



# Audit Report



OIG-09-001

Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Bureau of the Public Debt's Trust Fund Management Branch for the Period August 1, 2007 to July 31, 2008

October 9, 2008

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

October 9, 2008

**MEMORANDUM FOR VAN ZECK, COMMISSIONER  
BUREAU OF THE PUBLIC DEBT**

**FROM:** Michael Fitzgerald /s/  
Director, Financial Audits

**SUBJECT:** Report on Controls Placed in Operation and Tests  
of Operating Effectiveness for the Bureau of the  
Public Debt's Trust Fund Management Branch for the  
Period August 1, 2007 to July 31, 2008

I am pleased to transmit the attached Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Bureau of the Public Debt's (BPD) Trust Fund Management Branch for the period August 1, 2007 to July 31, 2008. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent accounting firm, performed an examination of the general computer and trust fund management processing controls related to BPD's transactions processing of investment accounts of various Federal and State Government agencies (Program Entities) for the period August 1, 2007 to July 31, 2008. The contract required that the examination be performed in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Statement on Auditing Standards Number 70, *Reports on the Processing of Transactions by Service Organizations*, as amended.

The following reports, prepared by KPMG LLP, are incorporated in the attachment:

- Independent Service Auditors' Report; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

In its examination of BPD's controls, KPMG LLP found:

- the *Description of Controls Provided by the BPD* presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of July 31, 2008,
- that except for the matter described below, these controls are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls,

- that except for the matter described below, the controls tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives were achieved during the period from August 1, 2007 to July 31, 2008, and
- no instances of reportable noncompliance with laws and regulations tested.

KPMG LLP noted the following deficiency in the design and operation of one control objective, "Controls provide reasonable assurance that receipt transactions are authorized, processed, and recorded accurately in the proper period." In its report, KPMG LLP noted that the procedures followed by TFMB did not consider posting the tax receipt adjustments in the period to which they relate. TFMB recorded the trust fund quarterly tax adjustments in the fiscal year the adjustment was received instead of the fiscal year the tax adjustment relates to. TFMB did not record receivables/payables for tax adjustments in the period that the quarterly tax adjustments related to for all eight trust funds with tax adjustments. As a result, the control objective does not provide reasonable assurance that the tax receipts are being recorded in the proper period as defined by Statement of Federal Financial Accounting Standards No. 7, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7*. This deficiency resulted in the controls not being suitably designed to achieve this control objective. KPMG LLP's test of operating effectiveness noted the same deficiency.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BPD's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated September 24, 2008 and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audits at (202) 927-5076.

Attachment

**U.S. Department of the Treasury  
Bureau of the Public Debt**

**Trust Fund Management Branch  
General Computer and  
Trust Fund Processing Controls**

**Report on Controls Placed in Operation and  
Tests of Operating Effectiveness  
For the Period August 1, 2007 to July 31, 2008**

**U.S. DEPARTMENT OF THE TREASURY  
BUREAU OF THE PUBLIC DEBT  
TRUST FUND MANAGEMENT BRANCH**

**REPORT ON CONTROLS PLACED IN OPERATION AND  
TESTS OF OPERATING EFFECTIVENESS**

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**I. INDEPENDENT SERVICE AUDITORS' REPORT  
PROVIDED BY KPMG LLP**



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Service Auditors' Report

Inspector General, U.S. Department of the Treasury  
Commissioner, Bureau of the Public Debt and the  
Assistant Commissioner, Office of Public Debt Accounting

We have examined the accompanying description of the general computer and trust fund management processing controls related to the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to a Program Entities' internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls; and (3) such controls had been placed in operation as of July 31, 2008. BPD uses services provided by other organizations external to BPD ("sub-service organizations"). A list of sub-service organizations is provided in Section II of this report. The accompanying description includes only those controls and related control objectives of BPD, and does not include control objectives and related controls of sub-service organizations. Our examination did not extend to controls of sub-service organizations. The control objectives were specified by the management of BPD. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards* issued by the Comptroller General of the United States and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

As discussed in the accompanying description the procedures followed by TFMB did not consider posting the tax receipt adjustments in the period to which they relate. TFMB recorded the trust fund quarterly tax adjustments in the fiscal year the adjustment was received instead of the fiscal year the tax adjustment relates to. TFMB did not record receivables/payables for tax adjustments in the period that the quarterly tax adjustments related to for all eight trust funds with tax adjustments. As a result, the control objective does not provide reasonable assurance that the tax receipts are being recorded in the proper period as defined by Statement of Federal Financial Accounting Standards No. 7, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7*. This results in the following control objective not being achieved: "Controls provide reasonable assurance that receipt transactions are authorized, processed, and recorded accurately in the proper period."

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of July 31, 2008. Also, in our opinion, except for the design deficiency noted in the preceding paragraph, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls.





In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, which are presented in Section III of this report, to obtain evidence about their effectiveness in meeting the related control objectives, described in Section III, during the period from August 1, 2007 to July 31, 2008. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information is being provided to Program Entities of BPD and to their auditors to be taken into consideration, along with information about the internal control of Program Entities, when making assessments of control risk for Program Entities. In our opinion, except for the design deficiency noted above, the controls that were tested, as described in Section III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section III were achieved during the period from August 1, 2007 to July 31, 2008.

The relative effectiveness and significance of specific controls at BPD and their effect on assessments of control risk at Program Entities are dependent on their interaction with the controls, and other factors present at individual Program Entities. We have performed no procedures to evaluate the effectiveness of controls at individual Program Entities.

The description of controls at BPD is as of July 31, 2008, and the information about tests of the operating effectiveness of specific controls covers the period from August 1, 2007 to July 31, 2008. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at BPD is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, or the failure to make needed changes to the system or controls may alter the validity of such conclusions.

The information in Section IV of this report is presented by BPD to provide additional information and is not a part of BPD's description of controls placed in operation. The information in Section IV has not been subjected to the procedures applied in the examination of the description of the controls applicable to the processing of transactions for Program Entities and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of BPD, its Program Entities, the independent auditors of its Program Entities, the U.S. Department of the Treasury Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

September 24, 2008

**II. DESCRIPTION OF CONTROLS PROVIDED BY  
THE BUREAU OF THE PUBLIC DEBT**

## OVERVIEW OF OPERATIONS

Treasury Directive 27-02, Organization and Functions of the Fiscal Services, dated May 23, 1997, established the Bureau of the Public Debt's (BPD) responsibility to invest, approve schedules for withdrawals, and maintain accounts for the Federal Trust and Deposit Programs as directed by statute, and certify interest rates determined by the Secretary of the Treasury.

BPD has assigned these responsibilities to the Division of Federal Investments (DFI), with the exception of interest certification, which is assigned to the Debt Accounting Branch. DFI manages two functional areas: Trust Fund Management Branch (TFMB) and Federal Investments Branch (FIB). TFMB is the service organization responsible for processing certain receipt, investment, investment servicing, disbursement, and redemption transactions for eighteen trust funds. In addition, TFMB reports the results of the transactions processed to the Financial Management Service (FMS) and the Program Agencies and States (Program Entities) whose programs are funded by the trust funds. TFMB employs eleven personnel and reports on nearly \$2.6 trillion of trust fund assets. TFMB more specifically:

- Analyzes provisions and limitations of public laws relating to authorized trust fund transactions
- Processes receipt, investment, investment income, and disbursement activity
- Establishes and controls the record keeping of the trust fund activity processed by BPD
- Provides monthly reports to Program Entities reflecting trust fund activities and balances

Transaction support is maintained in paper or electronic format. The supporting documentation is maintained in work folders that include at least the following key documents:

- Receipt notification documents, such as Office of Tax Analysis (OTA) tax estimate/adjustment letters, Internal Revenue Service (IRS) tax refund/credit letters, Program Entity receipt letters/reports, Deposit Summary Form (SF-215), and CA\$HLINKII reports
- Intragovernmental Payment and Collection (IPAC) System transaction reports
- Statement of Transactions Report (SF-224)
- FMS-issued warrants (SF-1017)
- Investment and Redemption Requests
- FIB-issued Investment and Redemption Confirmations
- FIB-issued Monthly Statements of Account (investment report)
- Redemption request reports
- Amortization reports
- Cash forecasting reports
- Disbursement request letters from Program Entities
- Non-Expenditure Transfer Authorization (SF-1151)
- FMS-Issued Transaction by Account ID reports
- Automated Standard Application for Payments System (ASAP) disbursement and transfer request files and reports

- Reconciliations from the Government Wide Accounting and Reporting modernization project (GWA) system Account Statement to the trust fund trial balance reports
- Trial balance reports
- Schedules of assets and liabilities and schedules of activity
- Federal Accounting Centralized Trial Balance System Adjusted Trial Balance Reports
- Unemployment Trust Fund (UTF) Account Statement, Activity Statement, and Transaction Statement
- Borrowing Reports
- TFS-2108 Year-End Closing Statements

TFMB processes receipt transactions based on warrants provided by FMS or amounts received from Program Entities and other organizations using the IPAC or CA\$HLINKII systems. The OTA and IRS are responsible for determining the amount of tax receipts. The Program Entities and other organizations are responsible for determining the amount of the non-tax receipts.

TFMB invests the receipts in U.S. Department of the Treasury (Treasury) securities. TFMB summarizes the daily receipts, prepares an Investment Request, and enters the request into FedInvest, which purchases the requested security and posts an Investment Confirmation on the FedInvest website. TFMB primarily purchases non-marketable Treasury securities that are held in the name of the Secretary of the Treasury for the trust funds, such as:

Non-marketable, market-based securities

- Bills
- Bonds
- Notes
- One-day securities

Non-marketable par value securities

- Special issue bonds
- Certificates of indebtedness

The interest on securities held for the trust funds is credited to the trust funds in accordance with legislation. FIB assigns interest rates for the securities issued to the trust funds. The interest rate for a non-marketable par value security is based on specific legislation or the average monthly rate of all outstanding Treasury debt instruments. The interest rate for a non-marketable market-based security is based on the daily rate established by the Office of Debt Management within the Treasury for an equivalent marketable security.

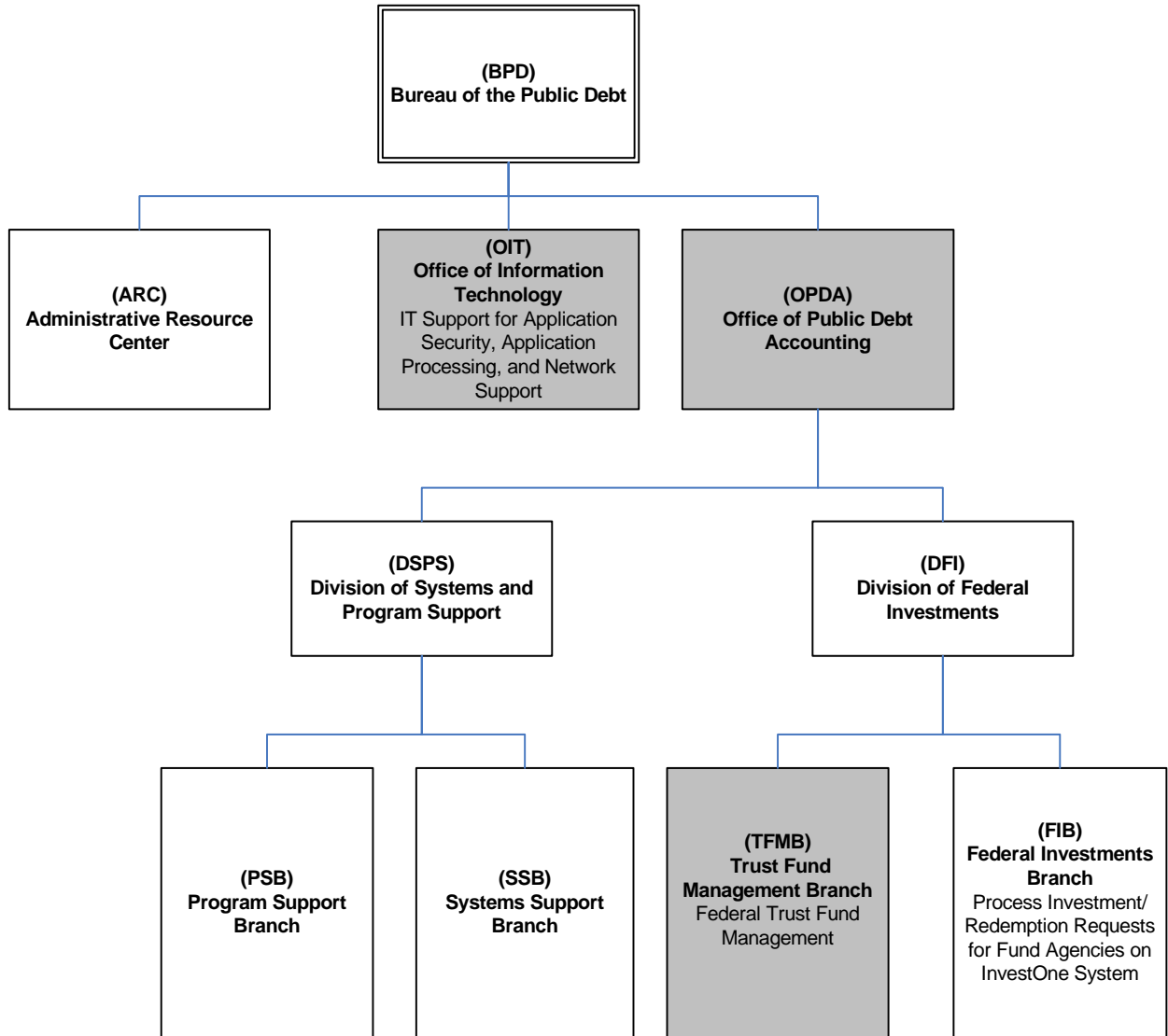
FIB issues non-marketable market based bills, bonds, and notes at a discount or premium. TFMB amortizes the discounts for bills (i.e., short-term securities) using the straight-line method and the discounts and premiums for bonds and notes (i.e., long-term securities) using the level yield method, which approximates the effective interest method.

