



# Audit Report



OIG-22-002

## FINANCIAL MANAGEMENT

**Report on the Bureau of the Fiscal Service  
Funds Management Branch's Description of its  
Trust Funds Management Services and the  
Suitability of the Design and Operating  
Effectiveness of its Controls for the Period  
August 1, 2020 to July 31, 2021**

October 14, 2021

Office of Inspector General  
Department of the Treasury

**This Page Intentionally Left Blank**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

October 14, 2021

**MEMORANDUM FOR MATTHEW J. MILLER, DEPUTY COMMISSIONER,  
FISCAL ACCOUNTING AND SHARED SERVICES  
BUREAU OF THE FISCAL SERVICE**

**FROM:** Ade O. Bankole /s/  
Acting Director, Financial Audit

**SUBJECT:** Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2020 to July 31, 2021

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, examined the Bureau of the Fiscal Service's description of its Trust Funds Management services system for processing program entities' trust funds transactions, and the suitability of the design and operating effectiveness of these controls. This report includes management's description of its Trust Funds Management services system (the "system"), management's written assertion, and KPMG's independent service auditor's report. 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 Standards for Attestation Engagements Number 18, *Attestation Standards: Clarification and Recodification*.

In its examination, KPMG found in all material respects:

- the description fairly presents the system that was designed and implemented throughout the period August 1, 2020 to July 31, 2021;
- the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period August 1, 2020 to July 31, 2021, and subservice organizations and Program Entities applied the complementary controls assumed in the design of Fiscal Service's controls throughout the period August 1, 2020 to July 31, 2021; and

- the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period August 1, 2020 to July 31, 2021, if complementary subservice organization and Program Entity controls, assumed in the design of Fiscal Service's controls, operated effectively throughout the period August 1, 2020 to July 31, 2021.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an examination in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Fiscal Service's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested. KPMG is responsible for the attached independent service auditor's report dated October 5, 2021, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Mark Levitt, Manager, Financial Audit, at (202) 927-5076.

Attachment

cc: Timothy E. Gribben, Commissioner

**Department of the Treasury  
Bureau of the Fiscal Service**

**Funds Management Branch  
Trust Funds Management Services  
General Computer,  
Trust Funds Management Processing, and Monitoring Controls**

**Report on Bureau of the Fiscal Service's Funds Management Branch's  
Description of Its Trust Funds Management Services and the Suitability  
of the Design and Operating Effectiveness of Its Controls  
(SSAE 18 SOC 1® - Type 2 Report)  
For the Period August 1, 2020 to July 31, 2021**

**DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
FUNDS MANAGEMENT BRANCH**

**REPORT ON BUREAU OF THE FISCAL SERVICE’S FUNDS MANAGEMENT  
BRANCH’S DESCRIPTION OF ITS TRUST FUNDS MANAGEMENT SERVICES AND  
THE SUITABILITY OF THE DESIGN AND OPERATING EFFECTIVENESS OF ITS  
CONTROLS**

**For the Period August 1, 2020 to July 31, 2021**

**Table of Contents**

| <u>Section</u> | <u>Description</u>   | <u>Page</u> |
|----------------|--|-------------|
| <b>I.</b>      | <b>INDEPENDENT SERVICE AUDITOR’S REPORT PROVIDED BY KPMG LLP.....</b>                              | <b>1</b>    |
| <b>II.</b>     | <b>MANAGEMENT’S ASSERTION .....</b>  | <b>5</b>    |
| <b>III.</b>    | <b>DESCRIPTION OF THE BUREAU OF THE FISCAL SERVICE’S TRUST FUNDS<br/>MANAGEMENT SERVICES .....</b> | <b>9</b>    |
|                | OVERVIEW OF OPERATIONS.....  | 10          |
|                | RELEVANT ASPECTS OF THE CONTROL ENVIRONMENT, RISK ASSESSMENT,<br>AND MONITORING.....               | 14          |
|                | Control Environment .....  | 14          |
|                | Risk Assessment .....  | 14          |
|                | Monitoring .....   | 15          |
|                | INFORMATION AND COMMUNICATION.....   | 16          |
|                | Information Systems .....  | 16          |
|                | Communication.....   | 18          |
|                | CONTROL OBJECTIVES AND RELATED CONTROLS.....   | 18          |
|                | COMPLEMENTARY PROGRAM ENTITY CONTROLS.....   | 19          |
|                | SUBSERVICE ORGANIZATIONS .....   | 21          |
|                | COMPLEMENTARY SUBSERVICE ORGANIZATION CONTROLS .....   | 23          |
| <b>IV.</b>     | <b>CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING<br/>EFFECTIVENESS .....</b>        | <b>25</b>   |
|                | GENERAL COMPUTER CONTROLS.....   | 27          |
|                | Control Objective 1 – System Software Changes .....  | 27          |
|                | Control Objective 2 – Vendor Software Changes.....   | 29          |
|                | Control Objective 3 – Program Change Control.....  | 31          |
|                | Control Objective 4 – Physical Access .....  | 33          |
|                | Control Objective 5 – Logical Access .....   | 36          |
|                | Control Objective 6 – Computer Operations .....  | 39          |
|                | Control Objective 7 – Network Performance Monitoring .....   | 40          |

|  |           |
|--|-----------|
| TRUST FUNDS MANAGEMENT PROCESSING CONTROLS .....   | 41        |
| Control Objective -8 – Receipts Processing .....   | 41        |
| Control Objective -9– Investment Requests .....  | 46        |
| Control Objective 10 – Investment Income .....   | 49        |
| Control Objective 11 – Redemption Requests.....  | 52        |
| Control Objective 12 – Disbursement Processing .....   | 54        |
| Control Objective 13 – Reporting.....  | 57        |
| Control Objective -14 – Unemployment Trust Fund Title XII of the Social Security<br>Act Advances Program ..... | 59        |
| MONITORING CONTROLS .....  | 61        |
| Control Objective 15 – Monitoring Subservice Organizations.....  | 61        |
| <b>V. OTHER INFORMATION PROVIDED BY THE BUREAU OF THE FISCAL<br/>SERVICE .....</b>                             | <b>62</b> |
| CONTINGENCY PLANNING.....  | 63        |

**I. INDEPENDENT SERVICE AUDITOR'S REPORT  
PROVIDED BY KPMG LLP**





KPMG LLP  
Suite 900  
8350 Broad Street  
McLean, VA 22102

## Independent Service Auditor's Report

Acting Inspector General, Department of the Treasury  
Deputy Commissioner, Fiscal Accounting and Shared Services

### Scope

We have examined the Bureau of the Fiscal Service's (Fiscal Service) description of its system entitled "Trust Funds Management Services" (the Description) throughout the period August 1, 2020 to July 31, 2021 of its Trust Funds Management Services (the System), for processing program entities' trust funds transactions and the suitability of the design and operating effectiveness of the controls included in the Description to achieve the related control objectives stated in the Description, based on the criteria identified in "Management's Assertion" (the Assertion). The controls and control objectives included in the Description are those that management of Fiscal Service believes are likely to be relevant to program entities' internal control over financial reporting, and the Description does not include those aspects of the system that are not likely to be relevant to program entities' internal control over financial reporting.

The information included in Section V "Other Information Provided by Bureau of the Fiscal Service" is presented by management of Fiscal Service to provide additional information and is not a part of Fiscal Service's Description of its trust funds management processing system made available to program entities during the period August 1, 2020 to July 31, 2021. Information about Fiscal Service's contingency planning has not been subjected to the procedures applied in the examination of the Description of the System and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description of the System and, accordingly, we express no opinion upon it.

Fiscal Service uses subservice organizations identified in Section III to perform some of the services provided to program entities that are likely to be relevant to those program entities' internal control over financial reporting. The Description includes only the control objectives and related controls of Fiscal Service and excludes the control objectives and related controls of the subservice organizations. The Description also indicates that certain control objectives specified by Fiscal Service can be achieved only if complementary subservice organization controls assumed in the design of Fiscal Service's controls are suitably designed and operating effectively, along with the related controls at Fiscal Service. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

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

### **Service organization's responsibilities**

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



### ***Service auditor's responsibilities***

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and applicable Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's Assertion, the Description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the Description throughout the period August 1, 2020 to July 31, 2021. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

### ***Inherent limitations***

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

### ***Description of tests of controls***

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

### ***Opinion***

In our opinion, in all material respects, based on the criteria described in Fiscal Service's Assertion:

- a. the Description fairly presents the System that was designed and implemented throughout the period August 1, 2020 to July 31, 2021;
- b. the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period August 1, 2020 to July 31, 2021, and subservice organizations and program entities applied the complementary controls assumed in the design of Fiscal Service's controls throughout the period August 1, 2020 to July 31, 2021; and



- c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period August 1, 2020 to July 31, 2021 if complementary subservice organization and program entity controls, assumed in the design of Fiscal Service's controls, operated effectively throughout the period August 1, 2020 to July 31, 2021.

***Restricted use***

The purpose of this report is solely to provide information for program entities of the System during some or all of the period August 1, 2020 to July 31, 2021, and their auditors who audit and report on such program entities' financial statements or internal control over financial reporting, to support evaluations of the effect of Fiscal Service's controls on program entities' financial statements. Accordingly, this report is not suitable for any other purpose.

*KPMG LLP*

October 5, 2021  
McLean, Virginia

## **II. MANAGEMENT'S ASSERTION**



DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
WASHINGTON, DC 20227

October 5, 2021

KPMG LLP  
8350 Broad Street  
McLean, Virginia 22012

Ladies and Gentlemen:

We have prepared the description of the Bureau of the Fiscal Service's (Fiscal Service) description of its system titled "Description of Fiscal Service's system for Trust Funds Management Services" (the Description) throughout the period August 1, 2020 to July 31, 2021 used for processing program entities' transactions during some or all of the period August 1, 2020 to July 31, 2021, and their auditors who audit and report on such program entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by subservice organizations and program entities of the system themselves, when assessing the risks of material misstatement of program entities' financial statements.

Fiscal Service uses the subservice organizations identified in section III to perform some of the services provided to program entities that are likely to be relevant to those program entities' internal control over financial reporting. The description includes only Fiscal Service's control objectives and related controls and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively along with the related controls at Fiscal Service. The description does not extend to controls of the subservice organizations.

The description indicates that certain control objectives specified in the description can be achieved only if complementary program entity controls assumed in the design of Fiscal Service's controls are suitably designed and operating effectively, along with related controls at Fiscal Service. The description does not extend to controls of the program entities.

We confirm, to the best of our knowledge and belief, that:

- a) The description fairly presents the trust funds management services made available to program entities of the system during some or all of the period August 1, 2020 to July 31, 2021 for processing their transactions as it relates to controls that are likely to be relevant to program entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:

- i. presents how the system made available to program entities was designed and implemented to process relevant program entity transactions, including, if applicable:
    - (1) the types of services provided, including, as appropriate, the classes of transactions processed;
    - (2) the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for program entities of the system;
    - (3) the information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for program entities;
    - (4) how the system captures and addresses significant events and conditions other than transactions;
    - (5) the process used to prepare reports and other information for program entities;
    - (6) services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them;
    - (7) the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary program entity controls and complementary subservice organization controls assumed in the design of the service organization's controls; and
    - (8) other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities and monitoring activities that are relevant to the services provided.
  - ii. includes relevant details of changes to Fiscal Service's system during the period covered by the description.
  - iii. does not omit or distort information relevant to Fiscal Service's system, while acknowledging that the description is prepared to meet the common needs of a broad range of program entities of the system and their auditors, and may not, therefore, include every aspect of the trust funds management services that each individual program entity of the system and its auditor may consider important in its own particular environment.
- b) The controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period August 1, 2020 to July 31, 2021 to achieve those control objectives if subservice organizations and program entities applied the complementary controls assumed in the design of Fiscal Service's controls throughout the period August 1, 2020 to July 31, 2021. The criteria we used in making this assertion were that:
- i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management of Fiscal Service;

- ii. the controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
- iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Sincerely,



---

D. Michael Linder  
Assistant Commissioner,  
Fiscal Accounting

**III. DESCRIPTION OF THE BUREAU OF THE FISCAL SERVICE'S TRUST FUNDS MANAGEMENT SERVICES**



## OVERVIEW OF OPERATIONS

The Funds Management Branch (FMB) is a component of the Bureau of the Fiscal Service (Fiscal Service). Fiscal Service Delegation 10-5, Organizational Structure for the Bureau of the Fiscal Service and Delegations of Authority, dated August 27, 2014, and Fiscal Service Delegation 30-1, Organizational Structure for Fiscal Accounting Operations (FAO) and Delegation of Authority, dated September 26, 2014, established the Office of Fiscal Accounting's responsibility to administer Trust Funds management services, which includes providing management and accounting services for select Government Trust Funds, Treasury managed accounts, and accounts of Treasury's Office of the Assistant Secretary for International Affairs.

