



# Audit Report



OIG-25-004

## FINANCIAL MANAGEMENT

**Report on the 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, 2023 to July 31, 2024**

October 31, 2024

Office of Inspector General  
Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 31, 2024

**MEMORANDUM FOR JEFFREY J. SCHRAMEK, DEPUTY COMMISSIONER,  
ADMINISTRATIVE RESOURCE CENTER  
BUREAU OF THE FISCAL SERVICE**

**FROM:** Shiela S. Michel /s/  
Acting Director, Financial Statement Audits

**SUBJECT:** Report on the 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, 2023 to July 31, 2024

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, examined management of the Bureau of the Fiscal Service's (Fiscal Service) description of its service system for processing program entities' trust funds transactions (the system) titled "Management of the Bureau of the Fiscal Service's Description of its Trust Funds Management Services" (the Description) throughout the period August 1, 2023 to July 31, 2024, and the suitability of the design and operating effectiveness of the controls included in the Description. This report includes the Description, management's written assertion, and KPMG's independent service auditors' report. The contract required that the examination be performed in accordance with U.S. generally accepted government auditing standards and the attestation standards established by the American Institute of Certified Public Accountants.

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, 2023 to July 31, 2024;
  - 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, 2023 to July 31, 2024, and subservice organizations and program agencies applied the complementary controls assumed in the design of Fiscal Service's controls throughout the period August 1, 2023 to July 31, 2024;
- and

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- the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period August 1, 2023 to July 31, 2024, if complementary subservice organization controls and complementary program agency controls, assumed in the design of Fiscal Service's controls, operated effectively throughout the period August 1, 2023 to July 31, 2024.

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 auditors' report dated October 31, 2024, 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) 486-1415.

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  
(SOC 1® - Type 2 Report)  
For the Period August 1, 2023 to July 31, 2024**

**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, 2023 to July 31, 2024**

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





KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Service Auditors' Report

Acting Inspector General, Department of the Treasury  
Deputy Commissioner, Financing and Operations

### Scope

We have examined management of the Bureau of the Fiscal Service's (Fiscal Service) accompanying description of its service system for processing program entities' Trust Funds Management Services (the System) throughout the period August 1, 2023 to July 31, 2024 titled "Management of the Bureau of the Fiscal Service's Description of its Trust Funds Management Services" (the Description) and the suitability of the design and operating effectiveness of the controls included in the Description to achieve the related control objectives stated in the Description, based on the criteria identified in "Management of the Bureau of the Fiscal Service's Assertion" (the Assertion). The controls and control objectives included in the Description are those that management of the 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 the Management of the Bureau of the Fiscal Service," is presented by management of the Fiscal Service to provide additional information and is not a part of the Description. Information about Fiscal Service's contingency planning and network performance monitoring has not been subjected to the procedures applied in the examination of the Description and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description and, accordingly, we express no opinion on it.

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 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, management of the Fiscal Service has provided the 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 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 Auditors’ Responsibilities**

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 the Assertion, the Description is fairly presented and the controls were suitably designed and operated effectively to achieve the related control objectives stated in the Description throughout the period August 1, 2023 to July 31, 2024. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.



### **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 the Assertion:

- the Description fairly presents the System that was designed and implemented throughout the period August 1, 2023 to July 31, 2024;
- 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, 2023 to July 31, 2024, and subservice organizations and program entities applied the complementary controls assumed in the design of Fiscal Service's controls throughout the period August 1, 2023 to July 31, 2024; and
- the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period August 1, 2023 to July 31, 2024 if complementary subservice organization controls and complementary program entity controls, assumed in the design of Fiscal Service's controls, operated effectively throughout the period August 1, 2023 to July 31, 2024.

### **Restricted Use**

The purpose of this report, including the description of tests of controls and results thereof in Section IV "Management of the Bureau of the Fiscal Service's Control Objectives and Related Controls, and KPMG, LLP's Tests of Operating Effectiveness and Results of Testing" is solely to provide information for management of the Fiscal Service, program entities of Fiscal Service's Trust Funds Management Services during some or all of the period August 1, 2023 to July 31, 2024 and its 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 program entities themselves, when assessing the risks of material misstatement of program entities' financial statements, to support evaluations of the effect of Fiscal Service's Trust Funds Management Services' controls on program entities' financial statements. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