Interest income is a receipt to the trust fund and is either used to meet Program Entity disbursement requests or is reinvested according to the trust funds' investment policy. The trust fund managers record interest income as either received or accrued each month. Also if a gain or loss is sustained when a security is redeemed prior to maturity to meet the cash needs of a Program Entity, the related gain or loss is also recorded.

The Program Entities that are authorized to use trust fund assets as program resources request disbursements from TFMB. TFMB prepares an Investment/Redemption Request form and enters the request into FedInvest, which redeems the requested amount of securities and posts a Redemption Confirmation on the FedInvest website. TFMB enters a non-expenditure transfer authorization into FMS's GWA System to transfer the requested funds to the Program Entities. The Program Entities have responsibility for the ultimate disposition of the trust fund assets.

The receipt, investment, investment income, and disbursement activity provide the basis for reporting financial information to the Program Entities that use the trust fund resources, as well as other interested parties such as the Office of Management and Budget (OMB) and Treasury offices. TFMB provides monthly financial reports including the activity and balances to the Program Entities.

# ORGANIZATIONAL CHART



## **RELEVANT ASPECTS OF THE CONTROL ENVIRONMENT, RISK ASSESSMENT, AND MONITORING**

### **Control Environment**

Operations are primarily under the direction of the Office of the Director of the DFI and the Director of the Division of Systems and Programs Support (DSPS), which represent the functional areas listed below:

- *Administrative development.* Coordinates various aspects of the operations. Identifies areas requiring internal controls and implements those controls. Performs systems planning, development, and implementation. Reviews network operations and telecommunications and performs disaster-recovery planning and database administration.
- *Program support.* Supports Program Entities in all aspects of their use of the application system including research and resolution of identified problems.
- *Operations.* Manages daily computer operations, production processing, report production and distribution, and system utilization and capacity.

DFI and DSPS hold bi-weekly management meetings to discuss special processing requests, operational performance, and the development and maintenance of projects in process. Written position descriptions for employees are maintained. The descriptions are inspected annually and revised as necessary.

References are sought and background, credit, and security checks are conducted for all BPD personnel when they are hired. Additional background, credit, and security checks are performed every three to five years. The confidentiality of user-organization information is stressed during the new employee orientation program and is emphasized in the personnel manual issued to each employee. BPD provides a mandatory orientation program to all full time employees and encourages employees to attend other formal outside training.

All BPD employees receive an annual written performance evaluation and salary review. These reviews are based on goals and objectives that are established and reviewed during meetings between the employee and the employee's supervisor. Completed appraisals are reviewed by senior management and become a permanent part of the employee's personnel file.

### **Risk Assessment**

BPD has placed into operation a risk assessment process to identify and manage risks that could affect TFMB's ability to provide reliable transaction processing for Program Entities. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures and controls to manage these risks.

Additionally, all mission-critical systems and general support systems are subject to an internal risk-based review every three years. This review identifies assets and possible threats to these assets, provides a measure of vulnerability of the system to these threats, and confirms control or protective measures are in place.

## **Monitoring**

BPD management and supervisory personnel monitor the quality of internal control performance as a normal part of their activities. Management and supervisory personnel inquire and ensure the trust fund managers process transactions and perform internal controls. In addition, management reviews financial reports that summarize the trust fund transaction processing. One key control is that each month the trust fund managers reconcile the trial balance reports from the InvestOne accounting system to the GWA Account Statement. In addition, TFMB prepares and reconciles the Federal Agencies Centralized Trial-Balanced System (FACTS II) submission reports to the trial balance reports each quarter.



## INFORMATION AND COMMUNICATION

### Information Systems

#### InvestOne Accounting System Description

The InvestOne accounting system is a vendor supplied accounting package used to record and report trust fund activity processed by TFMB. InvestOne is licensed by SunGard Investment Systems, Inc. InvestOne resides on BPD's mainframe, which uses a z/OS operating platform. The Office of Information Technology (OIT) provides the primary support for maintaining the InvestOne accounting system. This includes mainframe operations (batch processing and reporting), custom report writing, application change management, data management, tape backup and recovery, user access security, remote access and continuity management. InvestOne is accessed through the network using a terminal emulator application called Extra, a PC-based software product that enables communication with OIT mainframe applications. InvestOne also provides a report writer package called Spectra that provides users with the ability to create their own reports. BPD uses Spectra to create reports, which provide functionality not included in the standard InvestOne reports.

The trust fund managers receive supporting documentation on a daily basis for recording trust fund activity. The trust fund managers record the activity as the supporting documentation is received into the InvestOne accounting system. This process provides the trust fund managers with information on daily cash balances that helps them ensure that the activity was processed and invested correctly. InvestOne provides monthly trial balance reports and financial reports.

#### FedInvest System Description

FedInvest is a BPD-developed, web-based application that provides Internet access to the federal investment information managed through the InvestOne system. The system allows federal investment fund managers to assume direct responsibility for managing their respective accounts. Federal agencies are able to input transactions into InvestOne, as well as view account statements and transaction information over the Internet. Additionally, FedInvest provides a simpler, more meaningful interface to InvestOne for internal fund managers in BPD's Division of Federal Investments. FedInvest includes edits that serve to enforce federal investment program policies resulting in improved data quality in InvestOne.

FedInvest also includes a Maintenance Facility feature that is used to manage FedInvest users and their associated investment account information. The facility is used to create and post broadcast messages (announcements) that are seen by users signed onto the system, and establish e-mail communication to all system users and their agency Chief Financial Officers.

#### Oracle Federal Financials (Oracle) Description

Oracle is a commercial-off-the-shelf (COTS) accounting package hosted and operated by BPD's Administrative Resource Center (ARC) and used by TFMB to report trust fund transactions processed through the InvestOne accounting system (for all trust funds except the Unemployment Trust Fund).

Oracle uses a two-tier web-based infrastructure with a front-end internet user interface and a database residing on the secure network. Oracle (web.net) accesses the database IP to IP on a specified port that is defined in the Access Control List. External Internet access is via a 128-bit

Secure Sockets Layer (SSL) encrypted connection. External security is also provided by BPD's Office of Information Technology (OIT) through a PIX firewall and router Access Control Lists. The application is compliant with Section 508 of the Rehabilitation Act Amendment for 1998 for Americans with Disabilities (ADA).

ARC also provides TFMB users with a report writer package called Discoverer that enables users the ability to create their own ad hoc reports for query purposes.

### **Communication**

BPD has implemented various methods of communication to ensure that all employees understand their individual roles and responsibilities over transaction processing and controls. These methods include orientation and training programs for newly hired employees, and use of electronic mail messages to communicate time sensitive messages and information. Managers also hold periodic staff meetings as appropriate. Every employee has a written position description that includes the responsibility to communicate significant issues and exceptions to an appropriate higher level within the organization in a timely manner.

## **PROGRAM ENTITY CONTROL CONSIDERATIONS**

BPD's general computer and trust fund management processing controls related to TFMB were designed with the expectation that certain internal controls would be implemented by Program Entities. The application of such controls by the Program Entities is necessary to achieve all control objectives identified in this report, since TFMB is a servicing organization that processes transactions that directly affect Program Entities.

This section describes certain controls that Program Entities should consider for achievement of control objectives identified in this report. The Program Entity control considerations presented below should not be regarded as a comprehensive list of all controls that should be employed by Program Entities. Program Entities should establish controls to:

- Ensure that access to the FedInvest system is restricted to properly authorized individuals
- Verify that only authorized receipts are deposited into the trust funds.
- Determine and approve receipt amounts.
- Provide receipt information to TFMB within the required time frames.
- Review the monthly financial reports provided by TFMB to ensure that receipts are posted accurately.
- Verify that the type and term of the investments purchased are appropriate in relation to expected cash flow needs.
- Verify that the type and term of the investments purchased and related investment income are appropriate in relation to expected cash flow needs.
- Verify that only authorized disbursement requests are used for withdrawals from the trust funds.
- Determine and approve the disbursement requests.
- Provide disbursement requests to TFMB within the required time frame.
- Ensure that the systems they use to support on-line access to the ASAP are approved, tested, and properly monitored. (Unemployment Trust Funds (UTF) only)
- Restrict access to the ASAP system to authorized individuals. (UTF only)
- Verify that disbursement requests are accurately entered into the ASAP system. (UTF only)
- Review the monthly trust fund financial reports provided by TFMB to ensure that disbursements are posted accurately.
- Reconcile fund balance with Treasury from their records to FMS records to ensure that they receive the proper trust fund disbursements.

- Reconcile disbursement records to their bank's records to ensure that they receive the proper trust fund disbursements. (UTF only)
- Review the monthly trust fund financial reports to ensure that transactions are recorded accurately.
- Review their UTF account statements, transaction statements, and Federal activity reports to ensure that transactions are recorded accurately.
- Verify that transactions are recorded accurately into Federal Agencies' Centralized Trial Balance System (FACTS).
- Verify that borrowing requests are accurately entered into the ASAP system.
- Verify that borrowing amounts are not in excess of the amount approved by the U.S. Department of Labor.
- Review the reports provided by TFMB to ensure that borrowing, interest, and repayment transactions are recorded accurately.

Specific Program Entity control considerations are provided for Control Objectives 5, 9, 10, 11, 13, 15, and 16 in the Control Objectives, Related Controls, and Tests of Operating Effectiveness section of this report.

## SUB-SERVICE ORGANIZATIONS

In order to provide trust fund management processing services, TFMB relies on systems and services provided by other organizations external to BPD (sub-service organizations). The following describes the sub-service organizations used by TFMB that are included in this report. KPMG LLP's examination did not extend to controls of these sub-service organizations and associated systems.

Name of Sub-service Organization	Name of system	Function/Responsibilities
Internal Revenue Service (IRS)	N/A	<p>At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to FMS. The IRS generally certifies excise taxes two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> quarter).</p> <p>The IRS determines the amount of excise tax refunds/credits and sends the adjustment to TFMB to be processed.</p>
Treasury - Office of Tax Analysis (OTA)	N/A	<p>Treasury's OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to FMS.</p> <p>Treasury's OTA estimates the monthly taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to FMS.</p>

Name of Sub-service Organization	Name of system	Function/Responsibilities
Treasury Financial Management Service (FMS)	N/A	<p>FMS issues a warrant (SF-1017) to increase the respective trust fund's account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. FMS sends the warrant and excise tax estimate to TFMB.</p> <p>FMS calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FMS issues TFMB a warrant for the excise tax adjustment to increase or decrease the respective trust fund's account.</p> <p>FMS sends TFMB the daily Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (SECA) tax deposit information. TFMB allocates the deposits to the appropriate trust funds based on the monthly OTA estimates and provides the investment amounts to FMS. FMS confirms the investment totals back to TFMB and prepares the tax warrant.</p>
Treasury Financial Management Service (FMS)	Government On-line Accounting System (GOALS) and Intragovernmental Payment and Collection (IPAC) System	<p>The Program Entities generate a file in the IPAC System to allocate the funds to the proper trust funds. TFMB receives the IPAC transaction report from the FMS GOALS system.</p> <p>TFMB receives the daily receipt reports from the Program Entities and the IPAC transaction report from the FMS GOALS system.</p> <p>Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the Federal Employees Compensation Act accounts receivable, and deposits collections in the UTF via SF-224.</p> <p>For each redemption transaction, the trust fund manager obtains the related IPAC report from the IPAC system.</p>

<b>Name of Sub-service Organization</b>	<b>Name of system</b>	<b>Function/Responsibilities</b>
	CASHLINKII	The Budget Reports Division of FMS prepares warrants based on collections reported to FMS through CASHLINKII. The warrants are forwarded to TFMB.
	Government-wide Accounting and Reporting modernization project (GWA) system	<p>TFMB uses the automated GWA system, maintained by FMS, to process transfers.</p> <p>FMS configured the GWA system to authorize TFMB to transfer funds from the trust fund accounts to program entities' accounts but not to transfer funds from program entities' accounts to the trust fund accounts.</p> <p>FMS authorizes the GWA system to send the disbursement request to the STAR system using an automated interface. The GWA system changes the status of the transfer request to "STAR POSTED" on the GWA system.</p>
Treasury Financial Management Service (FMS)	FACTS I and II	The trust fund activity is reported in FACTS. FACTS is used to consolidate all Federal financial reporting at the agency level for the purposes of generating the annual consolidated financial statements for the Federal Government as a whole. FACTS I includes only the non-budgetary accounts and FACTS II reports both selected non-budgetary accounts and the budgetary accounts.
U.S. Department of the Treasury (Treasury)	Central Accounting System (STAR)	<p>For disbursement processing, the STAR system transfers the funds from the trust fund account to the program entity account.</p> <p>TFMB submits, via GOALS, a SF-224 Statement of Transaction report (SF-224), which posts to STAR, and the appropriate Trust Fund accounts are adjusted for the refunds/credits.</p>

<b>Name of Sub-service Organization</b>	<b>Name of system</b>	<b>Function/Responsibilities</b>
	Automated Standard Application for Payments (ASAP) System	<p>Program Entities must submit all disbursement requests using the ASAP system. Each day, Program Entities must enter their disbursement requests into the ASAP system by 6:00 pm EST if requesting a wire transfer and by 11:59 pm EST if requesting an Automated Clearing House payment.</p> <p>During the morning of the next business day, the ASAP system transmits a file to the InvestOne accounting system that contains all of the disbursement and transfer requests.</p>
Federal Reserve Bank of New York	N/A	The Federal Reserve Bank of New York accesses CASHLINKII, a Treasury on-line system in which deposit and withdrawal information is maintained at the detail and summary level, and uploads the deposit information into the Unemployment Trust Fund activity location code.
ARC	Oracle	Oracle is used to report trust fund transactions processed through the InvestOne accounting system (for all trust funds except the Unemployment Trust Fund).