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. The federal agencies that have programmatic responsibility for the select Government Trust Funds that are covered in this report are referred to as "program entities." State unemployment agencies also have programmatic responsibilities for their associated accounts that, along with federal agency accounts, are part of the Unemployment Trust Fund. The term "program entities" also encompasses these state unemployment agencies.

FMB services the Trust Funds in accordance with established laws and fiscal and other Treasury policies that govern the Trust Funds. FMB's responsibilities include establishing accounting records, processing transactions, determining the timing and condition of transactions, maintaining reference files, and recording adjustments. FMB records transactions based on information provided by Fiscal Service, program entities, and other organizations.

These responsibilities are handled by the FMB with the exception of interest certification, which is handled by the Federal Investments and Borrowings Branch (FIBB). FMB is the service organization responsible for processing certain receipt, investment, investment servicing, disbursement, and redemption transactions for 21 Trust Funds. In addition, FMB reports the results of the transactions processed to the Fiscal Service and the program entities whose programs are funded by the Trust Funds. FMB employs 21 personnel that are responsible for the management of and reporting for these Trust Funds. FMB reports on nearly \$3.2 trillion of Trust Fund assets. FMB 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 FMB.
- Provides monthly reports to program entities reflecting Trust Fund activities and balances.

Supporting documentation is maintained in work folders in electronic format which are readily available upon request. Key documents include the following:

- Transaction supporting documentation:
  - 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 Collections Information Repository (CIR) reports;
  - Intra-Governmental Payment and Collection (IPAC) transaction reports;
  - Classification Transactions and Accountability (CTA) worksheet generated from Oracle Federal Financials (Oracle) which is described on Page 19 of this report;
  - Fiscal Accounting Operations (FAO) issued warrant journal voucher (SF-1017);
  - Fund Checklist/Investment and Redemption Requests;
  - Investment and Redemption Confirmations;
  - Disbursement request letters from program entities;
  - Non-Expenditure Transfer Authorization (NET);
  - Automated Standard Application for Payments (ASAP) System Transaction by Account ID reports, disbursement and transfer request files and reports (See Subservice Organizations section for description of ASAP);
  - InvestOne accounting system pending transactions report (Unemployment Trust Fund [UTF] Only); and
  - GrantSolutions notice of awards and auto generated emails.
  
- Cash Forecasting Report (InvestOne and Oracle)
- Daily Transaction Support Package (DTSP)
- Monthly financial review checklist
- CTA/Central Accounting Reporting System (CARS) Account Statement (See Subservice Organizations section for description of CARS)
- FIBB generated Monthly Statement of Account
- Monthly Financial Reconciliation
  - InvestOne to Oracle Trial Balance report reconciliation;
  - Fund Balance with Treasury reconciliation;
  - Oracle to FIBB investment activity reconciliation;
  - Budgetary to Proprietary account reconciliations; and
  - Schedules of Misstatements.
- Financial Statement Package:
  - Trial Balance reports;
  - Balance Sheet(s); and
  - Income Statements.
- Federal Unemployment Account (FUA) Pending Report (UTF only)
- ASAP transaction report (Gulf Coast Restoration Trust Fund (GCRTF) and UTF only)
- UTF InvestOne accounting system Borrowing Reports (UTF only)

FMB processes receipt transactions based on warrants provided by other Fiscal Service organizations or amounts received from program entities and other organizations using the IPAC or CIR 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.

FMB invests the receipts in Department of the Treasury (Treasury) securities. FMB summarizes the daily receipts, prepares the Fund Checklist/Investment/Redemption Requests (IRR), and enters the request into FedInvest, which purchases the requested security and posts an Investment Confirmation in the FedInvest system. FMB 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. FIBB 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.

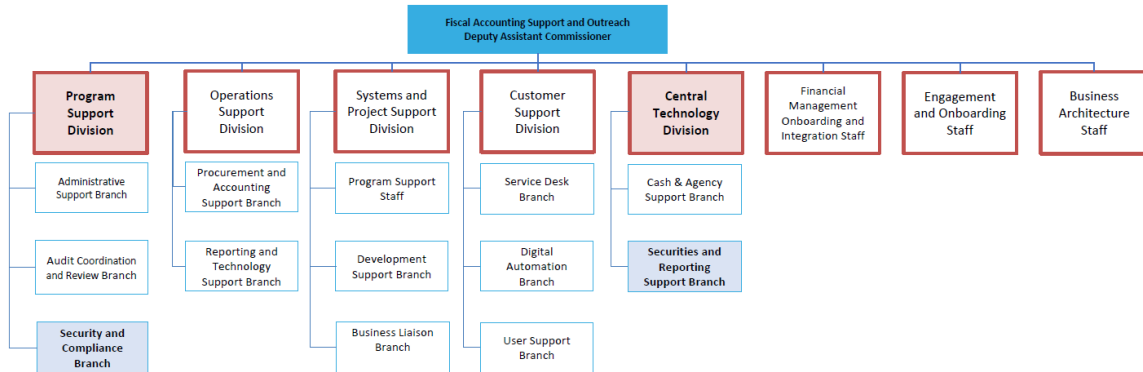
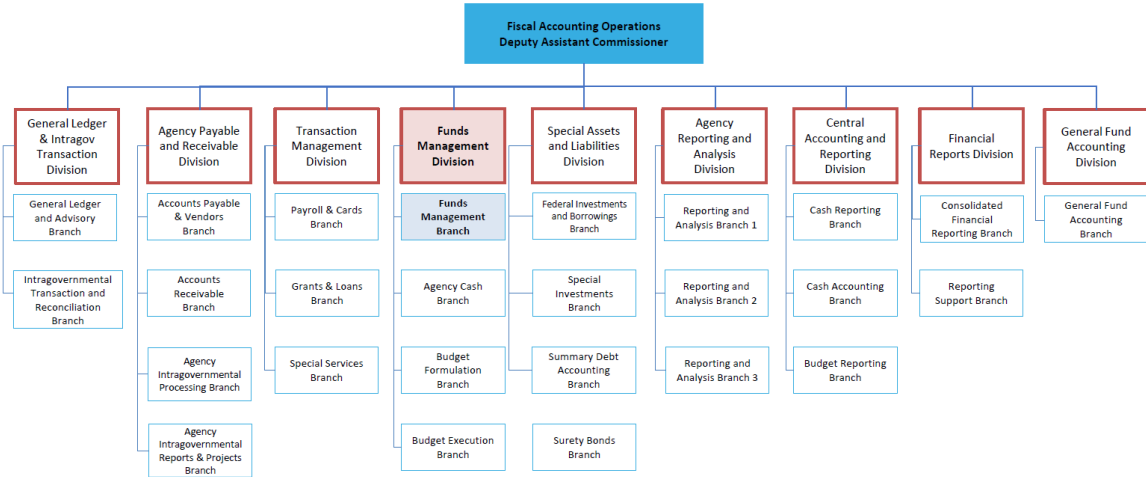
FIBB issues non-marketable market-based bills, bonds, and notes at a discount or premium. FMB amortizes the discounts for bills (i.e., short-term securities) using the straight-line method and the discounts and premiums for bonds and notes (i.e., long-term securities) using the level yield method, which 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 accountant records interest income as either received or accrued each month. If a gain or loss is sustained when a security is redeemed prior to maturity to meet the cash needs of a program entity, then a gain or loss is also recorded.

The program entities that are authorized to use Trust Fund assets as program resources request disbursements from FMB. FMB prepares a Fund Checklist and Investment/Redemption Requests and enters the request into FedInvest, which redeems the requested amount of securities and posts a Redemption Confirmation in the FedInvest system. FMB enters a non-expenditure transfer authorization into Fiscal Service's CTA/CARS 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. FMB provides monthly financial reports including the activity and balances to the program entities. The in-scope Fiscal Service functions are the Funds Management Branch, CTD, and the Program Support Division. The Fiscal Service Organizational Chart below illustrates the relationships and chains of command for the aforementioned:

## ORGANIZATIONAL CHART



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

### **Control Environment**

Operations are primarily under the direction of the Funds Management Division (FMD) Director, Program Support Division (PSD), and the CTD, 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.

FMD, PSD, and CTD 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 Fiscal Service personnel when they are hired. Additional background, credit, and security checks are performed every three to five years. The confidentiality of program entity information is stressed during the new employee orientation program and is emphasized in the personnel manual issued to each employee. Fiscal Service provides a mandatory orientation program to all full-time employees and encourages employees to attend other formal outside training.

All Fiscal Service 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**

Fiscal Service has placed into operation a risk assessment process to identify and manage risks that could affect FMB'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 year. 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**

Fiscal Service management and supervisory personnel monitor the quality of internal control performance as a normal part of their activities. Management and supervisory personnel reviews help ensure the accountants 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 accountants reconcile the trial balance reports from Oracle to the CARS Account Statement.

Fiscal Service also uses the results of the annual Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting (SOC 1) as a tool for identifying opportunities to strengthen controls.

Fiscal Service management also obtains and reviews relevant subservice organization SOC 1 reports. For Fiscal Service systems that do not receive a SOC 1 report, system verification letters are prepared to document the information security controls that are implemented. The system verification letters are also obtained and reviewed by management.

## INFORMATION AND COMMUNICATION

### Information Systems

#### InvestOne Accounting System Description

The InvestOne accounting system is a vendor-supplied subsystem of the Debt Information Management System (DIMS). InvestOne is used to record and report Unemployment Trust Fund activity and balances reported by FMB. The InvestOne accounting system is licensed by Fidelity National Information Services (FIS). The InvestOne accounting system resides and operates on Fiscal Service's Fiscal IT Mainframe (FIT MF) environment.<sup>1</sup> The FedInvest system (see next page for description) is operated within a client-server environment.<sup>2,3</sup> FIT MF and client-server system software products are under vendor control for maintenance and support. Upgrades to these products are obtained from the vendors and installed by the Information and Security Services (ISS) specialists. InvestOne was upgraded to version 20.1 as of July 10, 2020. The ISS provides the primary support for maintaining the InvestOne accounting system. This includes FIT MF 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. The InvestOne accounting system is accessed through the network using a terminal emulator that enables communication with ISS FIT MF applications. The InvestOne accounting system also provides a report writer package called Spectra, which is an added feature that allows users to create customizable reports.

The accountants receive supporting documentation daily for recording Trust Fund activity. The accountants record the activity in Oracle Federal Financials (see description on the next page) as the supporting documentation is received for all funds except for UTF. This process provides the accountants with information on daily cash balances that helps them ensure that the activity was processed and invested correctly. The Oracle system provides monthly trial balance reports and financial reports.