Washington DC  
October 31, 2024

**II. MANAGEMENT OF THE BUREAU OF THE FISCAL SERVICE'S  
ASSERTION**



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

October 31, 2024

**Management of the Bureau of the Fiscal Service's Assertion**

We have prepared the accompanying description of the Bureau of the Fiscal Service's (Fiscal Service) service system for processing program entities' Trust Funds Management Services (the System) throughout the period August 1, 2023 to July 31, 2024 titled "Management of the Bureau of the Fiscal Service's Description of its Trust Funds Management Services" (the Description) for program entities of the System during some or all of the period August 1, 2023 to July 31, 2024, 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 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 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 System made available to program entities of the System during some or all of the period August 1, 2023 to July 31, 2024 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 of the System 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;
  - (8) other aspects of our control environment, risk assessment process, information and communication (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 System 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 operated effectively throughout the period August 1, 2023 to July 31, 2024 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, 2023 to July 31, 2024. 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,



Sandra R. Paylor Assistant Commissioner,  
Fiscal Accounting

**III. MANAGEMENT OF THE BUREAU OF THE FISCAL SERVICE'S  
DESCRIPTION OF ITS 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, *Subject: Organizational Structure for the Office of Fiscal Accounting Operations and Delegation of Authority*, dated September 26, 2014, established the Office of Fiscal Accounting's (FA) 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 Department of the Treasury (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 20 personnel that are responsible for the management of and reporting for these Trust Funds. FMB reports on nearly \$3.4 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) worksheets generated from Oracle Federal Financials (Oracle) which is described on Page 16 of this report;
  - FA 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
  - Salesforce notice of awards and 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; and
  - Budgetary to Proprietary account reconciliations.
- 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 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 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.

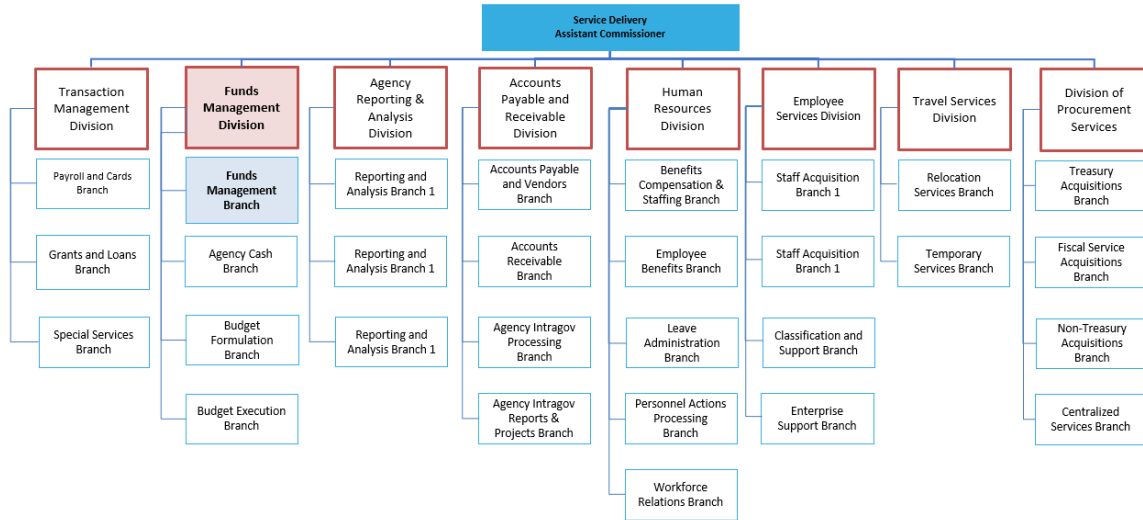
The program entities that are authorized to use Trust Fund assets as program resources request disbursements from FMB. FMB prepares a Fund Checklist and Investment/Redemption Requests and enters the request into FedInvest, which redeems the requested amount of securities and posts a Redemption Confirmation 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.