**III. CONTROL OBJECTIVES, RELATED CONTROLS, AND  
TESTS OF OPERATING EFFECTIVENESS**

## **GENERAL COMPUTER CONTROLS**

### **Control Objective 1 – System Software**

Controls provide reasonable assurance that implementation and changes to system software are authorized, tested, approved, properly implemented, and documented.

#### **Description of Controls**

Bureau of the Public Debt (BPD) has documented procedures for the authorization, testing, approval, implementation, and documentation of system software changes.

InvestOne operates within a mainframe environment which consists of the following system software products:

- z/OS Operating System
- Customer Information Control System (CICS)
- ACF2 Security
- Endeavor Change Control
- Tape Management System (TMS)
- Control M and D (Production and Print scheduling)
- ETF/A (Emergency Change Control)
- iET

Prior to July 21, 2008 the FedInvest system had two main components, FedInvest and the FedInvest Maintenance Facility. These components operated within a client-server environment, but had different software architecture products. FedInvest was composed of the following:

- Host Access Transformation Services (HATS)
- DB2
- FedInvest Gateway Servlet
- Hypertext Transfer Protocol (HTTP) Request Handler
- JSP
- JDBC
- Control M
- ACF2 Security
- MQSeries
- CICS
- Windows 2003
- WebSphere

In addition to the above products, the FedInvest Maintenance Facility had the following system software products:

- BPD Java Framework and Java Architecture
- Simple Mail Transfer Protocol (SMTP)

On July 21, 2008, FedInvest and the FedInvest Maintenance Facility were replaced by the FedInvest Extensions system. The FedInvest Extensions system is composed of the following system software components:

- FedInvest Gateway Servlet
- ACF2 Security
- MQSeries
- CICS
- JAVA
- Windows Server 2003
- Sybase
- Lightweight Directory Access Protocol (LDAP)
- WebSphere

These mainframe and client-server products are under vendor control for maintenance and support. Upgrades to these products are obtained from the vendors and installed by the Office of Information Technology (OIT). BPD has maintenance support contracts for InvestOne and for system software running on the BPD mainframe.

For system software changes, BPD uses the iET product for change management. All system software changes (i.e., new product installations, maintenance upgrades, etc.) require a change record to be opened in iET. A record can be opened by any system programmer in OIT's Technical Services group (System Programming) or the change control coordinator. The record includes a description of the change, implementation date of the change, a justification, a back-up/back-out plan, and a status for changes that take several weeks/months to implement.

Changes are initially discussed at the Weekly Change Control Meeting held every Tuesday morning at 9:30 am EST. Attendees include representatives from all divisions within OIT as well as all users impacted by the proposed change. Depending on the type of change, notification is sent to the assistant commissioner, division directors, branch managers and/or staff personnel.

Following the meeting, the change control coordinator prepares and distributes the Weekly Change Control Memorandum on Thursday afternoon with information on changes for the upcoming week. This memorandum describes the system changes, effective dates, reasons for changes or problems the changes will resolve. There is also a reference to the iET change control number. Each Monday, the Division of Systems and Program Support (DSPS) receives and reviews an iET report of all upcoming changes.

Before software changes can be moved to production, they are tested in accordance with the BPD's system software change control procedures. These procedures document the authorization, testing, approval, implementation and documentation requirements for system software changes. Changes progress through various environments, which differ according to the type of system infrastructure. There are three separate mainframe environments: test, acceptance, and production. Each environment is a logical environment with its own software, datasets, and libraries. Mainframe changes are first tested by a programmer in the test environment. They are then migrated to the acceptance environment where a user tests the change using example transactions and acceptance environment files and libraries. For changes to distributed software (client/server), a testing lab is used to test changes to applications. A second instance of the application is loaded in the production region. Access to this instance of the application is provided to a limited number of users who perform testing.

Changes are tested through the use of scripts and example transactions/files. Each change is reviewed by the user groups that are affected by the change, and each group provides user concurrence that they accept the change. Following user concurrence, a knowledgeable individual, group, or designee reviews the testing materials and completes a checklist indicating that testing has been fulfilled. The change package is reviewed and coordinated at the weekly change control meeting, and approved by the change control coordinator prior to being moved into the production environment.

Once the Branch Manager approves the change, DSPS sends a Network Services Request to OIT to move the change into the Production environment. Upon notification of an accepted change, OIT creates an update package in Endeavor. Endeavor is a mainframe application through which users approve changes. Endeavor is also used to move changed system software files into the Production environment. Endeavor will not allow changes to be migrated from the Acceptance environment into the Production environment until the changes have been approved. Access to the Endeavor change control software is limited based on job responsibility.

For emergency changes, BPD has established a process that allows system programmers and database administrators to have temporary access to the Production environment through the use of a “fire-call” ID product called ETF/A. The operating system is configured to monitor and log such activity for review and approval by management the following day.

OIT reviews the use of sensitive system utilities included in the protected programs group on a weekly basis and limits access to these programs based on job responsibility.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected written procedures for system software configuration management and determined that procedures were documented, including procedures to document, test, authorize, approve changes, and properly implement changes into production.
- Inspected the emergency change procedures and determined that procedures for implementing emergency changes were documented, including approval by management on the business day following the emergency change.
- Inspected vendor maintenance support contracts for system software and determined that the contracts existed and were current.
- Inspected a selection of change records in iET Enterprise and determined that iET Enterprise was used throughout the audit period to log, track, and monitor system software changes.
- For a selection of dates, inspected Weekly Change Control Memorandums and determined that weekly change control meetings were held to discuss planned changes with the potential to impact the InvestOne mainframe environment.
- For a selection of system software changes, inspected supporting documentation and determined that the changes were documented in iET Enterprise, tested, authorized, and approved, except as noted below:
  - Sufficient evidence of testing of the change prior to implementation was not provided for one of eight system software changes.

- Inspected Endeavor access permissions and determined that access permissions to migrate changes to the production environment were restricted commensurate with job responsibilities.
- Inquired of OIT management and were informed that zero emergency system software changes were implemented during the control period. As such a determination on the effectiveness of this control was not made.
- Inspected a list of users with access to use ETF/A and determined that the list was commensurate with job responsibilities.
- For a selection of dates, inspected ETF/A activity reports and evidence of review, and determined that ETF/A logs were reviewed, except as noted below:
  - Sufficient evidence of timely review was not provided for six of fifteen ETF/A activity reports.
- For a selection of weeks, inspected evidence of OIT's review of reports for sensitive system utilities in the protected programs group and determined that the reports were reviewed weekly.

No exceptions noted, except as described above.

## **Control Objective 2 – Vendor Software**

Controls provide reasonable assurance that implemented new releases of vendor-supplied applications are authorized, tested, approved, properly implemented, and documented.

### **Description of Controls**

BPD has documented procedures for the testing and authorization of new releases of vendor supplied applications. The change control process is under the control and direction of DSPS.

The InvestOne accounting system is licensed by SunGard Investment Systems, Inc (SunGard). BPD has a maintenance and support contract for InvestOne with SunGard. The InvestOne accounting system was upgraded in July 2008 to version v. 07.210.

SunGard periodically provides new releases of InvestOne, including documentation. Each new release requires comprehensive testing. DSPS tests new InvestOne releases developed by SunGard consistent with change control procedures for Office of Public Debt Accounting (OPDA) systems. New InvestOne releases are initially installed in the Test environment where they are subjected to integration testing. After successful completion of testing, the InvestOne new release is migrated by OIT's Enterprise Development Branch to the Acceptance environment, where it is subjected to acceptance testing by users. An InvestOne new release will be installed in the Production environment only after all testing has been successfully completed and management has approved the new release for implementation in the Production environment.

In addition to new releases, SunGard will periodically provide fix tapes for InvestOne. Fix tapes, which address certain InvestOne issues, are narrower in scope than new releases. Based on what changes a particular fix tape includes, BPD management will decide whether or not to implement the fix tape. If BPD management decides to implement the fix tape, the fix tape is migrated through the Test and Acceptance environments. Fix tapes are installed in the Production environment only after successful completion of testing in the Test and Acceptance environments and management approval for migration into the Production environment.

DSPS also tests InvestOne application reports, developed by SunGard Investment Systems, Inc. using the same change control procedures described above.

In addition, BPD uses the Endeavor change management software product to manage the upgrades and enhancements. Access to the Endeavor change control software is limited based on job responsibility. Changes are only migrated into the Production environment once all responsible parties approve the change in Endeavor.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected procedures for the implementation of new releases of vendor supplied applications, and determined that they were documented.
- Inspected vendor maintenance support contracts for vendor software and determined that the contracts existed and were current.

- For the InvestOne new release implemented during the period, inspected documentation of test results and approvals for implementation and determined that the new release had been tested and approved prior to implementation into production.
- Inquired of DSPS management and were informed that no fix tapes were installed during the fiscal year due to the installation of the new release. As such, the operating effectiveness of the fix tape change control process could not be tested.
- For a selection of changes to InvestOne reports, inspected documentation of test results and approvals for implementation and determined that the report had been tested and approved prior to implementation into production.
- Inspected Endeavor access permissions and determined that access permissions to migrate changes to the production environment were restricted commensurate with job responsibilities.

No exceptions noted.

### **Control Objective 3 – Program Change Control**

Controls provide reasonable assurance that changes to customized reports are authorized, tested, approved, properly implemented, and documented.

#### **Description of Controls**

SunGard has custom built additional application components for InvestOne data entry and reporting. Included is the FedInvest application, which functions as a web-based user interface that customer agencies can use for entering transactions into InvestOne. For reporting, BPD has built “In-House” developed programs utilizing RM (desktop) COBOL and mainframe COBOL that generate customized reports to provide information unavailable in the standard InvestOne reporting package.

For RM COBOL, OIT uses Microsoft Visual Source Safe (VSS) to control access to source code for these “In-House” developed programs and to facilitate version control by requiring developers to check source code in and out using VSS. These programs read the data from the InvestOne accounting system and create reports. Specifically, data is downloaded from InvestOne, using standard InvestOne processes, to a data file on the mainframe then via ftp to the servers where the programs execute. Data is not sent from these programs to the InvestOne accounting system. The reports are used by the trust fund managers, sent to Program Entities, or sent to the U.S. Department of the Treasury (Treasury).

For mainframe COBOL, OIT uses Endeavor to control access to source code for these “In-House” developed programs and to facilitate version control. These programs were developed by OIT and reside on the mainframe, where these programs execute.

DSPS also provides support for the design and testing of customized reports and any changes to FedInvest. DSPS creates the requirements documentation, which is then provided to OIT for development. DSPS manages the request, testing, and approval process, described below, using the Endeavor software change management product and a Change Control Checklist. Change control procedures for Office of Public Debt Accounting (OPDA) systems are documented and include procedures for using Endeavor, for the mainframe portion of FedInvest. IBM Rational ClearCase is utilized for the change management portion for the FedInvest on-line software.

Changes using Endeavor progress through three separate environments: Test, Acceptance, and Production. Each environment is a logical environment with its own software, datasets, and libraries. A change is first tested by the programmer in the Test environment. It is then migrated to the Acceptance environment where a user tests the change using example transactions and Acceptance environment files and libraries.

Changes are tested through the use of scripts and example transactions/files. Each change is reviewed by the user groups that are affected by the change, and each group provides user concurrence that they accept the change. Following user concurrence, a senior staff member reviews the testing materials and completes a checklist indicating that testing has been fulfilled. The package is provided to the Branch Manager for final review and approval.

For mainframe COBOL, once the Branch Manager approves the change, DSPS sends a Network Services Request to OIT to move the change into the Production environment. Upon notification of an accepted change, OIT creates an update package in Endeavor. Endeavor is a mainframe application through which users approve changes. Endeavor is also used to move changed



program files into the Production environment. Endeavor will not allow changes to be migrated from the Acceptance environment into production until the changes have been approved. Access to the Endeavor change control software is limited based on job responsibility.

For emergency changes to the customized reports developed by OIT or the InvestOne accounting system reports, BPD has established a process that allows system programmers to have temporary access to production through the use of a “fire-call” ID product called ETF/A. The operating system is configured to monitor and log such activity for review and approval by management the following day.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected the access control lists for VSS , Endeavor and ClearCase and determined that access to the source code for “In-House” developed programs was appropriately restricted, except as noted below:
  - One user was granted inappropriate access to make modifications to the code stored in VSS. We observed and noted that the access was removed on July 29, 2008..
- Inspected Endeavor access permissions and determined that access permissions to migrate changes to the production environment were restricted commensurate with job responsibilities.
- Inspected Change Control Procedures for OPDA systems and determined that the procedures for change control and for using Endeavor were documented.
- For a selection of program changes, inspected supporting documentation and determined that changes were authorized, approved, tested, properly implemented and documented.
- For a selection of emergency program changes, inspected supporting documentation and determined that changes were approved.
- For a selection of dates, inspected ETF/A activity reports and evidence of review, and determined that ETF/A logs were reviewed, except as noted below:
  - Sufficient evidence of timely review was not provided for six of fifteen ETF/A activity reports.