---

<sup>1</sup> The FIT MF environment consists of the following system software products:

- z/OS Operating System
- Customer Information Control System (CICS)
- ACF2 Security
- Tape Management System (TMS)
- Control D (Print scheduling)
- CA Workload (Production scheduling)
- ETF/A (Emergency Change Control)
- MQSeries
- DB2

<sup>2</sup> The FedInvest system is composed of the following system software components:

- Spring
- Hibernate
- Java Server Faces
- JAVA
- Windows Server 2012R2
- DB2
- WebSphere Application Server

<sup>3</sup> Reliant Services that are used by Fiscal Service, but are not in-scope:

- LDAP access to Enterprise Directory Services
- Messaging through smtp.fiscal.treasury.gov to Treasury MTA

### FedInvest Description

FedInvest, also a subsystem of DIMS, is a vendor-developed, web-based extension to the InvestOne accounting system that provides access to the federal investments information through the internet. FedInvest allows federal investment fund managers to assume direct responsibility for managing their respective accounts. Using FedInvest, federal agencies can input investment and redemption transactions into InvestOne accounting system, as well as view account statements and transaction information over the internet. Additionally, FedInvest provides an interface to the InvestOne accounting system for internal fund managers in Fiscal Service's Funds Management Division. FedInvest includes edits that serve to enforce federal investment program policies resulting in improved data quality in the InvestOne accounting system.

FedInvest also includes two extensions that are available only to Fiscal Service internal users. The Customer Role Management (CRM) module is used by the Information System Security Representatives (ISSRs) to manage FedInvest users and their access to associated investment account information. CRM is used by FIBB accountants to manage security type and account information. CRM is also used to create and post broadcast messages (announcements) that are seen by users signed onto the system and establish email communication to all system users and their agency Chief Financial Officers. The Rate Price Administration (RPA) module is used by FIBB accountants to load rates/prices, publish rates/prices on the TreasuryDirect website, apply prices to pending market-based transactions, post pending special issue par value redemption transactions, and update FedInvest with the Consumer Price Index (CPI) for processing Treasury Inflation-Protected Security (TIPS) transactions.

### Oracle Federal Financials (Oracle) Description

FAO has outsourced the hosting of Oracle Federal Financials to Oracle Managed Cloud Services. As the hosting company for Administrative Resource Center (ARC), Oracle on Demand staff serve as the database and system administrator and provides backup and recovery services (see Subservice Organization section for description of ARC). Oracle physically resides in a caged federal environment within Oracle Managed Cloud Services' Austin Data Center and is only accessible via a Virtual Private Network (VPN) between Fiscal Service and Oracle Managed Cloud Services.

Oracle Managed Cloud Services operates Oracle R12 and Oracle 12.2.5 database in a Linux operating system environment. Oracle uses a two-tier web-based infrastructure with a front-end internet user interface and a database residing on the secure network. The application accesses the database internet Protocol (IP) address on a specified port that is defined in the Access Control List. Only select IP addresses that are defined in the Access Control List are permitted to connect to the database IP. Internet access is via a 128-bit or higher Transport Layer Security (TLS) encrypted connection. The application is compliant with Section 508 of the Rehabilitation Act Amendment for 1998 for Americans with Disabilities (ADA).

FMB also uses Oracle Business Intelligence (OBI) report writer packages that provide users with the ability to create their own ad hoc reports for query purposes.



### **Communication**

Fiscal Service 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.

### **CONTROL OBJECTIVES AND RELATED CONTROLS**

The Bureau of the Fiscal Service (Fiscal Service) control objectives and related controls are included in Section IV of this report, “Control Objectives, Related Controls, and Tests of Operating Effectiveness.” Although the control objectives and related controls are included in Section IV, they are, nevertheless, an integral part of Fiscal Service’s description of controls.

## COMPLEMENTARY PROGRAM ENTITY CONTROLS

FMB's controls related to its system supporting the delivery of Trust Fund management processing services cover only a portion of overall internal control for each program entity of FMB. It is not feasible for the control objectives related to FMB's services to be achieved solely by FMB. Therefore, each program entity's internal control over financial reporting should be evaluated in conjunction with FMB's controls, related tests, and results described in Section IV of this report, taking into account the related complementary program entity controls as described below, where applicable. In order for program entities to rely on the controls reported on herein, each program entity must evaluate its own internal control to determine whether the identified complementary program entity controls have been implemented and are operating effectively.

Program entity auditors should determine whether program entities have established controls to provide reasonable assurance that:

- Access to FedInvest is restricted to properly authorized individuals.
- Only authorized receipts are deposited into the Trust Funds.
- Receipt amounts are reviewed and approved.
- Receipt information is provided to FMB within the required time frames.
- The monthly financial reports reviewed and provided by FMB to ensure that receipts are accurately recorded and any noted discrepancies are resolved in a complete, accurate, and timely manner. (Except for UTF)
- Program entities should have established controls to provide reasonable assurance that: The type and term of the investments purchased are appropriate in relation to expected cash flow needs.
- The type and term of the investments purchased, and related investment income are appropriate in relation to expected cash flow needs.
- ASAP access is restricted to authorized individuals. (UTF and GCRTF only)
- Disbursement records are reconciled to Trust Fund bank's records to ensure that they receive the proper Trust Fund disbursements and any noted discrepancies are resolved in a complete, accurate, and timely manner. (UTF only)
- Disbursement requests are accurately entered into ASAP. (UTF and GCRTF only)
- Disbursement requests are provided to FMB within the required time frame.
- Disbursement requests are reviewed and approved.
- Only authorized disbursement requests are used for withdrawals from the Trust Funds.
- The fund balance with Treasury is reconciled with corresponding Fiscal Service records to ensure that program entities receive complete and accurate Trust Fund receipts and disbursements and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- The monthly Trust Fund financial reports provided by FMB are reviewed to ensure that disbursements are recorded accurately, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- The systems program entities use to support on-line access to ASAP are approved, tested, and properly monitored. (UTF and GCRTF only)
- The monthly Trust Fund financial reports are reviewed to ensure that transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner.

- Transactions are recorded accurately into GTAS.
- UTF account statements, transaction statements, and Federal activity reports are reviewed to ensure that transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- Borrowing amounts do not exceed amounts approved by the Department of Labor. (UTF only)
- Borrowing requests are accurately entered into ASAP. (UTF only)
- The reports provided by FMB are reviewed to ensure that borrowing, interest, and repayment transactions are accurately recorded. Any noted discrepancies are resolved in a complete, accurate, and timely manner.
- The systems they use to support on-line access to ASAP are approved, tested, and properly monitored. (UTF and GCRTF only)

Specific complementary program entity controls are provided for Control Objectives 5, 8, 9, 10, 12, 13, and 14 in the Control Objectives, Related Controls, and Tests of Operating Effectiveness section of this report.

## SUBSERVICE ORGANIZATIONS

In order to provide Trust Fund management processing services, FMB relies on systems and services provided by other organizations external to FMB (subservice organizations). The achievement of control objectives depends on whether controls at the subservice organizations anticipated in the design of FMB's controls were implemented and operating effectively. These subservice organizations were not subject to examination by KPMG LLP.

### **Bureau of the Fiscal Service**

The Bureau of Fiscal Service provides application hosting and management services for the following applications:

**Central Accounting Reporting System (CARS)** – FMB uses the automated CARS to process NETs based on requests from program entities. FMB also submits receipt and expenditure reporting activity to and from the Trust Funds via the CARS Classification Transactions and Accountability (CTA) module monthly. In addition, FMB uses CARS to reconcile the cash balances for the Trust Funds.

**Intragovernmental Payment and Collection (IPAC) System** – FMB initiates expenditure transaction activity and receives expenditure transaction activity from program entities via the IPAC system.

**Collections Information Repository (CIR)** – The Federal Reserve Bank of Cleveland maintains CIR and uploads the state deposit information into the Unemployment Trust Fund (UTF) agency location code. CIR transmits a file to InvestOne each day that contains all the state deposits from the prior business day.

**Government-Wide Treasury Account Symbol Adjusted Trial Balance System (GTAS)** – GTAS is a web-based system implemented for use in Government-Wide reporting, established to combine the functionality of all systems reporting trial balance data.

**Automated Standard Application for Payments (ASAP) System** – FMB uses the ASAP system to make funds available to a group of recipient entities that can draw funds from the Unemployment and Gulf Coast Restoration Trust Funds.

**Secured Payment System (SPS)** – SPS cross certifies ASAP increases for UTF and the GCRTF. FMB sends payment requests to the Agency Cash Branch in Fiscal Service who then issues payments from SPS for the Patient-Centered Outcomes Research Trust Fund and Tribal Trust Funds.

**Federal Investments and Borrowings Branch (FIBB)** – FIBB processes and confirms investment and redemption transactions and balances in the FedInvest system for Trust Funds managed by FMB.

**Fiscal Service's Fiscal IT Mainframe** – Provides platform level support for InvestOne that includes operations, application change management, data management, tape backup and recovery, user access security, remote access, and privileged access to system software and database.

**Department of the Treasury**

**Treasury Information Executive Repository (TIER)** – The Department of Treasury provides hosting and management of TIER. FMB reports both proprietary and budgetary execution data in TIER for certain Trust Funds. Once approved by Treasury, this information is loaded into Government-Wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

**Department of Health and Human Services (HHS)**

**GrantSolutions** – HHS provides hosting and management of Grant applications for the GCRTF flow through the GrantSolutions system. FMB receives notification from GrantSolutions to verify funds are available for a grantee.

**Fiscal Service Administrative Resource Center (ARC)**

**Oracle** – ARC provides management of Oracle Federal financials. FMB contracts with ARC for the use of Oracle Federal Financials and Oracle Business Intelligence (OBI). Receipt and disbursement transactions are processed in Oracle for all Trust Funds except for the UTF, which is maintained in InvestOne.

## COMPLEMENTARY SUBSERVICE ORGANIZATION CONTROLS

FMB controls related to its system supporting its delivery of Trust Funds management processing services cover only a portion of overall internal control for each program entity of FMB. It is not feasible for the control objectives related to services provided by FMB to be achieved solely by FMB. Therefore, each program entity's internal control over financial reporting must be evaluated in conjunction with FMB's controls and the related tests and results described in Section IV of this report, taking into account the related complementary subservice organization controls expected to be implemented at subservice organizations. Complementary subservice organization controls and FMB's control objectives that depend upon them are described for each of FMB's subservice organizations below.

### *Fiscal Service*

Control Objective 5 – Logical Access, Control Objective 8 – Receipts Processing, Control Objective 9 – Investment Requests, Control Objective 10 – Investment Income, Control Objective 11 – Redemption Requests, Control Objective 12 – Disbursement Processing, , Control Objective 13 – Reporting, and Control Objective 14 – Unemployment Trust Funds Title XII of the Social Security Act Advances Program:

- Responsible for having controls that ensure that the reports and statements are complete, accurate, and made available to FMB in a timely manner for CARS, IPAC, CIR, GTAS.
- Responsible for having controls that ensure that transactions are processed complete, accurate, and timely for ASAP and SPS.
- Responsible for performing patching and application changes for CARS, IPAC, CIR, GTAS, ASAP, SPS, and FIT MF.
- Responsible for maintaining physical access and environment controls for CARS, IPAC, CIR, GTAS, ASAP, SPS, and FIT MF.
- Responsible for maintaining privileged user access and logical security over the servers, hardware devices, and related to CARS, IPAC, CIR, GTAS, ASAP, SPS, and FIT MF
- Responsible for granting, reviewing, and removing user access to CARS, IPAC, CIR, GTAS, ASAP, SPS, and FIT MF.
- Responsible for performing data back-ups for CARS, IPAC, CIR, GTAS, ASAP, SPS, and FIT MF.

### *Treasury*

Control Objective 13 – Reporting

- Responsible for having controls that ensure that the reports and statements from TIER are complete, accurate, and made available to FMB in a timely manner.
- Responsible for performing patching and application changes for TIER.
- Responsible for maintaining physical access and environment controls for TIER.
- Responsible for maintaining privileged user access and logical security over the servers, hardware devices, and related to TIER.
- Responsible for granting, reviewing, and removing user access to TIER.
- Responsible for performing data back-ups for TIER.

***Department of Health and Human Services***

Control Objective 12 – Disbursement Processing

- Responsible for having controls that ensure that the GrantSolutions reports and statements are complete, accurate, and made available to FMB in a timely manner.
- Responsible for performing patching and application changes for GrantSolutions.
- Responsible for maintaining physical access and environment controls for GrantSolutions.
- Responsible for maintaining privileged user access and logical security over the servers, hardware devices, and related to GrantSolutions.
- Responsible for granting, reviewing, and removing user access to GrantSolutions.
- Responsible for performing data back-ups for GrantSolutions.