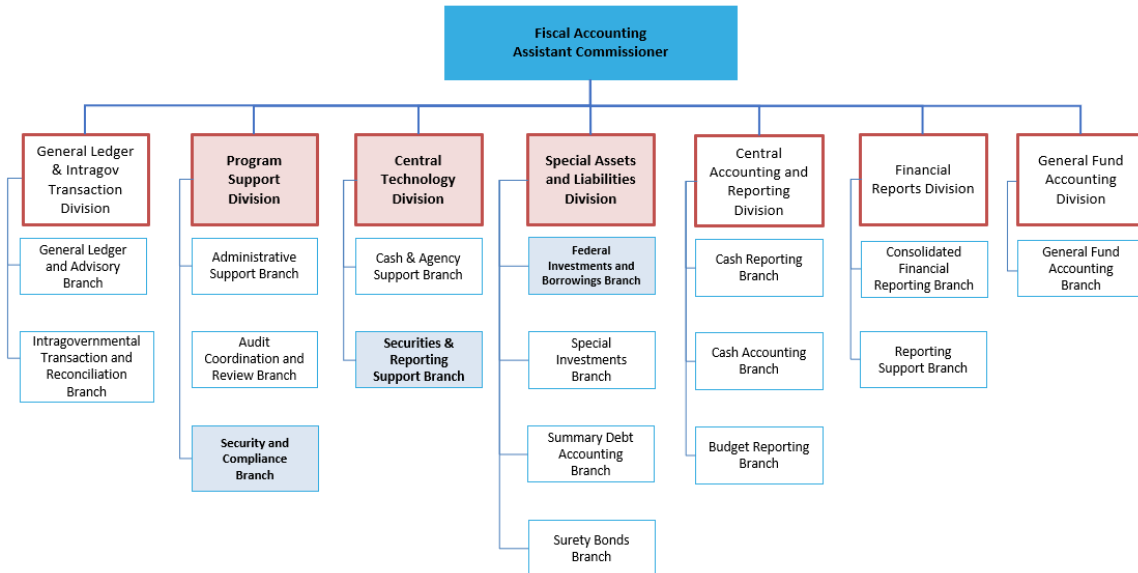
The in-scope Fiscal Service functions are the Funds Management Branch, Central Technology Division (CTD), and the Program Support Division (PSD). The ARC Service Delivery and Fiscal Accounting Charts below illustrates the relationships and chains of command for the aforementioned:

## ORGANIZATIONAL CHART

### ARC Service Delivery



## Fiscal Accounting



### 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, 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 on an annual basis as they become available. 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<sup>1</sup>

The InvestOne accounting system is a vendor-supplied subsystem of the Debt Information Management System (DIMS). InvestOne is used to record and report UTF activity and balances reported by FMB. The InvestOne accounting system is licensed by Fidelity Nation Information Services (FIS).

The InvestOne accounting system resides on a distributed client-server environment with a Linux operating system. The InvestOne database files utilize Exadata and reside on Oracle databases. The InvestOne operating environment utilizes workload/scheduling software.

The ISS provides the primary support for maintaining the InvestOne accounting system. This includes the distributed client-server operations (batch processing and reporting), custom report writing, application change management, data management, backup and recovery, user access security, remote access, and continuity management. InvestOne is comprised of two different components. InvestOne Java Engine Tier (JET) and InvestOne Enterprise. InvestOne Enterprise gives access to the JET data via screens and reports and is only accessible to internal users. JET data is accessed and updated via TCP/IP and API provided by the vendor.

The accountants receive supporting documentation daily for recording Trust Fund activity. The accountants record the activity in Oracle Federal Financials (see description below) 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.

#### FedInvest Description

FedInvest operated within a client-server Windows environment, also a subsystem of DIMS, is a vendor-developed and ISS maintained, 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, program entities 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 edit checks that serve to enforce federal investment program policies resulting in improved data quality in the InvestOne accounting system. These edit checks include, but are not limited to, preventing invalid account numbers, preventing back dated trades, and ensuring the correct transaction code is used.

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

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<sup>1</sup> The databases that support InvestOne and FedInvest migrated from a mainframe hosted environment to a distributed environment in August 2023.

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

The Administrative Resource Center (ARC) has outsourced the hosting of Oracle Federal Financials to Oracle Managed Cloud Services. As the hosting company for 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 Federal Financials and Oracle 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, “Management of the Bureau of the Fiscal Service’s Control Objectives and Related Controls, and KPMG, LLP’s Tests of Operating Effectiveness and Results of Testing.” 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 entities should have established controls to provide reasonable assurance to:

- 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 oversight of the investments purchased, and related investment income, is appropriate to ensure the policies and cash flow needs of the program entity are being met.
- ASAP access is restricted to authorized individuals. (UTF and GCRTF only)
- Disbursement records are reconciled to the 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 to authorize 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 are reviewed to ensure that receipt and disbursement transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner. (Except for UTF)
- Transactions are recorded accurately and completely into GTAS.
- Self-prepared financial statements and/or financial reconciliations are complete and accurate as FMB does not perform any functions to achieve this (applicable to Department of Labor (DOL) only).