No exceptions noted, except as described above.

## **Control Objective 4 – Physical Access**

Controls provide reasonable assurance that physical access to computer equipment and storage media is restricted to authorized individuals.

### **Description of Controls**

BPD has documented policies and procedures for controlling physical access to BPD buildings and to the data center. These include:

- Identification of sensitive/critical areas to which access needs to be restricted.
- Physical access controls designed to detect unauthorized access.
- Procedures for log reviews and investigation of violations.

The InvestOne mainframe software and FedInvest servers reside in OIT's data center at the BPD's main building located at 200 Third Street in Parkersburg, West Virginia. Armed security guards man and monitor the north entrance to the building 24 hours a day, 7 days a week. Armed security guards also man and monitor the south entrance when it's open, which is from 5:30 am EST to 6:00 pm EST and the H.J. Hintgen Building daily from 5:45 am EST to 8:00 pm EST on work-days. In addition, an armed roving patrol security guard makes interior and exterior foot patrols 24 hours a day, 7 days a week. A digital video camera system monitors all entrances, the building perimeter, and certain interior areas, including the data center, and records activity 24 hours a day. Physical access to the OIT Data Center is restricted to authorized employees only.

After/Off hours access to the Hintgen Building is made by a division director or above from the OPDA to the head of BPD security. Access lists are kept in the BPD Officers Duty Book, copies of which are maintained at each guard post. Employee's requiring After/Off hours access will have their security badge programmed by BPD Security with the appropriate access. To access the building, the employee must notify the Avery Street Guard Post that they are entering, then scan their badge to enter. The access control system automatically bypasses the alarms when the employee scans their badge. Upon entry, the employee then must secure the door behind themselves. When exiting, the employee will ensure the entrance is secured and notify the Avery Street Guard Post that they have exited the building. The Avery Street Guard Post will dispatch a rover guard to check the building entrance to ensure it is secure. In addition, the Avery Street Guard Post has the capability to monitor all Hintgen Building cameras, which are constantly viewing and recording all entrances and the building perimeter.

All people entering each building are required to place any materials, packages, bundles, etc. onto an x-ray machine. Entrants are also required to pass through a walkthrough metal detector. An activation of the walkthrough metal detector results in further screening by the security guard, utilizing a handheld metal detector to identify the source of activation. The discovery of any prohibited items during the screening process is addressed by the security guards in accordance with procedures outlined in the BPD Officers Duty Book. In addition, entrants must swipe their badges into an access control system that grants access to authorized personnel. The access control system is connected to the Security Branch located in the Avery Street Building.

The Security Branch issues employee badges, after performing security background checks and fingerprinting. During the initial orientation process, new employees receive security training from security management personnel.

If an employee forgets his/her identification badge, the employees may receive a temporary employee identification badge. The security guard verifies the employee's access rights by reviewing the security database. After access rights are verified, the security guard provides the employee a temporary badge, the employee signs-in on the Employee Log, the employee passes through a metal detector device, and the employee places their materials, packages, bundles, etc. onto an x-ray machine. Employees must return temporary employee identification badges to the security guard station upon departure on the day of issuance. The security guard completes an inventory of temporary employee identification badges daily.

Employees are required to have badges available at all times upon request and must bring their badge to the main entrance if they are escorting a visitor into the building.

Visitors and short-term contractors are required to sign-in on the Visitor Log, pass through both a metal detection device, place their materials, packages, bundles, etc. onto an x-ray machine, wear a visitor badge, and must be escorted at all times by an authorized employee. Visitor and short-term contractor access is limited to those areas of the building in which the employee is working. Visitors and short-term contractors are required to exit the Hintgen Building before the guard leaves at 8:00 pm EST or when their escort leaves. The security guard completes an inventory of visitor badges daily. Visitors and short-term contractors must return the badge when leaving the building for the day. Long-term contractors who will be working at the site for extended periods are issued a contractor badge with an expiration date after being fingerprinted, having a background investigation completed, and receiving a security clearance. They are then added to the security database for the designated time period, after which access is terminated. Badges must be returned upon termination of the engagement.

Terminated employees are required to surrender identification badges and are removed from the database security system immediately.

An employee needing access to the data center in the main building must have his/her Branch Manager request access. The requests are made through iET Enterprise, a workflow system that is used to approve data center access. Only Branch Managers have access to iET Enterprise. After the Branch Manager completes and submits the iET Enterprise request form, iET Enterprise extracts information from the contact management database and sends the message to the Network Services Branch. The Network Services Branch reviews and approves, rejects, or returns the request. Approved requests are forwarded via Applix ticket to the Security Branch of the Division of Security and Emergency Preparedness (DSEP), where a Physical Security Specialist adds data center access rights to the employee's badge profile in Physical Access Control System (PACS). Access to change physical access profiles in PACS is limited to Physical Security staff. PACS is used to control all badge reader door locks in BPD facilities. Each badge swipe on the card reader provides an audit trail of employees who have accessed the facility, which is reviewed by OIT management for potential access violations.

Access to the main computer areas and all sensitive areas require the use of the badge. Badges must be used for ingress and egress from each sensitive area. Badge access limits employees to only those areas within the data center for which they are authorized. This also provides an audit trail that is reviewed by management for access violations and appropriate follow-up. A monthly violation log review is performed to find any attempts by unauthorized badge holders to enter or exit the data center. Any unauthorized access attempts are followed-up on.

All employees without badge access to the data center, or other visitors, who need access to the data center must sign the computer room visitor register recording the visitor's name, section,

date, time-in, time-out, and visitor badge number. This log is maintained at the main entrance to the data center.

No outside materials are delivered to the sites without being inventoried and inspected at the BPD warehousing facility. Authorized BPD employees deliver all materials, mail, and packages.

OIT performs a semiannual reconciliation of individuals with data center access (as recorded in PACS) to individuals authorized to have data center access (as recorded in iET Enterprise). If an individual is found to have unauthorized data center access, OIT will, based on the individual's need for access, make a decision whether to request that DSEP remove their data center access in PACS or whether to provide authorization for their access. Additionally, OIT performs a rolling annual review and recertification of individuals with access to the data center. The review is performed by branch, according to a monthly schedule. During the course of a year, each person who has had authorized data center access for at least one-year, will have their access reviewed and recertified. For any individuals that OIT determines have unnecessary data center access, OIT instructs DSEP to remove their data center access from their ID badge.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected physical access policies and procedures for the data center and determined that they were documented and included the identification of sensitive/critical areas to which access needed to be restricted, physical access controls designed to detect unauthorized access, and procedures for log reviews and investigation of violations.
- Observed physical access controls of BPD buildings and noted that security guards, video cameras, badge readers, and locked doors were placed in operation to restrict access.
- For a selection of dates, inspected the daily guard duty logs and determined that the security guards provided coverage in accordance with BPD requirements.
- Inspected a screenshot of the storage of surveillance camera digital images and determined that the images were maintained for 30 days.
- For a selection of new employees granted access to the OIT datacenter, inspected physical access approvals and determined that data center access authorized was commensurate with job responsibilities.
- For a selection of months, inspected the Off-Hour Records of Keys Issued sheet and determined the logs were utilized to record key requests.
- Observed a selection of persons entering a building and noted that persons were required to place any materials, packages, bundles, etc. onto an x-ray machine, and additionally were required to pass through a walkthrough metal detector.
- Observed a selection of persons entering a building and noted that an activation of the walkthrough metal detector resulted in further screening by the security guard, utilizing a handheld metal detector to identify the source of activation.
- Inspected the BPD Officers Duty Book and determined that procedures were outlined for addressing the discovery of prohibited items.

- Observed an entrant swipe their badge into the access control system and noted that the controls system granted access to authorized personnel.
- For a selection of new hires, inspected supporting documentation and determined that background checks were performed and fingerprinting was completed.
- For a selection of new hires, inspected evidence of attending the initial orientation process, and determined that the new hires received security training.
- Inspected permissions to access the PACS badge system of BPD security management, and determined that access permissions to the physical access systems were commensurate with job responsibilities.
- For a selection of dates, inspected Temporary Entry Logs and determined the logs were used to record the issuance of temporary badges.
- For a selection of dates, inspected the daily guard duty logs and determined the security guards completed an inventory of temporary employee identification badges.
- For a selection of dates, inspected visitor logs and determined that visitor logs were used.
- For a selection of dates, inspected the daily guard duty logs and determined that the security guards completed an inventory of visitor badges.
- Inspected the security database and a list of separated employees, and determined that separated employees were removed from the badge reader system.
- For a selection of employees and contractors granted access to the data center during the review period, inspected the iET Enterprise record for the access granted and determined that access was approved by a Branch Manager, by the Network Services Branch and by the Security Branch.
- For a selection of months, inspected computer room visitor registers and determined the registers were in place.
- Inspected documentation of the semiannual review of physical access privileges to the data center and determined that access privileges were reviewed for each individual who had authorized access for at least one year, and appropriate actions taken, except as noted below:
  - Documentary evidence was not available for one of the two semiannual reconciliations.
- Observed employees within the BPD buildings and noted that badges were displayed.
- Observed an employee sign in a visitor and noted that the employee was required to provide their badge to security prior to the visitor being provided a visitor badge.

No exceptions noted, except as described above.

## **Control Objective 5 – Logical Access**

Controls provide reasonable assurance that logical access to system and application software is restricted to authorized individuals.

### **Description of Controls**

BPD has guidelines for the preparation of security plans for applications and systems that process Sensitive but Unclassified information. All mission-critical systems and general support systems are subject to an internal risk-based review every three years. This review identifies assets and possible threats to these assets, provides a measure of vulnerability of the system to these threats, and confirms control or protective measures are in place.

The InvestOne accounting system is classified as a mission-critical system.

InvestOne security along with the host mainframe's ACF2 security utility control access to the InvestOne accounting system. InvestOne restricts access to accounts within the system based on user IDs. ACF2 is also used to restrict OIT personnel's access to system software, database files, and program libraries.

FedInvest is a web-based user interface through which users have access to enter transactions into InvestOne and view data. External users are limited to accessing InvestOne data through FedInvest. External users that invest in Government Account Series (GAS) securities are able to connect to FedInvest over the Internet to input transactions into InvestOne as well as to view account statements and transaction information.

Administrator access permissions are assigned to FedInvest and InvestOne users commensurate with their job responsibilities.

OPDA follows BPD system administration security password guidelines/procedures to establish and maintain passwords. These guidelines require passwords to be at least 8 characters in length, changed every 30 days for ACF2 and every 90 days for LDAP, and unique for each individual. Passwords are not displayed when entered. The ACF2 reserved word feature is enabled to prevent the use of commonly used words in passwords.

Information System Security Representatives (ISSR) manage access to the InvestOne accounting system. Users must complete and submit an Access Request/Revoke Form to DFI who approves the form and forwards to DSPS before access is granted. Both Division of Federal Investments management and DSPS must authorize the form. DSPS has documented procedures for granting access. Modifications to user accounts require use of the same Access Request/Revoke Form.

External users must have their supervisor's approval along with DFI and DSPS ISSR approval documented on an Access Request/Revoke form before access is granted to FedInvest. When an external user accesses InvestOne data, they enter a user ID and password into FedInvest. Prior to July 21, 2008 user IDs were authenticated by ACF2 and InvestOne. Beginning on July 21, 2008, user IDs were authenticated by LDAP and InvestOne. The ACF2 or LDAP and InvestOne logins are transparent to external users, who only see the FedInvest login screen. However, if one of the required authentications failed (e.g., due to a user ID being suspended), the user would be prevented from accessing InvestOne data through FedInvest.

ISSRs remove FedInvest and InvestOne access from users at the request of their managers. Each access removal request is documented on an Access Request/Revoke Form.

To log into InvestOne, internal (i.e., BPD) InvestOne users must first login (either locally or remotely) to BPD's mainframe. An ISSR reviews a weekly Internal Violations Report, and a daily report of all failed FedInvest logins. The ISSR follows-up on violations by questioning the violator.

Additionally, on a weekly basis, an ISSR reviews a report of all system administrator actions taken for appropriateness. The reports are reviewed to detect any inappropriate activity, and follow-up is performed to investigate the activity.

Every month an ISSR reviews a report of all InvestOne user IDs that have not been used to access InvestOne for 45 days or more. The ISSR follows up with any affected users by email or by phone.

Additionally, every year OPDA recertifies mission critical systems and verifies access privileges for all InvestOne users. DSPS ISSRs remove any user IDs or access privileges identified for deletion by management or DFI personnel when accompanied by a revoke form.

### **Program Entity Control Consideration**

- Program Entities should establish controls to ensure access to the FedInvest system is restricted to properly authorized individuals.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected a documented risk assessment and determined that a risk assessment had been performed for InvestOne and FedInvest and that it had been updated to reflect the system changes to the InvestOne and FedInvest Extensions systems.
- Inspected a documented security plan and determined that a system security plan had been documented for InvestOne and FedInvest and that it had been updated to reflect the system changes to the InvestOne and FedInvest Extensions systems.
- For a selection of InvestOne users, compared access granted to an organization chart, and determined that access privileges were commensurate with job responsibilities.
- Observed a user log into the InvestOne accounting system, FedInvest, and FedInvest Extensions and noted that their access was restricted in accordance with each system's configuration.
- Observed an invalid user attempt to log into the InvestOne accounting system and noted that their access was denied.
- Inspected security guidelines and procedures for InvestOne and FedInvest and determined that logical access controls procedures were documented.
- Inspected a list of users with administrator access privileges to InvestOne and FedInvest and determined that access was limited commensurate with job responsibilities.
- Inspected an organizational chart and determined that administrator access was limited commensurate with job responsibilities.