***Fiscal Service Administrative Resource Center***

Control Objective 8 – Receipts Processing, Control Objective 10 – Investment Requests, Control Objective 12 – Disbursement Processing, Control Objective 14 – Records Maintenance, and Control Objective 13 – Reporting:

- Responsible for having controls that ensure that the transactions entered into Oracle are recorded, completely and accurately for Trust Funds.
- Responsible for performing patching and application changes for Oracle.
- Responsible for maintaining privileged user access and logical security over the servers, hardware devices, and related to Oracle.
- Responsible for granting, reviewing, and removing user access to Oracle.
- Responsible for performing data back-ups for Oracle.

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



### **Information Provided by KPMG LLP**

This report, when combined with an understanding of the controls at program entities, is intended to assist auditors in planning the audit of program entities' financial statements or program entities' internal control over financial reporting and in assessing control risk for assertions in program entities' financial statements that may be affected by controls at FMB.

Our examination was limited to the control objectives and related controls specified by FMB in Section IV of the report and did not extend to controls in effect at program entities. It is the responsibility of each program entity and its independent auditor to evaluate this information in conjunction with the evaluation of internal control over financial reporting at the program entity in order to assess total internal control. If internal control is not effective at program entities, FMB's controls may not compensate for such weaknesses.

FMB's internal control represents the collective effect of various factors on establishing or enhancing the effectiveness of the controls specified by FMB. In planning the nature, timing, and extent of our testing of the controls to achieve the control objectives specified by FMB, we considered aspects of FMB's control environment, risk assessment process, monitoring activities, and information and communications.

The following clarifies certain terms used in this section to describe the nature of the tests performed:

- Inquiry – Inquiring of management and others within the service organization who, in the service auditor's judgment, may have relevant information.
- Observation – Observing operations and inspecting documents, reports, and printed and electronic records of transaction processing.
- Inspection – Examining records or documents, whether in paper form or electronic form.
- Reperformance – Independently executing procedures or controls that were originally performed as part of the service organization's internal control.

In addition, as required by paragraph .35 of Attestation Standards - Clarification and Recodification (AT-C) section 205, *Examination Engagements* (American Institute of Certified Public Accountants (AICPA), Professional Standards), and paragraph .30 of AT-C section 320, when using information produced (or provided) by the service organization, we evaluated whether the information was sufficiently reliable for our purposes by obtaining evidence about the accuracy and completeness of such information and evaluating whether the information was sufficiently precise and detailed for our purposes. Procedures used included:

- Inspecting the source of the information;
- Inspecting the query, script, parameters used to generate the information;
- Observing the generation of information; and
- Inspecting management's reconciliation of reports.

## GENERAL COMPUTER CONTROLS

### Control Objective 1 – System Software Changes

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

#### **Description of Controls**

The Bureau of the Fiscal Service has documented procedures for the authorization, testing, implementation, and documentation of system software changes. FIT MF and client-server system software products are under vendor control for maintenance and support.

For system software changes prior to July 23, 2021, Fiscal Service used the HP Service Manager (HPSM) product for change management. Subsequent to July 23, 2021, Fiscal Service utilized Enterprise Service Management's (ESM) ServiceNow to manage changes to system software. All system software changes (i.e., new product installations, maintenance upgrades, etc.) require a change record to be opened in the change management software. A change record can be opened by any specialist in ISS for effecting such changes or the change control coordinator. The change record includes a description of the change, implementation date of the change, a justification, and a back-up/back-out plan.

Changes are initially discussed at the weekly change control meetings. Attendees include ISS representatives impacted by the proposed change. Notification is sent to the Deputy Commissioner, division directors, branch managers and/or staff personnel. Following the meeting, the change control coordinator prepares and distributes the Weekly Change Control Memorandum 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 system change control number.

Before system software changes can be moved to Production, they are tested in accordance with the Fiscal Service's system software change control procedures. These procedures document the authorization, testing, implementation, and documentation requirements for system software changes. Changes progress through various environments, which differ according to the type of system infrastructure. For the FIT MF, there are three separate environments: Test, Acceptance, and Production. Each environment is logically separated with its own datasets and libraries. FIT MF changes are first tested by a programmer in the Test environment. Next, the changes are moved to Acceptance, tested, and then moved to the Production environment following approval. For changes to distributed software, changes are promoted up through Integration, Acceptance, and Production regions within similar controls described above.

All changes are reviewed and coordinated at the weekly change control meeting and authorized by the change control coordinator prior to being moved into the Production environment.

All emergency changes follow the same process as indicated above, with the exception that changes move through the environments at an accelerated rate. Testing and authorization of these changes are documented in the change management software.

Fiscal Service has established a process that allows system programmers and database administrators to have temporary access to the Production FIT MF environment through the use of a "fire-call" ID product that allows them elevated privileges for system software and application changes. The operating system is configured to monitor and log such activity for review and approval by management; management reviews these logs within a reasonable timeframe after the use of the "fire-call" ID.

ISS 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:**

1. Inspected written procedures for system software configuration management and determined that procedures were documented, including procedures to document, test, authorize, approve system software changes, and implement changes into production.
2. Inspected the emergency system software change procedures and determined that procedures for implementing emergency system software changes were documented, including approval by management.
3. Inspected vendor maintenance support contracts for system software and determined that the contracts existed and were current.
4. For a selection of system software change records, inspected HPSM tickets and determined that HPSM was used to log, track, and monitor system software changes.
5. 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 accounting system or FedInvest application system software.
6. For a selection of system software changes and emergency system software changes, inspected supporting documentation and determined that the changes were tested, and approved prior to implementation.
7. For a selection of system software changes and emergency system software changes, inspected supporting documentation and determined that the changes were reviewed and coordinated with the weekly change control meeting, as well as approved by the change control coordinator prior to being moved into production .
8. Inspected a list of users with access to use the "fire-call" ID and determined that user access was commensurate with the user's job responsibilities.
9. For a selection of days, inspected "fire-call" ID logs and evidence of review, and determined that "fire-call" ID logs were reviewed by ISS management and there were not any discrepancies.
10. For a selection of weeks, inspected evidence of ISS's review of reports for sensitive system utilities in the protected programs group and determined that the reports were reviewed and there were not any discrepancies.

No exceptions noted.

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

Controls provide reasonable assurance that implemented changes of InvestOne are tested, authorized, implemented, and documented.

### **Description of Controls**

Fiscal Service 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 CTD (part of Fiscal Accounting Support & Outreach). Fiscal Service used the HPSM product for documenting vendor-supplied releases prior to July 23, 2021. Subsequent to July 23, 2021 Fiscal Service uses ESM ServiceNow to document vendor-supplied releases.

The InvestOne accounting system is licensed by FIS Capital Markets US LLC (FIS). Fiscal Service has a maintenance and support contract for the InvestOne accounting system with FIS. ISS is responsible for all maintenance and support of the FedInvest system.

FIS periodically provides new releases (upgrades), via the FIS Secure File Transfer Protocol (SFTP) site, of the InvestOne accounting system, including documentation. Each new release requires testing. CTD tests the new InvestOne accounting system releases developed by FIS consistent with change control procedures for FAO systems. New InvestOne accounting system releases are installed in the Test environment where they are initially tested. After successful completion of testing, ISS migrates the InvestOne accounting system new release to the Acceptance environment, where it is subjected to acceptance testing by users. ISS only installs an InvestOne accounting system new release in the Production environment after all testing has been successfully completed and management has approved the InvestOne accounting system new release for implementation in the Production environment.

In addition to new releases, FIS will periodically provide smaller fixes for the InvestOne accounting system. These smaller fixes, which address certain InvestOne accounting system issues, are narrower in scope than new releases. Based on the changes included on a particular fix, Fiscal Service management will decide whether to implement the fix. If management decides to implement the fix, the updated code is downloaded, by ISS, from the FIS SFTP site and is migrated through the Test and Acceptance environments. These fixes 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.

CTD also tests changes to the InvestOne accounting system application reports, developed by FIS using the same change control procedures described above.

In addition, Fiscal Service uses the version control software to manage the upgrades and enhancements. Changes are only migrated into the Production environment once all responsible parties approve the change in the version control software. Access to migrate changes via the version control software is limited based on job responsibility.

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

1. Inspected procedures for the implementation of changes of vendor supplied applications and determined that they were documented and included requirements for authorization, testing, and documentation.
2. Inspected vendor maintenance support contracts for the InvestOne accounting system software and determined that the contracts existed and were current.

3. For a selection of new InvestOne releases, inspected supporting documentation and determined that the changes are tested, approved, documented, and implemented.
4. KPMG determined there were no fix tapes implemented during the period; and therefore, could not test the effectiveness of the control.
5. Inquired of management and were informed that access to migrate changes to the production environment is limited to non-development personnel in ISS and that permissions are granted to specific groups, and users in those groups must have a combination of multiple permissions to migrate changes; inspected the list of access rights and determined the groups that had been granted permissions to migrate changes; compared the users in those groups to their job titles in the Fiscal Service Staff List and determined that access permissions to migrate changes to the production environment were restricted and are commensurate with job responsibilities.

No exceptions noted.

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

Controls provide reasonable assurance that changes to FedInvest are tested, authorized, implemented, and documented.

#### **Description of Controls**

Fiscal Service has documented procedures for the testing, authorizing, implementation, and documentation of application software changes. The application change control process is under the control and direction of CTD.

FIS has custom built additional application components for data entry and reporting. Included is the FedInvest application, which functions as a web-based user interface that program entities can use for entering transactions into the InvestOne accounting system. For reporting, Fiscal Service has built internally developed programs utilizing RM (desktop) COBOL and mainframe COBOL that generate customized reports to provide information unavailable in the standard InvestOne accounting system reporting package.

For RM COBOL, ISS uses version control software<sup>4</sup> to control access to source code for these internally developed programs and to facilitate version control by requiring developers to check source code in and out using version control software. These programs read the data from the InvestOne accounting system and create reports. Specifically, data is downloaded from the InvestOne accounting system, using standard processes, to a data file on the FIT MF. Connect: Direct is then used to move the files to the server, where the programs will execute. Data is not sent from these programs to the InvestOne accounting system. The reports are used internally by FMB and disseminated to multiple stakeholders, who include: program entities, ODM, Treasury's Office of Fiscal Projections (OFP), the Congressional Budget Office (CBO), and various offices within Fiscal Service.

For FIT MF COBOL, ISS uses version control software<sup>5</sup> to control access to source code for these internally developed programs and to facilitate version control. These programs were developed by ISS and reside on the mainframe, where these programs execute.

For FedInvest and customized reports, ISS uses version control software<sup>6</sup> to control access to source code for the vendor supplied and Fiscal Service managed programs to facilitate version control. Changes to FedInvest are developed by ISS.

CTD provides support for the design and testing of the above changes. CTD creates the requirements documentation, which is then provided to ISS (or FIS) for development. CTD manages the request, documentation, testing, and authorization process using a Change Control Checklist and the change management software.

Changes using version control software progress through three separate environments: Test/Integration, Acceptance, and Production. A change is first tested by the programmer in the Test/Integration environment. It is then migrated to the Acceptance environment where a user tests the change using example transactions and Acceptance environment files and libraries.

---

<sup>4</sup> Subversion

<sup>5</sup> Endeavor

<sup>6</sup> Bitbucket

Once the Acceptance testing has been successfully completed, the applicable assignee within CTD authorizes the change and sends a request to ISS to move the change into the Production environment. Upon notification of an accepted change, ISS creates an update package in version control software. Only approved changes are installed in the Production environment.

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 the Change Control Checklist indicating that testing has been completed. The package is provided to applicable manager for final review and approval.

For FIT MF COBOL, the version control software is an application through which users approve changes. This version control software is also used to move changed program files into the Production environment. This version control software will not allow changes to be migrated from the Acceptance environment into Production until the changes have been approved. Access to migrate changes to Production via the version control software change control software is limited based on job responsibility, which does not include developers.