- 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 requests are authorized, and accurately and completely entered into ASAP. (UTF only)
- Borrowing amounts do not exceed amounts approved by the DOL. (UTF only)
- Disbursement requests are accurately and completely entered into ASAP. (UTF only)
- The borrowing 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. (Applicable to Black Lung (BL), Centers for Medicare & Medicaid Services (CMS), and UTF.)
- The systems the program entities 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, 7, 8, 9, 11, 12, and 13 in the Management of the Bureau of the Fiscal Service's Control Objectives and Related Controls, and KPMG, LLP's Tests of Operating Effectiveness and Results of Testing 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.

### **Fiscal Service**

Fiscal Service – Information and Security Services (ISS) provides application hosting and management services, and the Fiscal Service Federal Investments and Borrowings Branch (FIBB) provides accounting services described as follows for the following applications and IT environments:

**Distributed Environment** – ISS provides platform support that includes operating system and database administration.

**Common Approach to Identity Assurance (CAIA)** – Provides authentication and identification services to some Fiscal Service 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 UTF agency location code (ALC). 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 processes and confirms investment and redemption transactions and balances in the FedInvest system for Trust Funds managed by FMB.

**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).

**Salesforce** – The Office of Gulf Coast Restoration runs a Salesforce application for the GCRTF from which FMB receives notifications 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 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 7 – Receipts Processing, Control Objective 8 – Investment Requests, Control Objective 9 – Investment Income, Control Objective 10 – Redemption Requests, Control Objective 11 – Disbursement Processing, Control Objective 12 – Reporting, and Control Objective 13 – Unemployment Trust Funds Title XII of the Social Security Act Advances Program:

- Responsible for having controls that ensure that the reports and statements necessary to process receipts, investment requests, investment income, redemption requests, disbursement requests and Title XII advances 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, CAIA, and distributed environment.
- Responsible for maintaining physical access and environment controls for CARS, IPAC, CIR, GTAS, ASAP, SPS, and distributed environment.
- Responsible for maintaining privileged user access and logical security over the servers, hardware devices, and related to CARS, IPAC, CIR, GTAS, ASAP, SPS, CAIA, and distributed environment.
- Responsible for granting, reviewing, and removing user access to CARS, IPAC, CIR, GTAS, ASAP, SPS, CAIA, and distributed environment.
- Responsible for performing data back-ups for CARS, IPAC, CIR, GTAS, ASAP, SPS, and distributed environment.

### *Treasury*

Control Objective 12 – Reporting

- Responsible for having controls that ensure that the reports and statements from TIER necessary to support reconciliations of investment income, amortization, and gains/losses 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.

Control Objective 11 – Disbursement Processing

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

***ARC***

Control Objective 7 – Receipts Processing, Control Objective 8 – Investment Requests, Control Objective 11 – Disbursement Processing, Control Objective 12 – Reporting, and Control Objective 13 – Unemployment Trust Funds Title XII of the Social Security Act Advances Program:

- 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.
- Responsible for having controls that ensure that the trial balance and financial statements are complete, accurate, and timely.

**IV. MANAGEMENT OF THE BUREAU OF THE FISCAL SERVICE'S  
CONTROL OBJECTIVES AND RELATED CONTROLS, AND KPMG,  
LLP'S TESTS OF OPERATING EFFECTIVENESS AND RESULTS OF  
TESTING**

## 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 .36 of Attestation Standards - Clarification and Recodification (AT-C) section 205, *Assertion Based Examination Engagements* (American Institute of Certified Public Accountants, 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<sup>2</sup>.

#### **Description of Controls**

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

Fiscal Service utilizes Enterprise Service Management's (ESM) ServiceNow (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. All changes are communicated daily via a 30-day Forward Schedule of Changes (FSOC) report, which is generated from ESM/ServiceNow and automatically emailed to the technical change control board attendees each morning. This report describes the system changes, effective dates, reasons for changes or problems the changes will resolve, risk categorization of each change, and a reference to the system change control number. All changes categorized as "high risk" are required to be reviewed and coordinated at the weekly change control meeting.

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 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.

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.

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<sup>2</sup> This includes both InvestOne and Oracle database changes.