- Inspected password settings for InvestOne and FedInvest and determined that password length, complexity, and expiration settings were configured in accordance with BPD requirements.
- Prior to July 21, 2008, observed a user change a password through FedInvest and noted that the FedInvest user interface enforces the same password length and complexity requirements as InvestOne.
- Observed a user log into InvestOne, FedInvest, and FedInvest Extensions and noted that their password was masked as they entered it.
- For a selection of new InvestOne and FedInvest users, inspected documented user access request forms and determined that access was authorized.
- Inspected a list of all separated and transferred BPD employees and lists of InvestOne and FedInvest user IDs and determined that access to InvestOne and FedInvest had been revoked for terminated and transferred BPD employees.
- For a selection of weeks, inspected a selection of reports listing InvestOne security administrator actions entered into the system and determined that the reports were reviewed and any exceptions were followed-up.
- For a selection of dates, inspected FedInvest online security logs and determined that failed login attempts were logged and reviewed.
- For a selection of weeks, inspected ACF2 InvestOne audit log reports and evidence of review, and determined that the reports were reviewed and any exceptions were followed-up.
- Inspected evidence of review of inactive accounts, and determined that inactive user accounts were reviewed and removed on a monthly basis.
- Inspected documentation of the review and recertification of InvestOne and FedInvest user access and determined that InvestOne and FedInvest user access had been reviewed and recertified.
- For a selection of user account recertification reviews requesting removal of user access privileges, inspected InvestOne and FedInvest user lists, and determined that requested modifications were made.

No exceptions noted.



## **Control Objective 6 – Computer Operations**

Controls provide reasonable assurance that computer processes are scheduled appropriately and deviations are identified and resolved.

### **Description of Controls**

The InvestOne accounting system is an interactive mainframe system with master data files that are updated when entries are posted. End-of-day processes perform maintenance to the data tables and data backups. OIT Production Control Team completes the Production Control Daily Checklist to verify the successful completion of end-of-day processes. Data entry error checking and input screen designs help ensure that the data entered by the users is accurate and complete. The error checks include verification of entered data based on predetermined values and ranges. Errors detected by the system are rejected immediately and must be corrected before the transaction is permitted to update the master data tables.

Daily user operations procedures are posted for the InvestOne accounting system to provide operators with the information necessary to sequentially complete daily processing. Additionally, a monthly calendar is posted that highlights the daily requirements. The InvestOne accounting system configuration requires that daily reporting be performed in sequence before transaction processing can begin. OIT's Production Control Team completes the Production Control Monthly Checklist to verify the successful completion of end-of-month processes.

The mainframe operating production software, called Control M, controls the scheduling of batch jobs for the InvestOne accounting system. Control M allows all programs for batch processing, printing and data backup to be scheduled and performed automatically. Access to Control M job schedules is limited to OIT's Mainframe Automation Branch, and privileges are commensurate with job responsibilities. Control M sends messages confirming successful completion of each day's scheduled jobs to OIT and DSPS. Any abends are also communicated to the appropriate OIT and OPDA personnel as they happen through automated messages.

### **Tests of Operating Effectiveness and Results of Testing**

- For a selection of dates, inspected Production Control Daily Checklists and determined that the checklists had been used during processing.
- Inspected screenshots taken during the observation of the entry of transactions into InvestOne and determined that error checking edits prevented users from entering values of the wrong data type or values not on lookup lists.
- Inspected posted daily user operations for InvestOne and FedInvest and the Daily Procedures and determined that these procedures were available.
- Inspected a selection of monthly requirements calendars and determined that these schedules were available.
- For a selection of months, inspected Production Monthly Checklists and determined that the checklists had been used during month-end processing.
- Inspected the InvestOne/FedInvest Control M Job Schedule and determined that a job production schedule for Invest One and FedInvest had been documented.

- Inspected privileges of individuals granted access to make modifications to schedules and JCL for production jobs in Control M and determined that access privileges were limited commensurate with job responsibilities.

No exceptions noted.

## **Control Objective 7 – Network Performance Monitoring**

Controls provide reasonable assurance that network performance monitoring techniques are implemented appropriately.

### **Description of Controls**

Users must be connected to the BPD Intranet to access the InvestOne accounting system. Additionally they must run IBM terminal emulation software to connect to the mainframe CICS environments. Network performance and availability is monitored by OIT using the following utilities:

- HP OpenView is used to monitor networking equipment such as switches and firewalls. HP OpenView automatically reports any network equipment outages.
- Mercury Sitescope is used to monitor the availability of servers, including FedInvest application web servers.

The OIT Command Center is staffed 24 hours a day.

### **Tests of Operating Effectiveness and Results of Testing**

- Observed OIT Command Center staff and noted that HP OpenView was used to monitor the availability of BPD networking equipment, such as switches and firewalls.
- Observed OIT Command Center staff and noted that Mercury Sitescope was used to monitor the performance of the FedInvest website.
- Inquired of management and were informed that the OIT Command Center was staffed 24 hours a day.

No exceptions noted.

## **TRUST FUND MANAGEMENT PROCESSING CONTROLS**

### **Control Objective 8 – Procedures**

Controls provide reasonable assurance that management has defined, documented, and communicated procedures associated with operational areas within TFMB.

#### **Description of Controls**

The purpose of each trust fund is to account for assets for specific programs directed by the Program Entities, pursuant to specific enabling legislation that created and continues to authorize the operation of each specific trust fund. The Secretary of the Treasury, through the Fiscal Assistant Secretary, is responsible for processing certain trust fund activity and reporting this activity.

TFMB services the trust funds in accordance with established laws, fiscal and other Treasury policies that govern the trust funds. TFMB's responsibilities include establishing accounting records, processing transactions, determining the timing and condition of transactions, maintaining reference files, and recording adjustments. TFMB records transactions based on information provided by FMS, Program Entities, and other organizations.

TFMB has defined and communicated procedures regarding the trust fund operations in Standard Operating Procedures (SOP) manuals. The SOP manuals provide guidelines for processing transactions including receipts, investments, redemptions, investment income, and disbursements.

Additional reference materials including Federal Government accounting standards; U.S. Standard General Ledger (USSGL) accounting and reporting requirements; and Treasury-wide and BPD- wide accounting and reporting policies are readily available in electronic format on the Internet. In addition, the SOP manuals provide guidelines for records maintenance and periodic reporting. The SOP manuals are maintained electronically and include electronic links to the additional reference materials listed above. TFMB employees with access to the TFMB directory have the ability to read the SOP manuals. Access to revise the SOP manuals, which are password protected, is restricted to only the TFMB employees that have been approved by management.

#### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOP manuals and observed operational areas and determined that operational areas were operating in accordance with procedures.
- Inspected the SOP manuals online and determined that the SOP manuals were stored in a read-only format.

No exceptions noted.

## **Control Objective 9 – Receipts and Investments**

Controls provide reasonable assurance that receipt transactions are authorized, processed, and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of receipt transactions.

#### All Trust Funds Except the Unemployment Trust Fund

Office of Tax Analysis (OTA), Internal Revenue Service (IRS), Customs and the Program Entities determine the trust fund receipts. The receipts primarily include:

- Excise taxes- Treasury's OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to Treasury Financial Management Service (FMS) and TFMB. On two specified work days of each month, FMS issues a warrant (SF-1017) to increase the respective trust fund's account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. FMS sends TFMB email notification that the warrants have been processed in Government Wide Accounting and Reporting modernization project (GWA). TFMB pulls the warrants from GWA and agrees the warrants to the estimates received from OTA. At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to FMS. The IRS generally certifies excise taxes within two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> quarter). FMS calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FMS enters a warrant in GWA to increase or decrease the respective trust fund's account and sends TFMB email notification that the warrants have been processed in GWA. FMS also faxes the adjustment documentation prepared by the IRS to TFMB. TFMB prints the warrants from GWA and agrees the warrants to the adjustment documentation prepared by the IRS. The IRS determines the amount of excise tax refunds/credits and sends the adjustment to TFMB to be processed.

TFMB submits, via GOALS, a SF-224 Statement of Transaction report (SF-224) for certain transactions, which posts to the central accounting system (STAR), and the appropriate Trust Fund accounts are adjusted for the refunds/credits.

Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act taxes (SECA)- Amounts equivalent to 100 percent of FICA and SECA taxes are designated to be transferred to specified trust fund accounts. Treasury's OTA estimates the monthly taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to FMS. FMS sends TFMB the daily FICA and SECA tax deposit information. TFMB allocates the deposits to the appropriate trust funds based on the monthly OTA estimates and provides the investment amounts to FMS. FMS confirms the investment totals back to TFMB and prepares the tax warrant. After each month-end, TFMB agrees the daily warrants to the amounts reported by FMS on the GWA Account Statement for each trust fund. Estimated tax collections are adjusted in subsequent transfers to the amount of actual tax receipts certified by the IRS and the respective Program Entities.

- Customs Duties- The Department of Homeland Security's (DHS) Customs and Border Protection's Office of Border Patrol notifies TFMB monthly of actual receipts collected and deposited in the Sport Fish Restoration and Boating Trust Fund and Harbor Maintenance Trust Fund. Customs notifies TFMB the first workday of the month the actual amounts for the previous month by sending TFMB a fax.
- Fines, penalties, and cost recoveries- Collected fines, cost recoveries, and penalties are transferred from the collecting agencies directly to the trust funds' accounts. The collecting agencies fax notification of the receipts to TFMB. In most cases, the notification is also mailed by the collecting agency to TFMB.
- Civil penalties and damages- Agencies mandated to collect civil penalties and fines for deposit into a specific trust fund send TFMB a letter or Intragovernmental Payment and Collection (IPAC) transaction report. These documents list the civil penalties and damages that are collected and the 3 percent administrative cost to be reimbursed to the trust fund. TFMB prepares a separate letter requesting the collected penalties and damages, and the administrative fee withheld by the Federal agency and sends the letter to FMS. FMS issues a warrant to TFMB via GWA.
- Appropriations- Certain Program Entities receive annual appropriations to fund payments to the trust funds in accordance with legislation. The Program Entities generate a file in the IPAC system to allocate the funds to the proper trust funds. TFMB receives the IPAC transaction report from the FMS GOALS system.
- Donated revenue- Donated revenue represents gifts from individuals. TFMB receives receipt reports from Program Entities throughout the month.
- Transfers in from program agencies- Transfers are the result of IPAC or SF 1151 Non-Expenditure Transfers that TFMB receives from Program Entities.
- Collected premiums and Federal matching funds- Amounts withheld from Social Security beneficiary checks and the related Federal matching funds are transferred by the Program Entities to the appropriate trust funds using the SF-224 and the IPAC system. TFMB receives the daily receipt reports from the Program Entities and the IPAC transaction report from the FMS GOALS system.

TFMB processes receipt notifications received prior to 3:00 pm EST the day they are received and the next business day if the notifications are received after this deadline. Using the receipt documentation noted above, the trust fund manager: 1) enters the receipts into the InvestOne accounting system; 2) prepares an Investment/Redemption Request (IRR) based on the daily activity; 3) enters the IRR into FedInvest system, which processes the investment purchase, records the investment in the InvestOne accounting system, and generates a confirmation; 4) prints the investment confirmation; and 5) provides the receipt supporting documentation along with the IRR (for non-daily investments) and investment confirmation to the reviewing trust fund manager.

The trust fund manager compares the transaction from the InvestOne accounting system (i.e., the Cash Forecasting Report) to the transaction documentation (i.e., letters from the Program Entities

and IPAC reports) and investment confirmation to ensure that the transaction is properly recorded and classified. The trust fund manager documents completion of the comparison by signing the IRR form/Cash Forecasting Report.

The reviewing trust fund manager reviews the supporting documentation to ensure that the receipts are authorized by legislation, are received from the appropriate Program Entities, and do not contain any obvious errors. The reviewing trust fund manager also compares the receipt supporting documentation to the InvestOne accounting system, the IRR (for non-daily investments), and investment confirmation to ensure that the receipt is properly recorded and documents approval on the IRR/Cash Forecasting Report. The reviewing trust fund manager returns the supporting documentation to the trust fund manager.

#### The Unemployment Trust Fund (UTF)

The primary receipts for the UTF are as follows:

- Federal unemployment taxes- The Federal unemployment taxes fund the Employment Security Administration Account established pursuant to Title IX, section 901(a), of the Social Security Act. This account funds administrative expenses of the UTF and provides intra-fund transfers to the other Federal accounts within the UTF. The Budget Reports Division of FMS prepares warrants based on collections reported to FMS through CASHLINKII. The warrants are forwarded to TFMB.
- Federal Employees Compensation Act (FECA) accounts receivable- Federal agencies make payments on FECA accounts receivable pursuant to Title IX, section 909, of the Social Security Act to fund unemployment benefits for former Federal civilian and military personnel. Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the FECA accounts receivable, and deposits collections in the UTF via SF-224.
- State unemployment taxes- TFMB established 53 separate Unemployment Insurance (UI) book accounts for the States, the District of Columbia, Puerto Rico, and the Virgin Islands. Daily, these Program Entities use FEDWIRE to transfer deposits from local banks to the Federal Reserve Bank in New York to the UI book accounts. These deposits are summarized on a SF-215 Deposit Summary form (SF-215) by Pittsburgh National Corporation (PNC). The Federal Reserve Bank in New York accesses CASHLINKII, a Treasury on-line system in which deposit and withdrawal information is maintained at the detail and summary level, and uploads the deposit information into the UTF activity location code. The trust fund manager retrieves the amount of the Program Entity unemployment tax receipts through read-only access to CASHLINKII.
- Deposits by the Railroad Retirement Board- Each day TFMB checks for any Railroad Retirement Board receipt reports forwarded from the Railroad Retirement Board to be included in the Railroad Unemployment Insurance and Administration Accounts. TFMB agrees the receipts from the receipt report to the amounts reported by the Railroad Retirement Board on the SF-224.