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

1. Inspected application software change procedures and determined that they were documented and included requirements for authorization, testing, documentation, and approval.
2. Inspected access groups and inquired of ISS management and determined that access to source code for internally developed programs was commensurate with job responsibilities, and individuals with the ability to develop code were not permitted access to the test or production environments.
3. Inspected the list of users with access to the version control software used for FedInvest and customized reports and determined that access to the source code was commensurate with job responsibilities, and that individuals with the ability to develop code were not permitted access to the test or production environments.
4. Inspected a selection of change records in HPSM and determined that HPSM was used to log, track, and monitor application software changes.
5. For a selection of application software changes, inspected supporting documentation and determined that the changes were tested and approved.
6. Inspected the version control software access permissions and determined that access permissions to migrate changes to the production environment were restricted and commensurate with job responsibilities, and access to migrate changes was limited to non-development personnel in ISS.

No exceptions noted.

## **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**

Fiscal Service has documented policies and procedures for controlling physical access to 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 accounting system FIT-MT and FedInvest servers reside in ISS's data center. Various physical access controls protect the facilities. Armed security guards' staff and monitor Fiscal Service facilities 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. 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. In addition, entrants must swipe their badges into an access control system that grants access to authorized personnel.

The Physical Security Branch issues employee badges, after performing security background checks and fingerprinting.

Employees are required to have badges available at all times upon request. Terminated employees are required to surrender identification badges and are removed from the database security system immediately.

Physical access to the ISS Data Center is restricted to authorized users only. An employee needing access to the data center must have his/her Branch Manager request access for a one-day badge, which will give the employee access to the data center. The requests are made through the service request software, HPSM prior to July 23, 2021 and ESM ServiceNow subsequently, a workflow system that is used to approve data center access. After the Branch Manager completes and submits the service request form for the appropriate ISS resource area access level, requests are forwarded to ISS's data center managers for approval in the service request software. If ISS approves the request and the appropriate training is completed by the employee, the Fiscal Service Asset Protection Divisions (APD) Physical Security Branch grants access. Access to all sensitive areas requires use of a badge. The use of a badge provides an audit trail that is reviewed by ISS management monthly for potential access violations. Any unauthorized access attempts are followed-up on by contacting the individual's supervisor. Individuals without badge access to the data center must be escorted to the command center and are required to sign in/out of a visitor log to be issued a data center visitor badge. Visitor badges do not have access to the data center, but rather designate the individual as a visitor. A visitor log is maintained at the main entrance to the data center. Only designated APD specialists have access to the Physical Access Control System (PACS). Vendors that are authorized to have a badge are issued a one-day badge and must leave their access badge onsite following completion of work in the data center. A log of one-day badges is maintained and reviewed daily.



ISS performs a monthly review of individuals' access permissions of the data center for the previous month. ISS performs an annual review and recertification of individuals with access to the data center. If an individual is found to have unauthorized data center access, ISS will, based on the individual's need for access, make a decision whether to request that APD remove their data center access or whether to provide authorization for their access.

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

1. 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 needs to be restricted, physical access controls designed to detect unauthorized access, and procedures for log reviews and investigation of violations.
2. Observed physical access controls of Fiscal Service buildings and the ISS data center and noted that security guards, video cameras, badge readers, and locked doors were in place and in operation to restrict and monitor access.
3. Observed persons entering Fiscal Service buildings and noted that people were required to place any materials, packages, bundles, etc., onto an x-ray machine, and pass through a walkthrough metal detector.
4. Observed persons entering Fiscal Service buildings 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.
5. Observed an entrant swipe their badge into the access control system and noted that the access controls system granted access to the individual.
6. For a selection of new employees issued identification badges, inspected evidence of their investigation summaries, and determined a background check was completed for each individual and each employee had their fingerprint on file.
7. Observed employees within the Fiscal Service buildings and noted that badges were displayed.
8. For a selection of terminated Fiscal Service employees with access to Fiscal Service buildings inspected listings and, determined their building access was removed in the Physical Access Control System (PACS).
9. For a selection of employees who were granted access to the ISS data center and who were not on the authorized access listing, inspected authorizations from the individual's Branch Manager requested access for the employee to be issued a one day badge and determined that the request was: a) tracked in HPSM; b) approved by ISS; and c) access was granted by a designated Fiscal Service Division of Security and Emergency Programs (DSEP) specialist via PACS.
10. Inspected the ISS staff listing and permissions to access the PACS badge system of Fiscal Service security management and determined that access permissions to the physical access systems were commensurate with job responsibilities.
11. For a selection of months, inspected the monthly review of the access violation logs and determined logs were reviewed by ISS and all unauthorized access attempts were investigated, and follow up with the individual's supervisor was completed and violations were followed-up on.
12. For a selection of dates, inspected the ISS visitor logs and determined that visitor logs were reviewed.
13. For a selection of dates, inspected the daily shift logs and determined the logs were reviewed and an inventory of vendor badges was performed.
14. Inspected documentation of the monthly review of physical access privileges to the data center and determined that access privileges were reviewed, and any unauthorized access was followed-up on.

15. Inspected documentation of the annual recertification of physical access privileges to the data center and determined access privileges were recertified and if unauthorized access was found it was removed.

No exceptions noted.

## **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**

Fiscal Service 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 annually. 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 accounting system security along with the host FIT MF's security package controls access to the InvestOne accounting system. InvestOne accounting system security restricts access to accounts within the system based on user banks and user identification (UID). InvestOne accounting system access is restricted to authorized personnel. The security settings are also used to restrict ISS personnel's access to system software, data files, and program libraries.

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

Administrator access permissions are allocated in the FedInvest and the InvestOne accounting system users commensurate with their job responsibilities.

FAO follows Fiscal Service system administration security password guidelines/procedures to establish and maintain passwords<sup>7</sup>. Passwords are not displayed when entered. The reserved word feature is enabled to prevent the use of commonly used words in passwords.

ISSRs manage access to the InvestOne accounting system. To establish access to FedInvest, the applicant representing the program entity must complete the Bureau of the Fiscal Service FedInvest Logon ID Request. Once completed, the form is reviewed and signed by the applicant's supervisor and submitted to FIBB for processing. Upon receipt, FIBB verifies that the information is complete and then initiates a request that the user be added to Contact Management by submitting a Contact Creation Request. Prior to July 23, 2021, Contact Creation Request were made in the Hewlett-Packard (HP) Service Request Catalog. Subsequent to July 23, 2021, Fiscal Service utilized ESM ServiceNow to process requests. Once the IT Service Desk notifies FIBB that the user has been added to Contact Management, FIBB provides a copy of the FedInvest Logon ID Request to the ISSRs for user set-up in FedInvest. After this is completed, ISS provides the new user with their user ID and temporary password. The user is then instructed to login to FedInvest with the temporary password, answer security questions, and change their temporary password. When access to FedInvest is no longer required by the user, the applicable program entity will email FIBB

---

<sup>7</sup> 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.

at FedInvestor@fiscal.treasury.gov and request that the user's access be revoked. FIBB will then forward the request to the ISSRs, who will process the revocation.

The ISSRs have 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 FIBB approval documented on an Access Request/Revoke form before access is granted to FedInvest. When an external user accesses InvestOne accounting system data, they enter a user ID and password into FedInvest. User IDs are authenticated by a security utility and Single Sign-On/ITIM<sup>8</sup>. If the required authentications failed, the user is prevented from accessing InvestOne accounting system data through FedInvest.

ISSRs remove FedInvest and InvestOne accounting system access from users at the request of their managers/supervisors or FIBB personnel. Each access removal request is documented via an email.

On a weekly basis, ISSRs review Internal Violations Reports for any inappropriate activity; follow-up is notated on the report.

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

Additionally, the ISSRs recertify access annually to mission critical systems by verifying access privileges for all InvestOne accounting system and FedInvest users.

ISSRs remove or modify any user IDs or access privileges identified for deletion or changes by the user's manager/supervisor or FIBB personnel when accompanied by an email.

### **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance that:

- Access to FedInvest is restricted to properly authorized individuals.

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

1. Inspected evidence of the InvestOne accounting system and FedInvest risk-based review and determined that a risk-based review was performed and approved on June 14, 2021.
2. Inspected the InvestOne accounting system and FedInvest security plan and determined that the plan was documented.
3. Observed a user log into the InvestOne accounting system and the FedInvest system and noted that their access was restricted in accordance with the system configuration.
4. For each InvestOne user, inspected the access granted to an organization chart and determined that access privileges commensurate with job responsibilities.
5. Observed a user log into the FedInvest system and noted that their access was restricted in accordance with the system configuration.
6. Inspected security guidelines and procedures for administrator privileges for the InvestOne accounting system and FedInvest and determined that security guidelines and procedures were documented for the administrator privileges.
7. Inspected a list of users with administrator access privileges to InvestOne and FedInvest and determined that access was limited and commensurate with job responsibilities.

---

<sup>8</sup> A security utility and Single Sign-On/ITIM, is used to authenticate users. User credentials are stored in the enterprise directory.

8. Inspected security guidelines and procedures for InvestOne and FedInvest and determined that logical access controls procedures were documented.
9. Inspected password settings for InvestOne and FedInvest and determined that password length, complexity, and expiration settings were configured in accordance with Fiscal Service requirements.
10. Observed a user log into InvestOne and FedInvest Extensions and noted that their password was masked as it was entered.
11. For a selection of new InvestOne users, inspected documented user access request forms and determined that access was authorized by the user's supervisor.
12. For a selection of new FedInvest users, inspected documented user access request forms and determined that access was authorized by the users' supervisors.
13. Inspected a list of all separated and transferred Fiscal Service employees and lists of InvestOne and FedInvest user IDs and determined that access to InvestOne and FedInvest has been revoked for terminated and transferred FIBB or Business Technology Division employees.
14. For a selection of weeks, inspected ACF2 InvestOne audit log reports and evidence of management review and determined that the reports were reviewed, and any exceptions were followed-up.
15. For a selection of months, inspected evidence of review and removal of inactive accounts and determined that inactive user accounts were reviewed and removed monthly.
16. Inspected documentation of the review and reauthorization of internal InvestOne and FedInvest user access and determined that internal InvestOne and FedInvest user access had been reviewed and reauthorized.
17. For a selection of external FedInvest users, inspected documentation of the review and recertification of external FedInvest user access and determined that external FedInvest user access had been reviewed and recertified.
18. For a selection of user account recertification reviews requesting removal and/or modification of user access privileges, inspected 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, and that deviations are identified and resolved.

### **Description of Controls**

The InvestOne accounting system is an interactive FIT MF system with master data files that are updated when entries are posted. End-of-day processes perform maintenance to the data files and data backups. ISS support personnel complete 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.

The mainframe job scheduler software controls the scheduling of batch jobs for the InvestOne accounting system. The job scheduler allows all programs for batch processing, printing, and data backup to be scheduled and performed automatically. Access to the job schedules is limited to ISS support personnel and privileges are commensurate with job responsibilities. The job scheduler sends messages confirming successful completion of each day's scheduled jobs to ISS and CTD. Any abends are also communicated to the appropriate ISS and CTD personnel as they happen through automated messages. Abends are resolved and jobs are restarted as necessary through the job scheduler.

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

1. For a selection of dates, inspected Production Control Daily Checklists and determined that the checklists had been used during processing.
2. Observed the entry of transactions into InvestOne and noted that error checking edits prevented users from entering values of the wrong data type or values not on lookup lists.
3. Inspected the daily user operations, procedures, and monthly calendars highlighting the daily requirements for InvestOne and FedInvest and determined that these schedules and procedures were posted.
4. Inspected a selection of monthly requirements calendars and determined that these schedules were available.
5. Inspected the InvestOne accounting system job schedule and configurations and determined that a job production schedule for Invest One had been documented and was configured to send messages confirming successful completion of each day's scheduled jobs to ISS and CTD.
6. Inspected a listing of ACF2 user IDs with access to make modifications to schedules, compared the listing to an ISS staff detail listing and determined that access privileges to make modifications to CA Workload Object were commensurate with job responsibilities.