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

1. For a selection of system software change records, inspected the corresponding ESM ServiceNow tickets and determined that ESM ServiceNow was used throughout the engagement period to log, track, and monitor system software changes.
2. For a selection of weeks, inspected the corresponding Forward Schedule of Changes (FSOC) report emails and change tickets discussed during the weekly change control board meeting and determined that an agenda was provided, items were discussed, and authorizations were documented.
3. For a selection of dates, inspected the corresponding FSOC reports 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.
4. For a selection of system software changes, inspected corresponding change records and determined that the changes were tested, and approved prior to implementation.
5. For a selection of system software emergency changes, inspected corresponding change records and determined that the changes were tested, and approved prior to implementation.
6. For a selection of weeks, inspected corresponding evidence of ISS's review of reports for sensitive system utilities in the protected programs group and determine that the reports were reviewed and any notes for changes were tracked and completed.

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. Fiscal Service uses ESM/ServiceNow to document vendor-supplied releases.

The InvestOne accounting system is licensed by 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 FA 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 may periodically provide smaller maintenance releases for the InvestOne accounting system. These smaller maintenance releases are off-cycle changes to InvestOne that address certain InvestOne accounting system issues and are narrower in scope than new releases. Based on the changes included on a particular maintenance release, Fiscal Service management will decide whether or not to implement the maintenance release. If management decides to implement the maintenance release, ISS downloads the updated code from the FIS SFTP site, and the updated code is migrated through the Test and Acceptance environments. A maintenance release is only 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.

Changes to the InvestOne accounting system application reports are developed by ISS. If management decides to implement a change to the accounting system application report, the updated code is migrated through the Test and Acceptance environments. A change to the system application reports is 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.

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

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

1. For a selection of new InvestOne releases, inspected corresponding change records and determined that the changes were tested, approved, documented, and properly implemented.
2. For a selection of new InvestOne maintenance releases, inspected corresponding change records and determined that the changes were tested, approved, documented, and properly implemented.
3. For a selection of changes made to InvestOne reports, inspected corresponding change records and determined that the changes were tested, approved, documented, and properly implemented.
4. Inspected 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 Fiscal Service (FS) developers were restricted from implementing changes into production.

No exceptions noted.

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

Controls provide reasonable assurance that implemented 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.

FA 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 and maintained internally developed programs utilizing RM/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 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 distributed environment to the Linux client server. A secured file transfer program is then used to move the downloaded 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, including program entities, ODM, Treasury's Office of Fiscal Projections (OFP), the Congressional Budget Office (CBO), and various offices within Fiscal Service.

RM COBOL programs on the Linux server are accessed through the network using a terminal emulator. Changes to these programs are also managed using version control software.

For FedInvest and customized reports, ISS uses version control software to control access to source code for 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.

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 the 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.

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

1. Inspected access groups and inquired of ISS management and determined that access to source code for internally-developed RM COBOL programs was commensurate with job responsibilities and FS programmers were restricted from implementing changes into production.
2. Inspected access groups and inquired of ISS management and determined access to source code for FedInvest code and reports commensurate with job responsibilities and FS programmers were restricted from implementing changes into production.
3. For a selection of changes made to FedInvest, RM COBOL, inspected corresponding reports and determined changes were documented, tested, and authorized.
4. For a selection of changes made to FedInvest, RM COBOL, inspected reports and determined they were moved to production by an individual who did not develop changes.
5. For a selection of changes made to FedInvest, RM Cobol, inspected corresponding change control checklists and determined they were completed and reviewed by a manager.

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, distributed servers, and FedInvest servers reside in ISS's data center. Various physical access controls protect the facilities. Armed security guard's 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, ESM/ServiceNow, 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 ISS Asset Protection Division (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 and employees that are authorized to have a badge are issued a one-day (Temp) badge in the command center and must leave their access badge onsite following completion of work in the data center. A log of one-day (Temp) badges is maintained and reviewed daily.

ISS performs a yearly review of individuals data center access permissions. During this yearly review, each supervisor of an employee with data center access is required to certify that access is appropriate. Monthly, ISS performs a review of the access violations. If there are excessive violations or trends noticed, ISS reaches out to the employee or their supervisor to determine the cause of the violations. After that conversation, the appropriate action will be taken.