The trust fund manager processes receipts received prior to 3:00 pm EST the day they are received and the next business day if the receipts are received after 3:00 pm EST. The trust fund manager: 1) enters the receipts into the InvestOne accounting system; 2) prepares an IRR based on the daily activity; 3) enters the IRR into FedInvest system, which processes the investment purchase, records the investment in the InvestOne accounting system, and generates a confirmation; 4) prints the investment confirmation; and 5) provides the receipt supporting documentation along with the IRR and investment confirmation to the reviewing trust fund manager.

The trust fund manager compares the transaction from the InvestOne accounting system (i.e., the Cash Forecasting Report) to the transaction documentation (i.e., letters from the Program Entities and IPAC reports) to ensure that the transaction is properly recorded and classified. The trust fund manager documents completion of the comparison by signing the IRR form.

The reviewing trust fund manager reviews the supporting documentation to ensure that the receipts are authorized by legislation, are received from the appropriate Program Entities, and do not contain any obvious errors. In addition, the reviewing trust fund manager compares the receipt supporting documentation to the InvestOne accounting system, the IRR, and investment confirmation to ensure that the receipt is properly recorded and approves the IRR. The reviewing trust fund manager returns the supporting documentation to the trust fund manager.

#### All Trust Funds

Each month the trust fund manager reconciles the trial balance from the InvestOne accounting system to the GWA *Account Statement*. The trust fund manager prepares a monthly reconciliation worksheet that compares the month-end Fund Balance with Treasury (FBWT) from the InvestOne accounting system trial balance report and the InvestOne Cash Forecasting Report to the GWA *Account Statement*. Any differences are investigated and resolved. The reviewing trust fund manager reviews these monthly reconciliations and approves the monthly reconciliation worksheets and documents review and approval on the review checklist.

#### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Verify that only authorized receipts are deposited into the trust funds.
- Determine and approve receipt amounts.
- Provide receipt information to TFMB within the required time frames.
- Review the monthly financial reports provided by TFMB to ensure that receipts are posted accurately.

#### **Tests of Operating Effectiveness and Results of Testing**

- Inspected documented SOPs and observed the trust fund managers and reviewing trust fund managers process receipts, and determined that receipt transactions were processed in accordance with the procedures, except as noted below:



- The procedures followed by TFMB did not consider recording transactions in accordance with TFMB'S SOP, which require receipts to be accounted for in accordance with Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7*. TFMB recorded the trust fund quarterly tax adjustments in the fiscal year the adjustment was received instead of the fiscal year the tax adjustment related to.
- For a selection of receipts processed, inspected supporting receipt documentation and IRR/Cash Forecasting Reports and determined that the receipts were documented and authorized.
- For a selection of receipts processed, inspected supporting receipt documentation, IRR/Cash Forecasting Report, investment confirmation, and the InvestOne accounting system and determined that the receipts were reviewed and approved by the trust fund manager and that the receipts were processed and recorded accurately in the proper period, except as noted below:
  - The procedures followed by TFMB did not consider posting the tax receipt adjustments in the period to which they relate. TFMB recorded the trust fund quarterly tax adjustments in the fiscal year the adjustment was received instead of the fiscal year the tax adjustment relates to. TFMB did not record receivables/payables for tax adjustments in the period that the quarterly tax adjustments related to for all eight trust funds with tax adjustments. As a result, the control objective does not provide reasonable assurance that the tax receipts are being recorded in the proper period as defined by Statement of Federal Financial Accounting Standards No. 7, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7*.
- For a selection of months, inspected the reconciliation of the month-end Fund Balance with Treasury from the InvestOne accounting system trial balance report and the InvestOne Forecasting Report to the GWA Account Statement and determined that a trust fund manager completed the reconciliations and the reviewing trust fund manager reviewed and approved the reconciliations.

The exception described above resulted in the control objective not being suitably designed to achieve the control objective and resulted in the nonachievement of the control objective. No other exceptions were noted

## **Control Objective 10 – Investment Requests**

Controls provide reasonable assurance that investment requests are authorized, processed, and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of investment requests.

Pursuant to the trust funds' enabling legislation, TFMB invests the portions of the trust funds' assets that are not necessary to meet current withdrawals. In accordance with legislation, TFMB purchases non-marketable Treasury securities that are held in the name of the Secretary of the Treasury for the trust funds. The Treasury securities are purchased and redeemed through Federal Investments Branch (FIB). TFMB determines the type and term of the Treasury security to purchase based on the following factors:

- Type of security allowed by legislation
- Division of Federal Investment's guidelines for investing
- Discussions with Program Entities to determine their expected future cash flow needs
- Guidance issued by the Office of Fiscal Assistant Secretary

TFMB purchases securities using the FedInvest system that is maintained by FIB and OIT. To establish access to FedInvest, the trust fund manager completes an Access/Revoke form and provides this form to a supervisor for approval. The supervisor reviews and approves the Access/Revoke Form and submits the form to FIB. Using the approved Access/Revoke Form, FIB establishes a user account and communicates the account information to TFMB. When an employee is terminated, TFMB prepares an Access/Revoke Form and submits an approved form to FIB. FIB removes access for the requested user.

For Trust Funds that are invested continuously in overnight securities, the InvestOne accounting system automatically redeems and reinvests the overnight securities. The trust fund manager prints a cash sheet from the InvestOne Accounting system that displays the previous day's overnight redemptions and current reinvestments. The trust fund manager compares the reinvestments (i.e., "Buy" transactions) to the previous day's maturity to verify that they net to zero, investigates and resolves any differences, signs each cash sheet, and forwards it to the reviewing trust fund manager. The reviewing trust fund manager reviews each cash sheet and documents approval by signing the cash sheet.

For all other trust funds, the trust fund manager determines the amount to invest by inspecting the Cash Forecasting Report from the InvestOne accounting system. The Cash Forecasting Report summarizes the daily receipts and disbursements that have been posted to InvestOne.

To purchase an investment, the trust fund manager accesses InvestOne through FedInvest using their user ID and password. To purchase an investment, the trust fund manager prepares and enters the investment request into FedInvest that automatically updates the InvestOne accounting system. FIB approves the investment requests in the InvestOne accounting system, which processes the investment and generates an on-line Investment Confirmation.

Certificate of Indebtedness (C of I) par value securities have a maturity date of June 30<sup>th</sup>. In accordance with Treasury fiscal policy, FIB automatically reinvests the par value securities upon maturity. On the maturity date, the InvestOne system processes the maturity automatically and FIB manually processes the reinvestment, into the InvestOne Accounting system. The corresponding confirmations are available in FedInvest.

For certain other selected investment requests, the trust fund manager manually prepares the IRR, and provides the IRR to FIB. FIB enters the investment into FedInvest, which processes the investment, prepares an on-line Investment Confirmation, and automatically updates the InvestOne accounting system.

Upon entry of the transaction into FedInvest, an on-screen confirmation of the transaction is presented to the purchaser. If the on-screen confirmation is not presented, purchasers are to call the Help Desk.

The trust fund manager prints the Investment Confirmation and compares the investment type, amount, purchase date, and maturity date from the IRR to the Investment Confirmation. After investigating and resolving any differences, the trust fund manager approves the IRR and the Investment Confirmation. The trust fund manager provides the IRR, Investment Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation to the reviewing trust fund manager.

The reviewing trust fund manager inspects the IRR, the Investment Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation to ensure that the proper amount was invested, to confirm that the trust fund manager purchased an authorized investment, and to ensure that the investment amount and timing is consistent throughout all of these documents. The reviewing trust fund manager documents their approval on the Investment Request Form.

At the end of the month, FIB provides TFMB a Monthly Statement of Account, which indicates the investment activity for the month. The trust fund manager reconciles investment activity from the Monthly Statement of Account to the InvestOne accounting system. The reviewing trust fund manager reviews and approves the reconciliation as part of the monthly financial statement review. Any differences related to investment activity are investigated and resolved.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Verify that the type and term of the investments purchased are appropriate in relation to expected cash flow needs.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process investment requests and determined that the investment requests were processed in accordance with the procedures.
- For a selection of investment purchases, inspected the Investment/Redemption Requests, the Investment Confirmations, Cash Forecasting Reports, supporting receipt/disbursement documentation, and the InvestOne accounting system and determined that the investment

transactions were documented, authorized in accordance with legislation, and processed and recorded accurately and in the proper period.

- For a selection of investment purchases, inspected the Investment/Redemption Requests and the Investment Confirmations and determined that the reviewing trust fund manager reviewed and approved the investment purchases.
- For a selection of months, inspected a selection of the monthly reconciliations from the InvestOne trial balance to the FIB-provided Monthly Statement of Account and determined that the reconciliations were completed, were reviewed and approved by the reviewing trust fund manager, and that any differences were resolved.
- Observed the trust fund managers enter a selection of investment purchases into FedInvest, inspected on-screen confirmations received by TFMB and determined that on-screen confirmations confirmed the successful recording of the investment purchase into FedInvest and InvestOne accounting system.
- For a selection of days from trust funds that invest continuously in overnight securities, inspected the cash sheet and determined that a TFMB trust fund manager performed the comparison of the reinvestment to the previous day's maturity, that the trust fund manager signed the cash sheet, that the reviewing TFMB trust fund manager reviewed and signed the cash sheet, and that any differences were resolved.

No exceptions noted.

## **Control Objective 11 – Investment Income**

Controls provide reasonable assurance that investment income, amortization and gains or losses are processed and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of transactions related to investment income, amortization, and gains/losses.

#### *Interest Payments Received*

The trust funds receive interest daily for one-day securities, semi-annually on June 30 and December 31 for par value (C of I's) and semi-annually at various dates for market-based bonds and notes. The market-based bills do not make periodic interest payments therefore interest income is equal to the purchased discount, which is received when the securities mature or are redeemed. Interest received is a receipt to the trust funds and is either used to meet a Program Entities' disbursement request or is reinvested.

At the time an investment purchase is recorded, the investment terms (i.e., cost, discount/premium, interest rate, issue date, maturity date, amortization/accretion method, payment frequency, payment month and day, and first coupon date) are established based on the security purchased. The InvestOne accounting system automatically calculates and records interest income based on the investment terms in the system.

At the end of the month, FIB provides TFMB a Monthly Statement of Account, which indicates the investment activity for the month. The trust fund manager reconciles the investment activity from the Monthly Statement of Account to the InvestOne accounting system. The reviewing trust fund manager reviews the reconciliation as part of the monthly financial statement review and documents approval on the review checklist. Any differences related to investment activity are investigated and resolved.

#### *Accrued Interest Receivable*

Accrued interest receivable is recorded by TFMB for accounts that hold notes or bonds. One-day securities mature on the next business day and therefore generally do not accrue interest. If a one-day security is purchased on Friday, the security accrues interest over the weekend since it does not mature until the next business day. Bills are issued at a discount and therefore, do not earn accrued interest, rather their discount is amortized.

At the time an investment purchase is recorded, the investment terms (i.e., cost, discount/premium, interest rate, issue date, maturity date, amortization/accretion method, payment frequency, payment month and day, and first coupon date) are entered into the InvestOne accounting system by FIB. The system automatically calculates and records interest accruals based on the investment terms in the system. The trust fund manager and reviewing trust fund manager review the interest balances on the monthly trial balance reports for reasonableness and to ensure that the interest balances are properly recorded and classified and documents approval on the review checklist.

### Discount/Premium

TFMB purchases non-marketable market-based bills at a discount and non-marketable market-based bonds and notes at a discount or premium.

At the time an investment purchase is recorded, the investment terms (i.e., cost, discount/premium, interest rate, issue date, maturity date, amortization method, payment frequency, payment month and day, and first coupon date) are entered into the InvestOne accounting system. The system automatically calculates and records amortization of discount/premium based on the investment terms in the system. The system calculates amortization for bills (i.e., short-term securities) using the straight-line method and for bond/notes (i.e., long-term securities) using the level yield method that approximates the interest method.

On a monthly basis, the trust fund manager and reviewing trust fund manager reviews the trial balance report which lists amortization of discounts and premiums and compares it to the financial report and documents approval on the review checklist.

### Gains and Losses

Gains and losses can occur each time a market-based security is redeemed prior to maturity in order to meet a Program Entities' disbursement request. The trust funds invest in a certain amount of one-day securities to help reduce the redemption of securities prior to the maturity dates and thereby, minimize the potential for realized gains or losses.

When a security is redeemed, FedInvest processes the redemption, including the proceeds of the redemption, into the InvestOne accounting system. The InvestOne accounting system calculates and records a gain or loss based on the difference between the redemption proceeds and book value (i.e., cost plus/minus amortized discount/premium). The trust fund manager and reviewing trust fund manager review the gains/losses on the monthly trial balance reports for reasonableness and to ensure that the gains/losses are properly recorded and classified and documents approval on the review checklist.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Verify that the type and term of the investments purchased and related investment income are appropriate in relation to expected cash flow needs.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOPs and observed trust fund managers and reviewing trust fund managers process and record interest, gain/loss, and amortization transactions and determined that the processing was performed in accordance with documented procedures.
- Inquired of the trust fund managers of any gains/losses during the period and inspected the InvestOne accounting system trial balance reports, and determined that no gains/losses were recorded during the period.
- For a selection of months, inspected a selection of the monthly reconciliations from the InvestOne trial balance to the FIB-provided Monthly Statement of Account and determined

that the reconciliations were completed, were reviewed and approved by the reviewing trust fund manager, and that any differences were investigated and resolved.