No exceptions noted.

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

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

### **Description of Controls**

Users must be connected to the Fiscal Service network to access the InvestOne accounting system. Additionally, they must run terminal emulation software to connect to the FIT MF environments. Network performance and availability, which includes FedInvest website, are monitored by ISS 24 hours a day.

Fiscal Service uses a combination of monitoring tools (SolarWinds and HP SiteScope) to monitor networking equipment, such as switches and firewalls. These tools automatically report any network equipment or application outages to the Network Operations Center (NetOps).

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

1. Observed FAO staff and noted that they were connected to the Fiscal Service network and used terminal emulation software was used to connect to the FIT MF.
2. Observed ISS Command Center staff and noted that monitoring tools were used to monitor the performance and availability of Fiscal Service networking equipment, such as switches and firewalls.
3. Observed ISS Command Center staff and noted that tools were used to monitor the performance and availability of the FedInvest website and alerts were investigated when received.
4. Observed the ISS Command Center and noted it was constantly staffed during business hours and inquired of management and noted that the ISS Command Center was staffed 24 hours a day.

No exceptions noted.

## TRUST FUNDS MANAGEMENT PROCESSING CONTROLS

### Control Objective 8 – Receipts Processing

Controls provide reasonable assurance that receipt transactions are authorized, processed, and are completely and accurately recorded in the proper accounting period in Oracle Federal Financials.

#### **Description of Controls**

FMB has Standard Operating Procedures (SOP) manuals for each Trust Fund for staff to reference for the processing of receipt transactions. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

#### All Trust Funds except the Unemployment Trust Fund

Office of Tax Analysis (OTA), Internal Revenue Service (IRS), Customs, and the program entities calculates and provides 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 amounts to FAO and FMB. On the 6<sup>th</sup> and 17<sup>th</sup> workdays of each month, FAO issues a warrant journal voucher (SF-1017) to increase each applicable Trust Fund’s account, for the OTA estimated excise taxes. FAO sends FMB email notification that the warrant journal vouchers have been processed in CARS. FMB pulls the warrant journal vouchers from CARS and verifies the warrant journal vouchers 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 FAO. 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). FAO calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FAO enters a warrant journal voucher in CARS to increase or decrease the respective Trust Fund’s account and sends FMB email notification that the warrant journal vouchers have been processed in CARS. FAO also emails the adjustment documentation prepared by the IRS to FMB. FMB prints the warrant journal vouchers from CARS and agrees the warrant journal vouchers to the adjustment documentation prepared by the IRS. The IRS determines the amount of excise tax refunds/credits and sends the adjustment to FMB to be processed. FMB reports the tax adjustments received prior to issuance of the annual financial reports to which the tax adjustment relates; however, FMB associated investment or redemption transactions are processed on the actual date FMB receives the warrant journal voucher.
- FMB records tax adjustments following the process discussed above and processes the related investment purchase/redemption when recorded the day the tax adjustment information is received. In addition, for adjustments received after September 30, the accountant also reviews the tax adjustments to identify adjustments that relate to the prior fiscal year. For tax adjustments that relate to the prior fiscal year, the accountant enters the tax adjustment into Oracle backdated into the proper accounting period (i.e., adjusts tax revenue and tax receivable/payable).



- Oil Spill Drawbacks – On the third workday of each month, the Department of Homeland Security’s (DHS) U.S. Customs and Border Protection’s (CBP) Office of Border Patrol sends an email to FMB with the amount of claims made by oil importers on excise taxes for the Oil Spill Liability Trust Fund (OSLTF). FMB records a negative receipt to reduce excise taxes in the OSLTF for these claims.
- 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 FAO. OTA sends the monthly estimate and allocation detail to FMB. FAO sends FMB the daily FICA and SECA tax deposit information. FMB allocates the deposits to the appropriate Trust Funds based on the monthly OTA estimates and provides the investment amounts to FAO. FAO confirms the investment totals back to FMB and prepares the tax warrant. After each month-end, FMB agrees the daily warrants to the amounts reported by FAO on the CARS Account Statement for each Trust Fund. Quarterly, 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 DHS CBP’s Office of Border Patrol notifies FMB monthly of actual receipts collected and deposited in the Sport Fish Restoration and Boating Trust Fund and Harbor Maintenance Trust Fund. Customs notifies FMB the actual amounts by email on the third workday of the month for the previous month.
- 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/email notification of the receipts to FMB. In the case of the GCRTF, the collecting agency (DOJ), initiates an IPAC to pay the collected amount to the Trust Fund.
- Civil penalties and damages – Agencies mandated to collect civil penalties and fines for deposit into a specific Trust Fund send FMB a letter or 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. FMB prepares a monthly letter requesting the administrative fee withheld by the Federal agency be appropriated to the Trust Fund, then sends the letter to FAO. FAO issues a warrant to FMB via CARS.
- Appropriations – Certain program entities receive annual appropriations to fund payments to the Trust Funds in accordance with legislation. The program entities process the transfer via the IPAC system to allocate the funds to the proper Trust Funds. FMB obtains information regarding funds that were transferred from the IPAC system.
- Donated revenue – Donated revenue represents gifts from individuals. FMB receives receipt reports from program entities throughout the month.
- Transfers in from program entities – Transfers are the result of an IPAC, CTA, or NET that FMB receives from program entities.

- Collected premiums and Federal matching funds – Amounts withheld from Social Security beneficiary checks and the related Federal matching funds are sent via a daily receipt report to FMB for investment.

FMB processes receipt notifications received prior to 3:00 p.m. 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 accountant:

- 1) enters the receipts into the Fund Checklist;
- 2) enters the receipts into Oracle;
- 3) enters the investment into the FedInvest system, which processes the investment purchase, records the investment in InvestOne, and generates a confirmation;
- 4) prints the investment confirmation;
- 5) prepares and signs the DTSP; and
- 6) provides the DTSP to the reviewing accountants for review.

For the GCRTF, the accountant:

- 1) enters the receipt in a manually maintained Cash Forecasting Report;
- 2) prepares a journal entry that will post the receipt transaction into the Oracle accounting system and obtains supervisory signature;
- 3) prints an OBI report;
- 4) enters the investment into the FedInvest system, which processes the investment purchase, records the investment in InvestOne, and generates a confirmation;
- 5) prints the investment confirmation;
- 6) enters receipt amounts in GrantSolutions and prints a report to reconcile to the Oracle entry;
- 7) prepares and signs the DTSP; and
- 8) provides the DTSP to the reviewing accountants for review.

The accountant compares the transaction from the Cash Forecasting Report to the transaction documentation (i.e., Treasury warrants, excise tax receipts, FICA and SECA tax deposits, agency program letters, reports, or email/fax notifications, IPAC documents, CTA documents, or NETs) and investment confirmation to ensure that the transaction is properly recorded and classified. The accountant documents completion of the comparison by digitally signing the DTSP.

The reviewing accountants review the supporting documentation to ensure that the receipts are authorized by legislation, received from the appropriate program entities, and do not contain any obvious errors. They also compare the receipt supporting documentation to the Cash Forecasting Report, the Fund Checklist, and investment confirmation to ensure that the receipt is properly recorded and included in correct accounting period. The reviewing accountants document approval by digitally signing the DTSP after the review is complete.

#### The 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 Reporting Branch of FAO prepares warrants based on collections reported to Fiscal Service through CIR. The warrants are forwarded to FMB.

- 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 CTA.
- State unemployment taxes – FMB 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). The Federal Reserve Bank of Cleveland accesses CIR, 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 accountant retrieves the amount of the program entity unemployment tax receipts through read-only access to CIR.
- Deposits by the Railroad Retirement Board – Each day FMB 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. FMB agrees the receipts from the receipt report to the amounts reported by the Railroad Retirement Board on the CTA.

The accountant 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 accountant:

- 1) enters the receipts into InvestOne;
- 2) enters the investment into FedInvest, which processes the investment purchase, records the investment in InvestOne, and generates a confirmation;
- 3) prints the investment confirmation; and
- 4) provides the receipt supporting documentation along with the Fund Checklist and investment confirmation to the reviewing accountants.

The accountant compares the transaction as recorded within InvestOne to the transaction documentation (i.e., ASAP reports, CIR reports, emailed letters from the program entities, and IPAC reports) to ensure that the transaction is properly recorded and classified. The accountant documents completion of the comparison by digitally signing the DTSP.

The reviewing accountants review 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 accountants compare the receipt supporting documentation to InvestOne, the Fund Checklist, and investment confirmation to ensure that the receipt is properly recorded in the correct accounting period and document approval by digitally signing the DTSP after the review is complete.

## **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance that:

- Only authorized receipts are deposited into the Trust Funds.
- Receipt amounts are reviewed and approved.
- Receipt information is provided to FMB within the required time frames.
- The monthly financial reports reviewed and provided by FMB to ensure that receipts are accurately recorded and any noted discrepancies are resolved in a complete, accurate, and timely manner. (Except for UTF)

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

1. Inspected SOP manuals and determined the manuals provided procedures for staff to follow for processing receipt transactions.
2. For a selection of trust fund receipts from InvestOne, inspected the DTSPs and determined that the reviewing accountant compared the receipts from InvestOne to the transaction documentation, documented completion of their review via digital signature, and the receipts were recorded and classified in the correct accounting period.
3. For a selection of GCRTF receipts from Oracle, inspected the DTSPs and determined that the reviewing accountant compared the receipts from Oracle to the Cash Forecasting Report and the transaction documentation, documented completion of their review via digital signature, and the receipts were recorded and classified in the correct accounting period.
4. For a selection of UTF receipts, inspected the DTSPs and determined both the processing and reviewing accountants documented completion of their respective reviews via digital signature.

No exceptions noted.

## **Control Objective 9 – Investment Requests**

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

### **Description of Controls**

FMB has SOP manuals for each Trust Fund for staff to reference for the processing of investment requests. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

Pursuant to the Trust Funds’ enabling legislation, FMB invests the portions of the Trust Funds’ assets that are not necessary to meet current withdrawals. In accordance with legislation, FMB 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 the Federal Investments and Borrowings Branch (FIBB). FMB determines the type and term of the Treasury security to purchase based on the following factors:

- Type of security allowed by legislation,
- FIBB guidelines for investing,
- Discussions with program entities to determine their expected future cash flow needs, and
- Guidance issued by the Office of Fiscal Assistant Secretary.

FMB purchases securities using the FedInvest system that is maintained by FIBB and ISS. For Trust Funds that are invested continuously in overnight securities, InvestOne automatically redeems and reinvests the overnight securities. The accountant prints the Cash Forecasting Report that displays the previous day’s overnight redemptions and current reinvestments. The accountant 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, and digitally signs the DTSP. The reviewing accountants review each Cash Forecasting Report and document approval by digitally signing the DTSP.

For all the Trust Funds other than the UTF and Black Lung Disability Trust Fund (BLDTF) (which is not invested), the accountant determines the amount to invest by inspecting the Cash Forecasting Report. The Cash Forecasting Report summarizes the daily receipts and disbursements that have been posted. The accountant compares the reinvestments (i.e., “Buy” transactions) to the maturities, interest payments, receipt, and disbursement transactions, verifies that they net to zero, investigates and resolves any differences, and digitally signs the DTSP. The reviewing accountants review the Fund Checklist, Cash Forecasting Report, the Journal OBI Report, along with the supporting documents, and document approval by digitally signing the DTSP.

To purchase an investment, the accountant prepares and enters the investment into FedInvest and FedInvest 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, FIBB automatically reinvests the par value securities upon maturity. On the maturity date, InvestOne processes the maturity automatically and FIBB manually processes the reinvestment, into InvestOne. The corresponding confirmations are available in FedInvest.

For certain other selected investment requests, the accountant manually prepares and provides an investment/redemption request (IRR) to FIBB. This occurs when an investment or redemption needs to be entered for a non-business day or a security is purchased at auction price. In these cases, FIBB enters the investments or redemptions into InvestOne.