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

1. 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 access.
2. 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 additionally were required to pass through a walkthrough metal detector.
3. 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.
4. Observed an entrant swipe their badge into the access control system and noted that the access controls system granted access to authorized personnel.
5. For a selection of new employees issued identification badges, inspected corresponding evidence of their investigation summaries and determined that a background check was completed for each individual and each employee had their finger print on file.
6. For a selection of terminated Fiscal Service employees with access to Fiscal Service buildings located in Parkersburg, WV, inspected the listing of active cardholders with building access and determined that their building access has been removed in PACS.
7. Inspected the ISS data center access listing and their corresponding access level and determined that access was restricted to appropriate ISS roles.
8. For a selection of employees who were granted access to the ISS data center, and were not on the authorized access listing, inspected corresponding access requests for one day badges and determined that requests were: a) tracked in ESM, b) approved by ISS, and, C) access was granted by a designated Fiscal Service Division of Security and Emergency Programs (DSEP) specialist via PACS.
9. For a selection of months, inspected corresponding evidence of the monthly review of violation logs and determined that reviews to identify unauthorized access attempts were performed and violations were followed-up on.
10. For a selection of dates, inspect corresponding visitor logs to determine if data centers required visitors to sign in prior to being issued a visitor badge, and sign out at the completion of their data center visit.
11. Inspected permissions to access the PACS badge system of Fiscal Service security management and the ISS employee listing, and determined that access permissions to the physical access systems were commensurate with job responsibilities.
12. For a selection of dates, inspected the corresponding daily shift logs and determined that inventories of vendor badges were performed.
13. Inspected documentation of the annual recertification of physical access privileges to the data center and determined that access privileges were recertified.

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. The InvestOne accounting system security along with the host Fiscal Service ISS' security package controls access to the InvestOne accounting system. The InvestOne accounting system security restricts access to accounts within the system based on user banks. InvestOne accounting system access is restricted to authorized personnel consisting of internal Fiscal Service users only. 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.

InvestOne Enterprise and FedInvest are accessed via CAIA as of December 12, 2023. From August 1, 2023 to December 11, 2023 a user name and password was required to access InvestOne Enterprise and FedInvest.

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 CAIA 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 the FA ISSRs initiate a request that the user be added to Contact Management by submitting a Contact Creation Request. Contact Creation Requests are made in ESM/ServiceNow. Once the IT Service Desk notifies FIBB that the user has been added to Contact Management, FIBB provides a copy of the FedInvest CAIA Request to the ISSRs for user set-up in Contact Management and FedInvest. After this is completed, ISS provides the new user with their CAIA logon. When access to FedInvest is no longer required by the user, the applicable program entity will email FIBB 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 FA 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. An external user accesses InvestOne accounting system data through FedInvest. Users access FedInvest via CAIA. If the required authentications fail, the user is prevented from accessing InvestOne accounting system data through FedInvest.

FA 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. FedInvest access is removed by FedInvestor@fiscal.treasury.gov or the FA ISSR submitting a removal request in SailPoint. Then the FA ISSR removes the user from FedInvest. The FA ISSR removes an InvestOne users access within InvestOne.

FA ISSRs receive a monthly InvestOne Enterprise Production Last Login Report that is manually reviewed to determine if any InvestOne users have not accessed InvestOne in 120+ days. The FA ISSR follows up with any affected users by email or by phone. The FA ISSR will manually remove the InvestOne users access, if needed, following the normal InvestOne access removal procedure. The FA ISSRs recertify access to mission critical systems by verifying access privileges for all InvestOne accounting system and FedInvest users on an annual basis.

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

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

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

- 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 the last risk-based review was performed and approved.
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 noted that their access was restricted in accordance with the system configuration.
4. Inspected a list of users with access to file directories and the ISS employee listing and their corresponding job titles and determined access was restricted to appropriate ISS personnel commensurate with job responsibilities.
5. Inspected a list of users with administrator access privileges to InvestOne and FedInvest and FS employee list and determined that no users were granted privileged access. As such, we are unable to determine that privileged access is commensurate with job responsibilities.
6. Inspected CAIA system configurations and determined that user authentication was enabled for InvestOne and FedInvest.
7. Observed a user access InvestOne and FedInvest and noted that CAIA was used to access both applications.
8. For a selection of new InvestOne users, inspected corresponding documented user access request forms and determined that access was authorized by users' supervisors and access granted agreed to what was requested.

9. For a selection of new FedInvest users, inspected corresponding documented user access request forms and determined that access was authorized by the users' supervisors and access granted agreed to what was requested.
10. For a selection of modified user access to InvestOne and FedInvest, inspected corresponding documented user access request forms and determined that access was authorized by the users' supervisors and access granted agreed to what was requested.
11. For a selection of access removals for InvestOne and FedInvest, inspected the corresponding requested forms/tickets and user access list and determined removals were requested by supervisors and submitted to the ISSR, and access was removed.
12. Inspected the system configuration and determined access is revoked after 120 days of inactivity
13. Inspected the InvestOne user account recertification and determined the review was completed, and access changes were made if required.
14. For a selection of FedInvest user account recertifications, inspected the corresponding completed reviews and determined review was completed, and access changes were made if required.

