly financial statements and will continue to prepare and reconcile financial statements for each month through the remainder of FY 1998. **This corrective action is now complete** and the Fund will continue to prepare monthly management reports through the remainder of FY 1998.
1.F. Vacant positions for Chief Financial officer and Controller	Develop additional financial management positions and recruit personnel to fill these positions as soon as practicable	Hire a Financial Manager (controller) and a budget analyst as soon as possible. (Target completion date: 4/30/98)	A Financial Manager entered on duty in April 1998. The Fund's Financial Management area is now fully staffed with a Chief Financial Officer, Financial Manager, Staff Accountant, Budget Analyst, and a Financial Assistant. The Fund is now performing the full range of financial management activities required by the CFO Act. **This corrective action is now completed.**

FY 97 Material Weaknesses	KPMG Recommendations	Corrective Action Plan	Current Status as of 5/31/98
1.G. Inadequate delineation of organization responsibilities within the CDFI Fund		Prepare an organization plan in accordance with Treasury Directive 21-01 to properly delineate the Fund's organizational responsibilities and clearly define the Fund's mission and functions statements. (Target completion date: 5/1/98)	The Fund's proposed organizational plan was submitted to the Department on February 18, 1998 and approved on April 13, 1998. The approved plan includes functional statements and a delineation of organizational responsibilities for all offices within the Fund. The approved plan also includes organization charts for both the Fund and the Fund's placement within the Office for the Under Secretary for Domestic Finance. **This corrective action is now completed.**
1.H. General lack of documented policies and procedures	Develop policies and procedures for an awards administration and monitoring function, in the first half of fiscal year 1998	The Awards Manager will develop and implement appropriate policies and procedures for the Fund's awards administration function. (Target completion date: 9/30/98)	Policy memos will continue to be issued throughout the remainder of FY 1998 to implement all aspects of awards administration. The following Awards Administration Policy Memos have been issued to date: • Memo No. 1, dated April 2, 1998 establishes new procedures for the Fund's File Room and official award files including a new numbering system. • Memo No. 2 dated April 2, 1998 restricts access to the official award files and establishes a system for logging files to requestors. • Memo No. 3 dated April 6, 1998 defines the Fund's awards administration policies and procedures and the duties and responsibilities of the Awards Manager.

FY 97 Material Weaknesses	KPMG Recommendations	Corrective Action Plan	Current Status as of 5/31/98
	Continue the design and development of a portfolio monitoring database	The Fund's Award Manager will continue the design and development of a portfolio monitoring database. (Target completion date: 9/30/98)	The Awards Manager is currently reviewing data requirements and seeking information on off-the-shelf database systems that can be adapted to the Fund's awards administration and monitoring processes and requirements as well as program evaluations. Several systems have been reviewed and the Fund plans to begin the system analysis and development during the third quarter of FY 1998.
	Track the receipt of all required reporting activities for all the CDFI Fund awardees since the inception of the Fund	The Awards Manager will track all awardee reporting requirements since the inception of the Fund and contact all awardees that are delinquent. (Target completion date: 9/30/98)	The Awards Manager is currently tracking all incoming awardee reporting requirements for both quarterly and annual reports and sending delinquent letters within two-days of the required due date. A status report is being maintained on an Excel spreadsheet. In the third quarter a new Monitoring Control Form will be completed for all incoming reports. The Awards Manager will focus on audit and compliance monitoring and the program staff will focus on performance monitoring and review all financial status and program performance reports.
	Determine and communicate audit guidelines for the CDFI Fund awardees to follow	The Fund's Financial and Awards Managers will prepare written audit guidelines for the Fund awardees to follow. These written guidelines will be provided to the awardees with their completed assistance agreements. (Target completion date: 9/30/98)	Written guidelines will be prepared and included in all awardee assistance agreements issued in the fourth quarter of FY 1998.

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2. Liabilities incurred as a result of the awards process had not been recorded by the CDFI Fund as earned by the awardees, but rather as the awards were disbursed.	Record payables for grant awards and related grants expense at the point in time when the awards are earned by the awardees, rather than when disbursed in cash.	New process flow procedures and general ledger posting transactions will be developed to ensure proper recording of grant award payables and expenses. (Target completion date: 9/1/98)	The Fund met with the Bureau of Public Debt Franchise Service and developed process flow procedures and identified the different general ledger posting transactions for properly recording grant award payables and expenses.

Community Development Financial Institutions Fund
Awards Administration
Status Report on Monitoring
May 1998

1. Background

The Fund includes requirements for financial and programmatic reports as part of the terms and conditions of the assistance agreements. The required reporting includes quarterly financial, performance, and material change information, as well as annual awardee audits and financial and performance summaries. The Fund's formal monitoring to date has included tracking receipt of the reports on a computer spreadsheet and reviews of the reports by program staff. The Awards Manager has verified that 98% of the closed awardees from the FY 1996 CDFI round have complied with their reporting requirements. The 2% that are delinquent with one or more reports have been contacted for compliance.

As part of a corrective action to a material weakness identified in the FY 1997 audit, the Fund is currently in the process of developing and implementing a formal monitoring process that will focus on both compliance and performance monitoring.

2. Description of Monitoring Process

The Fund's monitoring program will focus on both compliance and performance monitoring. Monitoring will be a partnership between the Awards Administration staff in the Office of Management and program staff in the Office of Policy and Programs. The Awards Manager will focus on audit and compliance monitoring and check to ensure receipt by the due date of all required financial, performance, or other reports required from the awardee. The program staff will focus on performance monitoring and review all financial status and program performance reports.