Upon entry of the transaction into FedInvest, an on-screen confirmation of the transaction is presented to the purchaser.

The accountant compares the IRR investment type, amount, purchase date, and maturity date to the Investment Confirmation. After investigating and resolving any differences, the accountant approves the IRR and the Investment Confirmation. The accountant combines the Fund Checklist, the IRR, Investment Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation in the DTSP for the reviewing accountants. The accountant digitally signs the DTSP. For the GCRTF, the accountant combines the Fund Checklist, IPAC, or ASAP report (returns), Investment Confirmation, the Cash Forecasting Report, the Journal OBI Report, and the receipt/disbursement source documentation in the DTSP for the reviewing accountants.

The reviewing accountants inspect the Fund Checklist, the Investment Confirmation, the Cash Forecasting Report, and the receipt source documentation to ensure that the proper amount was invested, the investment was invested in the proper accounting period, to confirm that the accountant purchased an authorized investment, and to ensure that the investment amount and timing is consistent throughout all of these documents. For the GCRTF, the reviewing accountants inspect the Fund Checklist, IPAC, or ASAP report (returns), Investment Confirmation, the Cash Forecasting Report, and the receipt source documentation. The reviewing accountants document their approval by digitally signing the DTSP after the review is complete. The supervisor reviews and signs the journal entries.

### **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance 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:**

1. Inspected the policy and procedures for the processing of investment requests and determined they provided guidelines for processing investment requests.
2. For a selection of processed trust fund reinvestments, inspected the DTSPs and determined both the processing and reviewing accountants documented completion of their respective reviews via digital signature.
3. For a selection of processed UTF and GCRTF reinvestments, inspected the DTSPs and determined both the processing and reviewing accountants documented completion of their respective reviews via digital signature.
4. For a selection of investment requests, inspected evidence and determined the processing trust fund manager digitally signed the Daily Transaction Support Package (DTSP) and reviewing trust fund manager appropriately documented completion of their review by signing off on the DTSP.

5. For a selection of GCRTF investment requests, inspected the DTSPs and determined a processing accountant combined the supporting documentation and a reviewing accountant documented completion of his/her review via digital signature.

No exceptions noted.

## **Control Objective 10 – Investment Income**

Controls provide reasonable assurance that investment income, amortization, and gains or losses are completely and accurately recorded in the proper accounting period in Oracle Federal Financials.

### **Description of Controls**

FMB has SOP manuals for each Trust Fund for staff to reference for the processing of transactions related to investment income, amortization, and gains/losses. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

#### **Interest Payment 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. InvestOne automatically calculates and records interest income based on the investment terms in the system.

#### **Accrued Interest Receivable**

Accrued interest receivable is recorded by InvestOne for accounts that hold notes or bonds. One-day securities mature on the next business day and therefore generally do not accrue interest. For one-day securities purchased on Friday, interest accrues until the date of maturity.

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 InvestOne by FIBB. InvestOne automatically calculates and records interest accruals based on the corresponding investment terms. The accountant and reviewing accountant review the interest balances on the monthly trial balance reports to ensure that the interest balances are accurately recorded in Oracle Federal Financials in the proper period and documents approval on the monthly financial review checklist. Any discrepancies are researched and resolved.

#### **Discount/Premium**

FMB 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 InvestOne. InvestOne automatically calculates and records amortization of discount/premium based on the corresponding investment terms. InvestOne 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 accountant and reviewing accountant review the InvestOne Trial Balance Report which lists amortization of discounts and premiums and compares it to the Oracle trial balance report, determines that amortizations are accurately recorded in Oracle in the proper period, and documents approval on the monthly financial review checklist. Any discrepancies are researched and resolved.

#### Gains and Losses

Gains and losses may occur each time a market-based security is redeemed prior to maturity.

When a security is redeemed, FedInvest processes the redemption, including the proceeds of the redemption, into InvestOne. InvestOne 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). However, the gain or loss amount does not appear on the sell confirmation from FedInvest. The accountant and reviewing accountant review the gains/losses on the monthly trial balance reports to ensure that the gains/losses are accurately recorded in Oracle in the proper period and classified and documents approval on the monthly financial review checklist. Any discrepancies are researched and resolved.

#### **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance 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:**

1. Inspected the Trust Fund Operations SOP manuals and determined they provided guidelines for the processing of transactions related to investment income, amortization, and gains/losses.
2. For a selection of investment purchases for each transaction type, reperformed the calculation of the interest income received and determined it matched the corresponding amount calculated by the InvestOne accounting system.
3. For a selected investment purchase, reperformed the calculation of the interest accrual balance and compared the recalculated accrual amount to the InvestOne accounting system and determined InvestOne was configured to automatically calculate and record interest accrual based off the investment terms in the system.
4. For a selection of months, inspected the processing and reviewing accountants' review of the monthly trial balance reports and determined interest balances were recorded, classified, and approvals were documented on the monthly financial review checklist.
5. For a selected processed non-marketable market-based note at a discount, reperformed the calculation of the amortization using the straight-line method and determined it matched the corresponding amount calculated by the InvestOne accounting system.
6. For a selected processed non-marketable market-based note at a discount, reperformed the calculation of the amortization using the level yield method and determined it matched the corresponding amount calculated by the InvestOne accounting system.
7. For a selection of months, inspected the processing and reviewing accountants' review of the monthly trial balance reports and determined the amortization of non-marketable market based bills, notes, and bonds at discounts and premiums were reviewed, and approval was documented on the monthly financial review checklist.

8. For a selection of months, inspected the processing and reviewing accountants' review of the monthly trial balance reports and determined gains/losses were recorded, classified, and approvals were documented on the monthly financial review checklist.

No exceptions noted.

## **Control Objective 11 – Redemption Requests**

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

### **Description of Controls**

FMB has SOP manuals for each Trust Fund for staff to reference for the processing of redemption requests. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

Investments are redeemed primarily when the program entities request transfers from the Trust Funds. For Trust Funds that invest in market-based securities, the accountant nets the receipts, investment maturities, and the disbursements. If the net result is a reduction, a redemption is prepared. If the net results in an increase, an investment is prepared. (See Control Objective 9) For Trust Funds that invest in par value securities, the accountant generally invests receipts and redeems investments for disbursements as separate transactions. For the GCRTF, investments are redeemed when a recipient draws funds or when the program entities request transfers from the Trust Fund.

When redeeming a market-based security, the accountant generally selects the security with the earliest maturity date. When redeeming a par value security, InvestOne is configured to select the security in the following order: earliest maturity date, lowest prevailing interest rate, and first security in first security out.

The accountant enters, reviews, and submits the redemption request in FedInvest, which processes the redemption request and prepares an on-line Redemption Confirmation.

For redemptions on non-business days, June 30 rollovers, and other selected redemption requests, the accountant manually prepares the IRR, and provides a copy to FIBB. FIBB manually executes the redemption in InvestOne.

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

Market-based securities have various maturity dates. On the maturity date, InvestOne processes the maturity and creates a confirmation, which is made available in FedInvest.

The accountant provides the Redemption Confirmation and the IRR to the reviewing accountants. The reviewing accountants compare 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 and recorded in the proper accounting period. Any differences are investigated and resolved. The reviewing accountants document their approval by digitally signing the DTSP. For the GCRTF, the accountant provides the redemption confirmation, Cash Forecasting Report, checklist, and supporting documentation from ASAP or IPAC to the reviewing accountants. The reviewing accountants compare the checklist and Cash Forecasting Report to the Redemption Confirmation and supporting documentation verifying that the redemption amount and timing is consistent and recorded in the proper accounting period. Funds Control is set up for GCRTF to prevent overpayment of a recipient.

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

1. Inspected the policy and procedures for the processing of redemption requests and determined they were documented.
2. For a selection of redemption transactions, inspected the Redemption Confirmation, the IRR, and the InvestOne accounting system and determined the transactions were documented, reviewed, and approved by the reviewing accountant on the DTSP and were processed and recorded accurately in the proper period.

No exceptions noted.

## **Control Objective 12 – Disbursement Processing**

Controls provide reasonable assurance that withdrawal/disbursement transactions are authorized, processed, and are completely and accurately recorded in the proper accounting period in Oracle Federal Financials.

### **Description of Controls**

FMB has SOP manuals for each Trust Fund for staff to reference for the processing of disbursement transactions. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

#### **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 email/fax, IPAC reports, CTA, ASAP.gov, or telephone calls to the respective Trust Fund manager. In the event a telephone request is made, it is followed up by an emailed/faxed request.

FMB 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 accountant records the disbursement in Oracle Federal Financials. The accountant reviews the request to ensure that it is received from the appropriate program entity and does not contain any obvious errors. The accountant also reviews the account balances to ensure the Trust Fund has sufficient funds to cover the request. For the GCRTF, the accountant enters the disbursement in a manually maintained Cash Forecasting Report and prepares entries for program entities that will post the disbursement transaction into the Oracle accounting system and produces an OBI Journal Report. The accountant then enters the redemption into the FedInvest system, which processes the redemption, records the redemption in InvestOne, and generates a confirmation. The accountant then prints the redemption confirmation and prepares and signs the DTSP. When processing payments to non-Federal entities from the GCRTF using the ASAP to Oracle interface, the accountant enters the disbursement in a manually maintained checklist and the Cash Forecasting Report. An ASAP report is generated on the settle date and funds are disinvested in FedInvest on that date. The following day a report is generated in ASAP and disbursements on this report are interfaced with Oracle. The accountant then prints an Oracle payment screen and prepares and signs the DTSP.

FMB uses the automated CARS system, maintained by FAO, to process non-expenditure transfers. The accountant enters the transfer into the CARS system, in accordance with the program entity's instruction. FAO configured CARS to authorize FMB 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.

CARS reflects a transfer status of "SAVED" for a transfer, until the transfer is certified. The accountant provides the transfer request documentation to the reviewing accountants.

The reviewing accountant compares the disbursement request to the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report from Oracle. The reviewing accountant accesses CARS to verify that the transfer is designated to the proper entity account(s), then certifies the transfer request in CARS. CARS changes the transfer status to “AGENCY CERTIFIED”. The reviewing accountant documents completion on the Fund Checklist and saves the Non-Expenditure Transfer with the funds daily work. Another reviewing accountant compares the disbursement details and amount from the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report from Oracle to a print screen from CARS. The reviewing accountant also compares all transactions with an “AGENCY CERTIFIED” status on the print screen from CARS to the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report from the Oracle accounting system to ensure the transactions have been posted in the correct accounting period. The reviewing accountant documents his/her completion of the comparisons by signing the daily FAO packet and the daily review checklist.

After the transfer is certified by FMB, FAO certifies the disbursement request, and CARS changes the status of the transfer request to “GWA POSTED”. The accountant accesses the CARS pending transaction file to monitor the transfer status and take any necessary action to correct errors in rejected transactions and resubmit the transfers to CARS.

The accountant provides the disbursement requests (i.e., emails/faxes, SF-1081s (*Voucher and Schedule of Withdrawals and Credits form*), or IPAC reports) to the reviewing accountants. The reviewing accountants compare the Fund Checklist and Redemption Requests, the Redemption Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation to ensure the disbursement is accurately recorded. The reviewing accountants document approval by digitally signing the DTSP after the review is complete.

#### 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 (ASAP). Each day, program entities must enter their disbursement requests into ASAP 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 ASAP that corresponds to the applicable unemployment program.

During the morning of the next business day, ASAP transmits a file to InvestOne that contains all of the disbursement and transfer requests. The accountant reviews the InvestOne pending disbursement and transfer requests file. The accountant compares the InvestOne pending disbursement and transfer requests report to the ASAP transaction reports.

After the accountant verifies and reconciles these reports, the accountant posts the transaction to the program entities’ accounts within InvestOne and provides the reports to the reviewing accountant. The reviewing accountants review the reports for accuracy and approves. Any differences are investigated and resolved.