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, a distributed Linux environment, is an interactive 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 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 the corresponding Production Control Daily Checklists and determined that the checklists were completed by ISS support personnel to verify the successful completion of end-of-day processes.
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 posted daily user operations for InvestOne and FedInvest, the Daily Procedures, and the monthly requirements calendar and determined that these schedules and procedures were available.
4. Inspected a selection of monthly requirements calendars and determined that these schedules were available.
5. Inspected the InvestOne accounting system job schedule and determined that a job production schedule for Invest One was documented.

6. Inspected the user listing for the job scheduler and the ISS employee list and determined the individuals were members of ISS and that access was limited and commensurate with job responsibilities.

No exceptions noted.

## TRUST FUNDS MANAGEMENT PROCESSING CONTROLS

### Control Objective 7 – 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.

#### 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 FA and FMB. On the 6<sup>th</sup> and 17<sup>th</sup> workdays of each month, FA issues a warrant journal voucher (SF-1017) to increase each applicable Trust Fund’s account, for the OTA estimated excise taxes. FA 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 FA. 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). FA calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FA 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. FA 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).

- 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 FA. OTA sends the monthly estimate and allocation detail to FMB. FA 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 FA. FA 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 FA 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 email notification of the receipts to FMB. In the case of the GCRTF, the collecting agency (Department of Justice), 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 administrative costs 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 FA. FA 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 Salesforce 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 notifications, IPAC documents, CTA documents, or NETs) and investment confirmation to assess whether 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 assess whether the receipts are 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 assess whether the receipt is properly recorded and included in the 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 FA 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 DOL using the IPAC System. The DOL 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 ALC. 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 assess whether 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 assess whether the receipts 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 assess whether 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 to ensure:

- 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 fund balance with Treasury is reconciled with corresponding Fiscal Service records to ensure that program entities receive complete and accurate Trust Fund receipts, and any noted discrepancies are resolved in a complete, accurate, and timely manner.
- The monthly Trust Fund financial reports are reviewed 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. For a selection of trust fund transactions from InvestOne, inspected corresponding trust fund records and determined trust fund managers compared the transactions from InvestOne to the transaction documentation to assess whether transactions were properly recorded and classified, and then signed the Daily Transaction Support Packages (DTSP) documenting their review.
2. For a selection of Gulf Coast Restoration Trust Fund (GCRTF) transactions from Oracle, inspected corresponding trust fund records and determined trust fund managers compared the transactions from Oracle to the Cash Sheet and the transaction documentation to assess whether transactions were properly recorded, and classified, and then signed the DTSP documenting their review.
3. For a selection of processed Unemployment Trust Fund (UTF) receipts, inspected corresponding trust fund records and determined that both the processing and reviewing trust fund managers documented completion of their respective reviews by signing the DTSP.

No exceptions noted.

## **Control Objective 8 – 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.

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 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 the 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 assess whether 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 assess whether 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 oversight of the investments purchased, and related investment income, is appropriate to ensure the policies and cash flow needs of the program entity are being met.

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

1. For a selection of processed trust fund reinvestments, inspected corresponding reinvestment records and determined that both the processing and reviewing trust fund managers documented the completion of their respective reviews by signing the DTSP.
2. For a selection of processed UTF and GCRTF reinvestments, inspected corresponding reinvestment records and determined that both the processing and reviewing trust fund managers documented the completion of their respective reviews by signing the DTSP.
3. For a selection of Trust Fund investment requests, inspected corresponding investment records and determined trust fund managers combined supporting documentation in the DTSP and reviewing trust fund managers documented the completion of their review by signing the DTSP.

4. For a selection of GCRTF investment requests, inspected corresponding investment records and determined trust fund managers combined supporting documentation in the DTSP and reviewing trust fund managers documented the completion of their review by signing the DTSP.
5. For a selection of investment requests, inspected corresponding investment records and determined processing trust fund managers digitally signed the DTSP and reviewing trust fund managers documented the completion of their review by signing the DTSP.

No exceptions noted.