The monitoring process will follow these major steps:

- Immediately upon receipt of an awardee report at the Fund, the Awards Manager will complete Section I (Compliance) of the automated Monitoring Control Form and forward the form and report to the assigned program staff. The Awards Manager will include information from any previous monitorings.

- The program staff will perform the required review within the allotted timeframe and complete Section II of the Monitoring Control Form, annotating whether the awardee is in compliance with the provisions of the Assistance Agreement.

- The program staff will return the Monitor Control Form and report to the Awards Manager. The Awards Manager will extract all necessary data and statistics for the Fund's Award Management Information System and determine if any awardee notifications or site visits are necessary as a result of monitoring. All required documentation will then be forwarded to the "secured" official Awards File.

3. Monitoring Control Form

The Monitoring Control Form will be computer based and data entry performed by the Awards Technician. The form will be reviewed and signed by the Awards Manager before forwarding the form and accompanying report to the assigned program staff. The name of the assigned program

staff and the due date for completion of each performance review will be noted on the Monitoring Control Form.

After completing the program performance review, the program staff will enter appropriate certifications and notes on the Monitoring Control Form, sign and return the entire package to the Awards Manager. The Awards Manager will report all overdue Monitoring Control Forms to the Deputy Director for Policy and Programs.

The program staff review will include an assessment of the awardee's progress in meeting the program performance goals included in the Assistance Agreement (e.g., outstanding, good, satisfactory, below expectations, and unacceptable). If applicable, the assessment will also include other areas such as financial soundness convenants, use of assistance, use of matching funds, CDFI status, other events of default, and/or material changes.

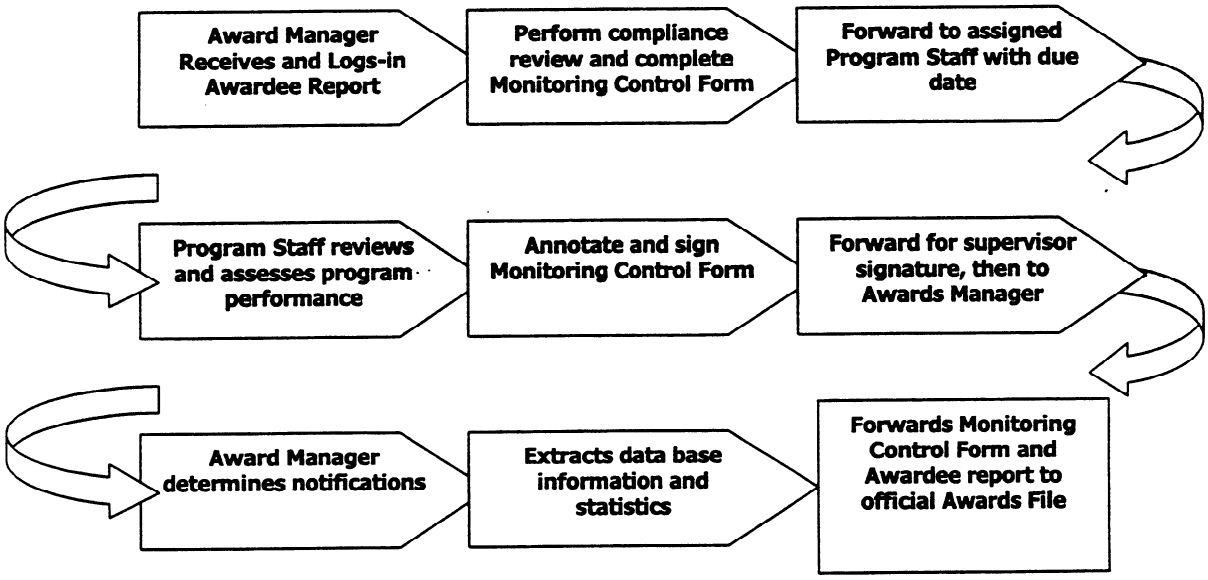
4. Implementation

During June, 1998 the Awards Manager will initiate the Monitoring Control Form by publishing Awards Administration Policy Memo #4. The form will be implemented immediately for all awardee reports received.

For awardee reports already at the Fund, the Awards Manager will complete a Monitoring Control Form and phase the performance review with the program staff during June, July and August, 1998.

By September 30, 1998, all Fund awardee reports will include completed and certified Monitoring Control Forms.

5. Diagram of Process



OBLIGATIONS AND DISBURSEMENTS
CDFI AND BEA PROGRAMS

Programs	1996 Round* (Sep 96)		1997 Round* (Sep 97)	
CDFI Awards CDFI Disbursements	$37,219,500 $31,416,615	84%[1]	$40,399,300 $ 7,761,822	19%
BEA Awards BEA Disbursements	$13,138,703 $10,329,680	79%[2]	$16,475,991 $ 9,701,389	60%

[1]Closing of assistance agreements are still pending in some cases.
[2]Incremental disbursements are pending notification of completion of incremental actions.

UNOBLIGATED AMOUNT AS OF MAY 31, 1998

Amount Currently Unobligated		**$109,479,652**
	Reserved Amount	
• BEA NOFA	$25,000,000	
• CDFI Core NOFA	$40,000,000	
• CDFI Technical Assistance NOFA	$ 5,000,000	
• CDFI Intermediary	$ 2,000,000	
• CDFI Direct Loan Subsidy	$ 2,000,000	
• CDFI Training Program	$15,000,000	
• Management	$3,100,000	
Total		**$92,100,000**
Estimated Carryover to FY 99 (no funds will lapse)		$17,379,652

FY 1995 Appropriation	FY 1996 Appropriation	FY 1997 Appropriation	FY 1998 Appropriation
$50,000,000	$45,000,000	$50,000,000	$80,000,000
*Rounds are funded by appropriations from more than one fiscal year.			