- For a selection of transactions, inspected interest, amortization documentation, and the InvestOne accounting system, and determined that transactions were documented, mathematically accurate, and processed and recorded accurately and in the proper period.
- For a selection of months, inspected the financial statement package checklist and the monthly trial balance and determined that the trust fund managers reviewed the interest balances for reasonableness.
- For a selection of months, inspected the financial statement package checklist, amortization report, trial balances report, and financial report, and determined that the trust fund managers completed the reconciliations.

No exceptions noted.

## **Control Objective 12 – Redemption Requests**

Controls provide reasonable assurance that redemption requests are authorized, processed, and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of redemption requests.

Investments are redeemed primarily when the Program Entities request transfers from the trust funds. For trust funds that invest in market-based securities, the trust fund manager nets the receipts, investment maturities, and the disbursements. If the net result is a reduction, a redemption request is prepared. If the net results in an increase, an investment request is prepared. (See Control Objective 10) For trust funds that invest in par value securities, the trust fund manager generally invests receipts and redeems investments for disbursements as separate transactions.

When redeeming a market-based security, the trust fund manager selects the security with the earliest maturity date. When redeeming a par value security, InvestOne selects the security in the following order: earliest maturity date, lowest prevailing interest rate, and first security in first security out.

TFMB redeems securities by completing the request in FedInvest, which is maintained by FIB and OIT. To establish access to FedInvest, the trust fund manager completes an Access/Revoke form and provides this form to a supervisor for approval. The supervisor reviews and approves the Access/Revoke form and provides this form to a supervisor for approval. The supervisor reviews and approves the Access/Revoke Form and submits the form to FIB. Using the approved Access/Revoke Form, FIB establishes a user account and communicates the account information to TFMB. When an employee is terminated, TFMB prepares an Access/Revoke Form and submits an approved form to FIB. FIB removes access for the requested user.

To redeem a security, the trust fund manager completes the following steps:

- The trust fund manager prepares the IRR.
- The trust fund manager accesses FedInvest using their user ID and password and enters the redemption request.
- The trust fund manager reviews and submits the redemption request in FedInvest, which redeems the investment, prepares an on-line Redemption Confirmation, and processes the redemption into the InvestOne accounting system.

For redemptions on non-business days, June 30 rollovers, and other selected redemption requests, the trust fund manager manually prepares the IRR, and provides a copy of the IRR to FIB. FIB manually enters the IRR in InvestOne.

C of I par value securities have a maturity date of June 30<sup>th</sup>. In accordance with Treasury fiscal policy, FIB automatically reinvests the par value securities upon maturity. On the maturity date, the InvestOne system processes the maturity automatically and FIB manually processes the reinvestment into the InvestOne Accounting system. The corresponding confirmations are available in FedInvest.



Market-based securities have various maturity dates. On the maturity date, the InvestOne system processes the maturity and creates a confirmation, which is made available in FedInvest detailing the maturity and related interest. The trust fund manager reviews the confirmations and uses the proceeds in the following order:

- To meet current disbursement requests.
- To invest remaining proceeds according to written investment policies.

The trust fund manager prints the Redemption Confirmation from FedInvest and provides the Redemption Confirmation and the IRR to the reviewing trust fund manager. The reviewing trust fund manager compares the investment type, amount, redemption date, and the maturity date from the Redemption Confirmation to the IRR to verify that the redemption was authorized and that the redemption amount and timing is consistent throughout these documents. Any differences are investigated and resolved. The reviewing trust fund manager documents approval on the IRR.

At the end of the month, FIB provides TFMB a Monthly Statement of Account, which indicates the investment activity for the month. The trust fund manager reconciles investment activity from the Monthly Statement of Account to the InvestOne accounting system. The reviewing trust fund manager reviews and approves the reconciliation as part of the monthly financial statement review. Any differences related to investment activity are investigated and resolved.

#### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process and record redemption transactions and determined that the transactions were processed in accordance with documented procedures.
- For a selection of redemption transactions, inspected the Redemption Confirmation, the IRR, and the InvestOne accounting system and determined that the transactions were documented, reviewed, and approved by the reviewing trust fund manager and processed and recorded accurately in the proper period.
- For a selection of months, inspected a selection of the monthly reconciliations from the InvestOne trial balance to the FIB-provided Monthly Statement of Account and determined that the reconciliations were completed, were reviewed and approved by the reviewing trust fund manager, and that any differences were investigated and resolved.

No exceptions noted.

## **Control Objective 13 – Disbursement Processing**

Controls provide reasonable assurance that withdrawals/disbursements are authorized, processed, and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of disbursements.

#### *All Trust Funds*

Disbursements primarily consist of transfers to Program Entities, administrative expenses, and interest penalties under the Cash Management Improvement Act. The Program Entities are responsible for verifying that the disbursement is in compliance with legislation, determining the amount of the disbursements, and requesting the disbursements.

The Program Entities initiate disbursement requests via fax, IPAC reports, email, or telephone calls to the respective trust funds manager. Each telephone request is followed by a faxed disbursement confirmation citing the applicable legislation and signed by the appropriate Program Entity representative. The Program Entity may also mail the disbursement confirmation to TFMB.

TFMB processes disbursement requests received prior to 3:00 pm EST the day they are received or on the next business day if received after this deadline. The trust fund manager processes the disbursement based on the fax, IPAC report, email, or telephone request in InvestOne. When the disbursement confirmation is received by fax/mail, the trust fund manager matches the confirmations to the telephone request. The trust fund manager reviews the request to ensure that it is received from the appropriate Program Entity and does not contain any obvious errors. The trust fund manager also reviews the account balances to ensure the trust fund has sufficient funds to cover the request.

TFMB uses the automated GWA system, maintained by FMS, to process transfers. To establish access to GWA system, the trust fund manager completes an Access/Revoke form and provides this form to a supervisor for approval. The supervisor reviews and approves the Access/Revoke Form and submits the form to Treasury's FMS. Using the approved Access/Revoke Form, Treasury's FMS establishes a user account and communicates the account information to TFMB. When an employee is terminated, TFMB prepares an Access/Revoke Form and submits an approved form to FMS. FMS removes access for the requested user.

FMS configured the GWA system to authorize TFMB to transfer funds from the trust fund accounts to program entities' accounts but not to transfer funds from program entities' accounts to the trust fund accounts.

The trust fund manager accesses the GWA system with his/her user identification and password and enters the transfer into the GWA system, in accordance with the program entity's instruction. The GWA system reflects a transfer status of "SAVED" for a transfer, until the transfer is certified. The trust fund manager provides the transfer request documentation to the reviewing trust fund manager.

The reviewing trust fund manager compares the disbursement request to the Non-Expenditure Transfers TFMB Trust Fund Accounts Transaction Report from the InvestOne accounting system.. The reviewing trust fund manager accesses the GWA system with his/her user identification and password, inspects the GWA system to verify that the transfer is designated to the proper entity in the GWA system, and certifies the transfer request in the GWA system. The GWA system changes the transfer status to “AGENCY CERTIFIED”. The reviewing trust fund manager documents the review on the daily checksheet.

Another reviewing trust fund manager compares the disbursement details and amount from the Non-Expenditure Transfers TFMB Trust Fund Accounts Transaction Report from the InvestOne accounting system to a print screen from the GWA system. The reviewing trust fund manager also compares all transactions with an “AGENCY CERTIFIED” status on the print screen from the GWA system to the Non-Expenditure Transfers TFMB Trust Fund Accounts Transaction Report from the InvestOne accounting system to ensure the transactions have been properly entered. The reviewing trust fund manager documents his/her completion of the comparisons on the daily checksheet.

After the transfer is certified by TFMB, FMS authorizes the GWA system to send the disbursement request to the STAR system using an automated interface. The STAR system transfers the funds from the trust fund account to the agency account, and the GWA system changes the status of the transfer request to “STAR POSTED” on the GWA system. The trust fund manager periodically accesses the GWA pending transaction file to monitor the transfer status and take a necessary action to correct errors in rejected transactions and resubmit the transfers to FMS.

The trust fund manager provides the disbursement requests (i.e., faxes, SF-1081s (*Voucher and Schedule of Withdrawals and Credits form*), IPAC reports, or emails) to the reviewing trust fund manager. On a daily basis, the reviewing trust fund manager compares disbursements from the InvestOne accounting system (i.e., the Cash Forecasting Report) to the disbursement requests to ensure the disbursement is properly recorded. The reviewing trust fund manager documents approval on the IRR and FedInvest confirmation or transfer log.

#### *The Unemployment Trust Fund-State Unemployment Benefit Disbursements*

The Program Entities (i.e., State Employment Agencies) are responsible for verifying that the disbursements are in compliance with legislation, determining the amount of the disbursements, and requesting the disbursements. Program Entities must submit all disbursement requests using the Automated Standard Application for Payments System (ASAP) system. Each day, Program Entities must enter their disbursement requests into the ASAP system by 6:00 pm EST if requesting a wire transfer and by 11:59 pm EST if requesting an Automated Clearing House payment. The Program Entities may request a disbursement from their account or a transfer from the Extended Unemployment Compensation Account (EUCA) or the FECA. A written disbursement confirmation is not required from the Program Entities. FMS transfers funds from the trust fund account to the Program Entity account and sends the trust fund manager the Transaction by Account ID reports.

During the morning of the next business day, the ASAP system transmits a file to the InvestOne accounting system that contains all of the disbursement and transfer requests. The trust fund manager signs on to the InvestOne accounting system and reviews the pending disbursement and transfer requests file. The trust fund manager prints a report from the InvestOne accounting

system that summarizes the pending disbursement and transfer requests and compares this report to the ASAP transaction reports.

After the trust fund manager verifies and reconciles these reports, the trust fund manager posts the transaction to the Program Entities' accounts within the InvestOne accounting system and provides the reports to the reviewing trust fund manager. The reviewing trust fund manager reviews and approves the reports. Any differences are investigated and resolved.

### All Trust Funds

Each month the trust fund manager reconciles the trial balance from the InvestOne accounting system to the *GWA Account Statement*. The trust fund manager prepares a monthly reconciliation worksheet that compares the month-end FBWT from the InvestOne accounting system trial balance report and the InvestOne Cash Forecasting Report to the *GWA Account Statement*. Any differences are investigated and resolved. The reviewing trust fund manager reviews these monthly reconciliations and approves the monthly reconciliation worksheets and documents review and approval on the review checklist.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Verify that only authorized disbursement requests are used for withdrawals from the trust funds.
- Determine and approve the disbursement requests.
- Provide disbursement requests to TFMB within the required time frame.
- Ensure that the systems they use to support on-line access to the ASAP system are approved, tested, and properly monitored. (UTF only)
- Restrict access to the ASAP system to authorized individuals. (UTF only)
- Verify that disbursement requests are accurately entered into the ASAP system. (UTF only)
- Review the monthly trust fund financial reports provided by TFMB to ensure that disbursements are posted accurately.
- Reconcile fund balance with Treasury from their records to FMS records to ensure that they receive the proper trust fund disbursements.
- Reconcile disbursement records to their bank's records to ensure that they receive the proper trust fund disbursements. (UTF only)

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected documented SOPs and observed the trust fund managers and the reviewing trust fund managers process and record disbursement transactions, and determined that the disbursement transactions were processed in accordance with the procedures.

- For a selection of disbursement transactions, inspected the Program Entity disbursement requests, print screen from the GWA system, the Non-Expenditure Transfers TFMB Trust Fund Accounts Transaction Report, IRR and FedInvest confirmation, and the InvestOne accounting system (e.g., Cash Forecasting Report) and determined that the transactions were documented, reviewed and approved by the reviewing trust fund manager, and processed and recorded accurately in the proper period.
- For a selection of ASAP transaction reports, inspected the reconciliation from the ASAP transaction report to the pending transactions report in the InvestOne accounting system and determined that the reconciliations were completed, the transactions were processed and recorded accurately in the proper period, and the reviewing trust fund manager reviewed and approved the reconciliations. (UTF only)
- For a selection of months, inspected the reconciliation of the month-end Fund Balance with Treasury from the InvestOne accounting system trial balance report and the InvestOne Cash Forecasting Report to the GWA Account Statement and determined that a trust fund manager completed the reconciliations and the reviewing trust fund manager reviewed and approved the reconciliations.

No exceptions noted.

## **Control Objective 14 – Records Maintenance**

Controls provide reasonable assurance that the documentation exists to support all transactions and is filed in reference files, which are readily available.

### **Description of Controls**

Transaction support is maintained in paper or electronic format. The supporting documentation is organized in separate work folders for each trust fund containing the daily and monthly workpapers. The trust fund manager documents the transaction number assigned by the InvestOne accounting system on the supporting documentation to provide a cross-reference. The key transaction records and files are as follows:

- Transaction supporting documentation:
  - Receipt notification documents, such as OTA tax estimate/adjustment letters, IRS tax refund/credit letters, Program Entity receipt letters/reports, Deposit Summary Form (SF-215), and CA\$HLINKII reports.
  - IPAC transaction reports
  - SF-224 worksheet generated from the InvestOne accounting system
  - FMS-issued warrants (SF-1017)
  - Investment and Redemption Requests
  - Investment and Redemption Confirmations
  - Monthly Statement of Account (investment report)
  - Disbursement request letters from Program Entities
  - Non-Expenditure Transfer Authorization (SF-1151)
  - ASAP Transaction by Account ID reports (UTF Only)
  - ASAP disbursement and transfer request files and reports (UTF Only)
- Reconciliations from the GWA Account Statement to the trust fund trial balance reports
- Financial Statement Package:
  - Trial Balance reports
  - Balance Sheet
  - Income Statements
  - Budget Reconciliation
  - FACTS II Trial Balance
  - Schedules of Assets & Liabilities and Schedules of Activity (Attest Schedules)
  - Account Monitoring Documentation
- UTF Internet Account Statements
- UTF InvestOne Borrowing Reports
- TFS-2108 Year-End Closing Statement

### **Tests of Operating Effectiveness and Results of Testing**

- For a selection of transactions, reconciliations, and reports, inspected supporting documentation and determined that documentation is maintained and available.