#### **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance that:

- Only authorized disbursement requests are used for withdrawals from the Trust Funds.
- Disbursement requests are reviewed and approved.
- Disbursement requests are provided to FMB within the required time frame.

- The systems program entities use to support on-line access to ASAP are approved, tested, and properly monitored. (UTF and GCRTF only)
- ASAP access is restricted to authorized individuals. (UTF and GCRTF only)
- Disbursement requests are accurately entered into ASAP. (UTF and GCRTF only)
- The monthly Trust Fund financial reports provided by FMB are reviewed to ensure that disbursements are recorded accurately, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- The fund balance with Treasury is reconciled with corresponding Fiscal Service records to ensure that program entities receive complete and accurate Trust Fund disbursements and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- Disbursement records are reconciled to Trust Fund bank's records to ensure that they receive the proper Trust Fund disbursements and any noted discrepancies are resolved in a complete, accurate, and timely manner. (UTF only)

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

1. Inspected the policy and procedures for the processing of disbursements and determined they were documented.
2. For a selection of processed disbursement requests, inspected the Daily Transaction Support Packages (DTSPs) and determined the reviewing trust fund manager compared the disbursements from InvestOne to the disbursement requests and the disbursements were properly recorded and appropriately signed off in the DTSP.
3. For a selection of processed Unemployment Trust Fund-State Unemployment Benefit disbursements, inspected the DTSPs and determined that the reviewing accountant approved the disbursements, investigated and resolved any differences noted, and documented his/her review via digital signature.

No exceptions noted.

## **Control Objective 13 – Reporting**

Controls provide reasonable assurance that financial and UTF activity statements provided to the program entities are complete, accurate, timely prepared, and reconciled.

### **Description of Controls**

FMB has SOP manuals for staff to reference for generating reports. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

#### **All Trust Funds except the UTF**

At the end of the monthly processing cycle, the accountants prepare the financial statement package for each Trust Fund. The accountant is responsible for transmission of the financial statement package, by electronic mail to Fiscal Service Web Support for posting on the TreasuryDirect website.

The accountant completes the financial reconciliation package, documents completion of the monthly financial review checklist, digitally signs the package and submits the package to the reviewing accountant for review and approval. The reviewing accountant reviews the package and documents approval via digital signature on the financial review checklist. Components of the financial reconciliation package and procedures performed on each component by the accountant and reviewing accountant are as follows:

- InvestOne to Oracle trial balance report reconciliations – Compare the InvestOne and Oracle trial balance ending investment balances and investigate and resolve any differences.
- Fund Balance with Treasury reconciliation – Prepare a reconciliation worksheet comparing Oracle trial balances to the CARS Account Statement. Investigate and resolve any differences.
- Investment Reconciliation – Prepare a reconciliation worksheet comparing Oracle trial balances to FIBB investment activity data from InvestOne. Investigate and resolve any differences.
- Budgetary to Proprietary Reconciliations - Prepare budgetary to proprietary account reconciliations to ensure complete and accurate budgetary account posting for all recorded transactions. Investigate and resolve any erroneously posted transactions or out-of-balance relationships identified.
- Schedules of Misstatements – Prepare a schedule outlining any identified line item misstatements for any report within the monthly financial statement package. The reviewing accountant reviews the schedule of misstatements and instructs the accountant to correct misstatements deemed material by the reviewing accountant in the appropriate accounting period.

FMB issues financial statement packages prior to the completion of the monthly financial reconciliation package (except for UTF). If the reconciliation process identifies a material misstatement in the previously issued financial statement package, FMB corrects the misstatement, revises the financial statement package, and transmits the revised financial statement package to Fiscal Service Web Support for posting on the TreasuryDirect website.



## UTF

At the end of the monthly processing cycle, the accountant provides the U.S. Department of Labor (DOL) with two files: one contains the activity for the month, and the other contains the account balances at the end of the month. FMB does not provide a financial statement package to DOL for UTF. DOL uses the two previously mentioned files to complete their financial reporting and financial reconciliation to the program entities reporting. FMB does not perform any procedures over the completeness and accuracy of the DOL UTF statements.

The program entities have the ability to access individual UTF account statements, transaction statements, and Federal activity reports (EUCA, FUA, and FECA activity) on TreasuryDirect's website.

### **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance that:

- The monthly Trust Fund financial reports are reviewed to ensure that transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- UTF account statements, transaction statements, and Federal activity reports are reviewed to ensure that transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- Transactions are recorded accurately into GTAS.

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

1. Inspected the policy and procedures for the generation of reports and determined they were documented.
2. For a selection of months, for a selection of financial reconciliation packages, inspected the reconciliation packages and determined the trust fund manager documented completion of the monthly financial review checklist and digitally signed the package prior to submitting to the reviewing trust fund manager.
3. For a selection of months, for a selection of financial reconciliation packages, inspected the reconciliation packages and determined the reviewing trust fund manager reviewed and documented approval on the financial review checklist.

No exceptions noted.

## **Control Objective 14 – 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 in InvestOne.

### **Description of Controls**

FMB has SOP manuals for staff to reference for the processing of Title XII Advance transactions. Access to revise the SOP manuals, which are password protected, is restricted to FMB employees only.

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.

#### **Advances to the States / Borrowing Activity**

DOL authorizes and coordinates the amounts that certain States may borrow. For each three-month authorization period, DOL sends an authorization letter to FMB indicating the amount that the program entity may borrow. The States access funds through ASAP.

Each day, program entities determine the amount they want to borrow by reviewing their account in ASAP. Program entities must enter their borrowing requests into ASAP by 6:00 pm EST. During the morning of the next business day, ASAP transmits a file to InvestOne that contains all of the borrowing transactions. The accountant compares InvestOne's FUA Pending Report that summarizes pending borrowing requests to the ASAP transaction report.

After the accountant verifies that the requested borrowing is within the authority established by the DOL and reconciles these reports, the accountant posts the transactions to the States' accounts within InvestOne and provides the reports to the reviewing accountant. The reviewing accountant reviews the reports for accuracy and verifies transactions have posted to the proper accounting period, and approves. Any differences are investigated and resolved.

#### **Repayment Activity**

FMB processes repayments from program entities' accounts to the FUA as directed by the borrowing program entities and the DOL. These repayment entries are reviewed as part of the daily review of the Unemployment Trust Fund Daily Transaction Support Package (DTSP).

#### **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 owed by borrowing States is calculated in a spreadsheet that is populated from InvestOne borrowing and repayment balances. The accountant reviews the borrowing program entity account balances at year-end to ensure that interest is appropriately calculated for any State still in borrowing status.

The Families First Coronavirus Response Act as amended by the American Rescue Plan Act of 2021, which included provisions for temporary assistance for States with advances from the UTF or receiving an advance during fiscal year 2021, will not have interest charged on these advances through September 6, 2021.

## **Complementary Program Entity Controls**

Program entities should have established controls to provide reasonable assurance that:

- The systems they use to support on-line access to ASAP are approved, tested, and properly monitored. (UTF and GCRTF only)
- ASAP access is restricted to authorized individuals. (UTF and GCRTF only)
- Borrowing requests are accurately entered into ASAP. (UTF only)
- Borrowing amounts do not exceed amounts approved by the DOL. (UTF only)
- The reports provided by FMB are reviewed to ensure that borrowing, interest, and repayment transactions are accurately recorded. Any noted discrepancies are resolved in a complete, accurate, and timely manner.

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

1. Inspected the policy and procedures for the processing of Title XII Advance transactions and determined they were documented.
2. For a selection of processed borrowing requests, inspected evidence and determined the requests were reviewed, any differences noted were investigated and resolved, and were approved by a reviewing trust fund manager.
3. For a selection of days by state, inspected the sign-off on the DTSP Checklist evidencing the trust fund manager's review of accounts to ensure receipts were applied as repayments and determined these reviews were documented.
4. For a selection of states still in borrowing status, inspected documentation of the trust fund manager's review of the borrowing program entity account balances at year-end and determined the accounts were reviewed for accurate calculation.

No exceptions noted.

## **MONITORING CONTROLS**

### **Control Objective 15 – Monitoring Subservice Organizations**

Controls provides reasonable assurance that reviews over the SOC 1 reports or system verification letters provided by subservice organizations are performed, documented and approved in accordance with Fiscal Service policies and procedures.

#### **Description of Controls**

FMB has documented procedures for staff to follow for reviewing SOC 1 reports and system verification letters.

Fiscal Service obtains relevant SOC 1 reports from subservice organizations. If a SOC 1 Report is not available, Fiscal Service will request alternative documentation, including system verification letters that outlines or analyzes current controls. These documents are reviewed to determine if any control exceptions impact FMB's control environment. FMB will assess existing complementary controls and determine if additional control changes are needed. Once completed, the assessments will be reviewed and approved by management.

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

1. Inspected written procedures for reviewing SOC 1 reports and system verification letters and determined that the procedures were documented and required review of the SOC 1 reports and system verification letters be approved in a timely manner.
2. Inspected SOC 1 report review memorandums and determined the reviews and complementary controls were documented and approved by FMB management.
3. Inspected system verification letters and determined the system verification letters were reviewed and approved by FMB management.

No exceptions noted.

**V. OTHER INFORMATION PROVIDED BY THE  
BUREAU OF THE FISCAL SERVICE**

## CONTINGENCY PLANNING

### System Back Up

The InvestOne accounting system is included in the Debt Information Management System (DIMS) information system contingency plan (ISCP) managed by the FAO, Program Support Division (PSD), Security and Compliance Branch (SCB). This plan is part of the DIMS System Security Plan (SSP), which is managed by the DIMS Information System Security Officer (ISSO) in PSD/SCB. There is a formal Special Assets and Liabilities Division (SALD), Business Continuity Plan (BCP), which is part of a larger BCP for FAO and the Bureau of the Fiscal Service (Fiscal Service) Continuity of Operations Plan (COOP). Throughout the year, the Federal Investments and Borrowings Branch (FIBB) performs contingency tests on all Mission Essential Functions requiring the InvestOne accounting system.<sup>9</sup>

The ISS performs backups of the InvestOne accounting system on a regular schedule. ISS retains the backup tapes according to a pre-set schedule at an offsite facility. ISS stores one copy in the production tape library, and the other copy is shipped to an offsite facility. If a backup tape needs to be restored, the request will be made from CTD or PSD. ISS will then load the backup tape.

### Continuity of Operations

A fire alarm and sprinkler system that is managed, maintained, and tested by the building management protects the data center<sup>10</sup>. Sprinkler heads are located in the ceiling of each room of the buildings. This is a pre-action dry pipe system, charged with nitrogen, with individual heads that discharge water<sup>11</sup>.

The FAO Business Continuity Plan (BCP) calls for resumption of operations and critical applications of essential functions within a pre-set four-hour time frame. The InvestOne accounting system has been classified as a critical application.

As part of the FAO BCP, should the facility supporting InvestOne accounting system and FedInvest become unavailable, designated FIBB personnel will relocate to reestablish their daily operations. When applicable, Fiscal Service will revert to manual procedures until the FIT MF and InvestOne accounting system are fully recovered.

---

<sup>9</sup> FIBB performs emergency telework tests on all essential InvestOne functions a minimum of quarterly. 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. FIBB also participates in the annual Fiscal Service Disaster Recovery Exercise, which tests FISMA compliance and business continuity capabilities.

<sup>10</sup> Alarms are active 24 hours a day, 7 days a week, and are tied in to the local fire department over phone lines for immediate notification.

<sup>11</sup> In the event the main building, where the InvestOne accounting system is run, becomes inoperable, FIT MF operations would be relocated to the Fiscal Service contingency facility in accordance with the ISS data center recovery plan. This facility employs a warm site strategy for recovery of FIT MF operations.

**This Page Intentionally Left Blank**



## **REPORT WASTE, FRAUD, AND ABUSE**

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: <https://oig.treasury.gov/report-fraud-waste-and-abuse>

## **TREASURY OIG WEBSITE**

Access Treasury OIG reports and other information online: <https://oig.treasury.gov/>