No exceptions noted.

## **Control Objective 15 – Reporting**

Controls provide reasonable assurance that reports provided to the Program Entities are accurate, prepared on a consistent basis, and fairly present the information they purport to display.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the generation of reports.

#### All Trust Funds Except the Unemployment Trust Fund

Upon completion of daily processing of receipts, disbursements and investment transactions in the InvestOne accounting system, the trust fund manager extracts the transactions and uploads the extracted transactions into the Oracle accounting system. Each day, the trust fund manager prepares a summary reconciliation from the InvestOne accounting system to the Oracle accounting system, investigates and resolves differences, and documents approval on the reconciliation log.

At the end of the monthly processing cycle, the trust fund managers prepare trial balance reports, schedules of assets and liabilities, and schedules of activity for each trust fund. First, the trust fund manager initiates and prints system-generated trial balance reports from the InvestOne accounting system and Oracle accounting system. The trust fund manager compares the InvestOne and Oracle trial balance reports and investigates and resolves any differences. The trust fund manager then prepares the financial reports and provides the financial reports to the reviewing trust fund manager.

The reviewing trust fund manager reviews the InvestOne and Oracle trial balance reports and the financial reports to ensure accuracy and documents approval on the financial statement checklist. After receiving approval from the reviewing trust fund manager, the trust fund manager downloads the schedule of assets and liabilities, the schedule of activity, and the trial balance reports into Portable Document Format (PDF) electronic files. A second reviewer then reviews the PDF electronic file for presentation and format.

TFMB publishes statements in PDF format on BPD's website in accordance to OIT's web procedures. In addition, the trust fund manager sends the PDF electronic files by electronic email to BPD Web Support who posts them to BPD's website.

#### Unemployment Trust Fund

At the end of the monthly processing cycle, the trust fund manager provides the Department of Labor with two files, one contains the activity for the month, and the other contains the account balances at the end of the month. TFMB creates electronic files of the individual UTF account statements, transaction statements, and Federal activity reports (EUCA and FECA activity). The text reports are reviewed to ensure that the correct number of files are included and then posted to BPD's website.

#### All Trust Funds

The trust fund activity is also reported in FACTS I and FACTS II. FACTS II is used to consolidate all Federal financial reporting at the agency level for the purposes of generating the annual consolidated financial statements for the Federal Government as a whole. FACTS I

includes only the non-budgetary accounts. The Program Entities are responsible for entering the information into FACTS I using the reports they receive from TFMB.

TFMB enters the information into FACTS II by completing the following steps:

- The trust fund manager prints and forwards the FACTS II adjusted trial balance report to the reviewing trust fund manager who approves the report.
- The trust fund manager enters the account balances into FACTS II.
- When reporting the FACTS II for the final quarter of the fiscal year, the final FACTS II adjusted trial balance report is reviewed by the approving official and certified in the FACTS II System.
- In addition, the trust fund manager and reviewing trust fund manager compares the TFS-2108 Year-End Closing Statement to the September 30<sup>th</sup> trial balance report from the InvestOne accounting system after the end of the year. The reviewing trust fund manager documents approval on the financial statement package.

On a quarterly basis, the trust fund manager compares the FACTS II adjusted trial balance report to the trial balance report from the InvestOne accounting system for the non-budgetary accounts. The trust fund manager investigates and resolves any differences and documents approval on the financial statement checklist. The reviewing trust fund manager reviews the comparison of the FACTS II adjusted trial balance report and the trial balance report from the InvestOne accounting system and documents approval on the financial statement package checklist.

At the end of the month, the SF-224 worksheet is generated utilizing data from the InvestOne accounting system. The trust fund manager reconciles the non-investment receipts and disbursements from the InvestOne accounting system SF-224 report to the SF-224 worksheet. To document completion of the SF-224 worksheet, the trust fund manager initials and dates the SF-224 worksheet. The reviewing trust fund manager reviews the reconciliation and documents approval on the SF-224 worksheet. Any differences are investigated and resolved.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Review the monthly trust fund financial reports to ensure that transactions are recorded accurately.
- Review their UTF account statements, transaction statements, and Federal activity reports to ensure that transactions are recorded accurately.
- Verify that transactions are recorded accurately into Federal Agencies' Centralized Trial Balance System (FACTS).

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOPs and observed the trust fund manager and reviewing trust fund manager generate reports and determined that reports were generated in accordance with documented procedures.



- For a selection of months, inspected evidence of the review of the trust fund reports, trial balances, and schedules by the reviewing trust fund manager and determined that the reviewing trust fund manager reviewed the reports for accuracy.
- For a selection of months, inspected evidence of the review of the individual UTF account statements, transaction statements, and Federal activity reports (EUCA and FECA) by the trust fund manager and determined that the trust fund manager reviewed the reports for accuracy.
- For a selection of quarters, inspected the InvestOne and FACTS II trial balance reports for non-budgetary accounts and determined that the reports were reviewed for accuracy and consistency, and any differences were resolved.
- For a selection of trust funds, inspected evidence of the review of the TFS-2108 reports to the trial balance reports from the InvestOne accounting system and determined that the reports were reviewed for accuracy and consistency.
- For a selection of months, inspected the reconciliation of the non-investment receipts and disbursements from the InvestOne accounting system SF-224 report to the SF-224 worksheet and determined that the reviewing trust fund manager reviewed the reconciliation and compared the total transactions from IPAC reports to the total from the SF-224 worksheet.

No exceptions noted.

## **Control Objective 16 – Unemployment Trust Fund Title XII of the Social Security Act Advances Program**

Controls provide reasonable assurance that state borrowing transactions are authorized, processed, and recorded accurately in the proper period.

### **Description of Controls**

TFMB has documented policies and procedures for staff to follow for the processing of the Title XII Advance transactions.

Pursuant to Title XII of the Social Security Act, certain Program Entities may borrow funds from the Federal Unemployment Account (FUA) when they have exhausted all available funding in their account. The following summarizes the related borrowing, repayment, and interest processes.

#### *Borrowing Activity*

The U.S. Department of Labor (DOL) authorizes and coordinates the amounts that certain states may borrow. Each quarter, DOL sends an authorization letter to TFMB indicating the amount that the program entity may borrow. During the twelve month period ended July 31, 2008, three states were authorized to borrow. The states request funds from FUA, UI, FECA, EUCA, and Reed Act through the ASAP system.

Each day, program entities determine the amount they want to borrow by reviewing their account in the ASAP system. Program Entities must enter their borrowing requests into the ASAP system by 6:00 pm EST.

During the morning of the next business day, the ASAP system transmits a file to the InvestOne accounting system that contains all of the borrowing transactions. The trust fund manager prints the Borrowing Report from the InvestOne accounting system that summarizes the pending borrowing requests and compares this report to the ASAP transaction report.

After the trust fund manager verifies that the requested borrowing is within the authority established by the DOL and reconciles these reports, the trust fund manager posts the transactions to the states' accounts within the InvestOne accounting system and provides the reports to the reviewing trust fund manager. The reviewing trust fund manager reviews and approves the reports. Any differences are investigated and resolved.

#### *Repayment Activity*

As discussed in Control Objective 9, the Program Entities deposit unemployment tax receipts into their UTF accounts. Each day, TFMB sweeps the accounts of the borrowing Program Entities that agreed to TFMB's standard sweep process and transfers any available funds from the Program Entities' accounts to the federal account from which they were borrowed. This serves to maintain a zero balance in the Program Entity accounts to ensure that a Program Entity in borrowing status does not earn daily income when it is allocated. The trust fund manager reviews the account to ensure receipts are applied as repayments. For borrowing Program Entities that request an alternative repayment process, TFMB inspects the account and processes repayments as directed by the borrowing Program Entities.

### Interest Terms

If a Program Entity has an outstanding loan balance at the end of the fiscal year, the Program Entity is liable for payment of interest on the funds it borrowed during the fiscal year. Interest is calculated in a spreadsheet that is populated from the InvestOne borrowing and repayment balances. The trust fund manager reviews the borrowing Program Entity account balances at year-end to ensure that interest is appropriately calculated for any state still in borrowing status.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Ensure that the systems they use to support on-line access to the ASAP are approved, tested, and properly monitored (UTF only)
- Restrict access to the ASAP system to authorized individuals (UTF only).
- Verify that borrowing requests are accurately entered into the ASAP system (UTF only).
- Verify that borrowing amounts are not in excess of the amount approved by the U.S. Department of Labor.
- Review the reports provided by TFMB to ensure that borrowing, interest, and repayment transactions are recorded accurately.

### **Tests of Operating Effectiveness and Results of Testing**

- Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process and record state borrowing transactions and determined that the transactions were processed in accordance with the procedures.
- For a selection of days, inspected the Borrowing Report, ASAP transaction report, and authorized borrowing limits provided by DOL, and determined that the trust fund manager verified that the borrowing was within the authority established by DOL.
- For a selection of days, inspected the reconciliation of the Borrowing Report to the ASAP transaction report and determined that the reviewing trust fund manager reviewed and approved the reconciliations.
- For a selection of ASAP transaction reports, inspected a selection of ASAP transaction reports, Borrowing Reports, and the InvestOne Accounting System and determined that the borrowings were processed and recorded accurately and in the proper period.
- For a selection of states authorized to borrow, inspected InvestOne reports and determined that the program entity in borrowing status did not earn any daily income.
- For a selection of days, inspected the sign-off on the ASAP reports evidencing the trust fund manager's review of accounts to ensure receipts were applied as repayments and determined that these reviews were documented.

- Inspected documentation of the trust fund manager’s review of the borrowing Program Entity account balances at year-end and determined that the trust fund manager reviewed the accounts for the accurate calculation of interest for any state still in borrowing status.

No exceptions noted.

**IV. OTHER INFORMATION PROVIDED BY THE  
BUREAU OF THE PUBLIC DEBT**

## CONTINGENCY PLANNING

### System Back Up

The InvestOne accounting system has a contingency plan managed by the Division of System and Program Support (DSPS). There is a formal Division of Federal Investments (DFI) Continuity of Operations Plan (COOP), which is part of a larger COOP Plan for Office of Public Debt Accounting (OPDA) and Bureau of the Public Debt (BPD). The Trust Fund Management Branch (TFMB) performs monthly tests on all daily InvestOne functions at OPDA's contingency site with the support of two TFMB employees. The focus of these tests is to provide assurances that connectivity can be made, and these functions will continue with minimum interruption during any emergency that may occur with or without warning.

The Office of Information Technology (OIT) uses the Tape Management System (TMS) from IBM to perform backups. OIT performs two backups of the InvestOne accounting system each night, the first before running the nightly batch jobs and the second after completion. OIT retains the first backup tape for 15 days. One copy is kept onsite in the production tape library, and the other copy is sent to CAPS. OIT retains the second back up tape for 45 days. OIT stores one copy in the production tape library, and the other copy is shipped to CAPS. Long-term storage of tapes is at an Iron Mountain facility.

If a backup tape needs to be restored, the request will be made from the DSPS. OIT will then load the backup tape.

### Continuity of Operations

A fire alarm and sprinkler system that is managed, maintained, and tested by the facilities management department at BPD protects the Hintgen Building and the main building. Alarms are active 24 hours a day, 7 days a week, and are tied-in to the local fire department over phone lines for spontaneous notification. Sprinkler heads are located in the ceiling of each room of the buildings. This is a wet pipe (always charged with water) system with individual heads that discharge water.

In the event the main building, where the InvestOne accounting system is run, becomes inoperable, mainframe operations would be relocated to the BPD contingency facility in accordance with the OIT data center recovery plan. This facility employs a warm site strategy for recovery of mainframe operations. OIT has contracted with the Financial Management Service to provide mainframe equipment for this site. The DFI Business Continuity Plan calls for resumption of operations and critical applications of essential functions within 12 hours. The InvestOne accounting system has been classified as a critical application.

As part of the DFI COOP Plan, should the Hintgen Building become unavailable, two of TFMB's personnel will relocate to the CAPS facility to reestablish their daily operations. BPD will revert to manual procedures until the mainframe and InvestOne accounting system are fully recovered.

**V. INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

Inspector General, U.S. Department of the Treasury  
Commissioner, Bureau of the Public Debt and the  
Assistant Commissioner, Office of Public Debt Accounting

We have examined the accompanying description of the general computer and trust fund management processing controls related to the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) as of July 31, 2008, and have issued our report thereon dated September 24, 2008. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants, and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to a Program Entities' internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls; and (3) such controls had been placed in operation as of July 31, 2008. The control objectives were specified by the management of BPD. Our examination included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

Compliance with laws and regulations applicable to TFMB of BPD is the responsibility of BPD management. As part of obtaining reasonable assurance about whether control structure policies and procedures tested were operating with sufficient effectiveness to achieve the related control objectives during the period from August 1, 2007 to July 31, 2008, we performed tests of BPD's compliance with certain provisions of applicable laws and regulations directly and materially affecting the general computer and trust fund management processing controls. We limited our tests of compliance to these provisions and we did not test compliance with all applicable laws and regulations. The objective of our examination was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of BPD, its Program Entities, the independent auditors of its Program Entities, the U.S. Department of the Treasury Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

September 24, 2008