## **Control Objective 9 – 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.

#### **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 requests 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 assess whether the interest balances are accurately recorded in Oracle Federal Financials in the proper period and document their 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 assess whether the gains/losses are accurately recorded and classified in Oracle in the proper period. The accountant 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 to ensure:

- The oversight of the investments purchased, and related investment income, is appropriate to ensure the policies and cash flow needs of the program entity are being met.

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

1. Inspected InvestOne configuration settings and determined InvestOne interest settings/configurations were updated and access was restricted.
2. For a selected investment purchase, reperformed the InvestOne calculation of interest income based on investments terms in the system and determined InvestOne accurately calculated the interest.
3. For a selected investment purchase, reperformed the InvestOne calculation of interest accrual based on investments terms in in the system and determined InvestOne accurately calculated the interest accrual.
4. For a selection of months, inspected corresponding financial reconciliation packages indicating that processing trust fund managers and reviewing trust fund managers reviewed the monthly trial balance reports and determined that interest balances were recorded and classified, and approvals were documented on the monthly financial review checklists.
5. For a selected processed non-marketable market-based note at a discount, reperformed the InvestOne amortization using the straight-line method and determined InvestOne accurately calculated the amortization.
6. For a selected processed non-marketable market-based note at a discount, reperformed the InvestOne amortization using the level yield method and determined InvestOne accurately calculated the amortization.
7. For a selection of months, inspected corresponding financial reconciliation packages indicating processing trust fund managers and reviewing trust fund managers reviewed the monthly trial balance reports and determined the amortization of non-marketable market based bills, notes, and bonds at a discounts/premiums were reviewed, and approvals were documented on the monthly financial review checklists.
8. For a selection of months, inspected corresponding financial reconciliation packages indicating processing trust fund managers and reviewing trust fund managers reviewed the

monthly trial balance reports and determined gains/losses were recorded and classified, and approvals were documented on the monthly financial review checklists.

No exceptions noted.

## **Control Objective 10 – Redemption Requests**

Controls provide reasonable assurance that redemption requests are authorized, processed, and 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.

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 8) 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, a budgetary control in Oracle, is set up for GCRTF to prevent overpayment of a recipient.

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

1. For a selection of redemption transactions, inspected the corresponding Redemption Confirmation, the IRR, and InvestOne records and determined the transactions were documented, reviewed, and approved by reviewing trust fund managers on the DTSP, and were processed and recorded accurately in the proper period.

No exceptions noted

## **Control Objective 11 – Disbursement Processing**

Controls provide reasonable assurance that 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

#### **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 complies with legislation, determining the amount of the disbursements, and requesting the disbursements.

The program entities initiate disbursement requests via IPAC reports, CTA, ASAP, or email to the respective Trust Fund manager.

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 (except UTF). 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 FA, to process non-expenditure transfers. The accountant enters the transfer into the CARS system, in accordance with the program entity's instruction. FA 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 assess whether transactions have been posted in the correct accounting period. The reviewing accountant documents his/her completion of the comparisons by signing the daily packet and the daily review checklist.

After the transfer is certified by FMB, FA 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, 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 assess whether 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 comply 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 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, if no differences are found, approves them by digitally signing the reports. Any differences are investigated and resolved.

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

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

- Disbursement requests are reviewed and approved to authorize withdrawals from the Trust Funds.
- 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 and completely entered into ASAP. (UTF and GCRTF only)
- The monthly Trust Fund financial reports are reviewed to ensure that receipt and disbursement transactions are accurately recorded, and any noted discrepancies are resolved in a complete, accurate, and timely manner. (Except for UTF)
- 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. For a selection of processed disbursement requests, inspected corresponding disbursement records and determined that reviewing trust fund managers compared the disbursements from InvestOne to the disbursement requests to assess whether disbursements were properly recorded and documented their reviews by signing the DTSP.
2. For a selection of processed disbursement requests, inspected corresponding disbursement records and determined that reviewing trust fund managers signed the daily packets and daily review checklists.
3. For a selection of processed Unemployment Trust Fund-State Unemployment Benefit Disbursements, inspected corresponding disbursement checklists and determined that disbursements were reviewed, any differences noted were investigated and resolved, and disbursements were approved by reviewing trust fund managers.

No exceptions noted.

## **Control Objective 12 – 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.

#### **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. 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.

FMB issues financial statement packages prior to the completion of the monthly financial reconciliation package (If the reconciliation process identifies an unexplained difference from the previously issued financial statement package, FMB researches and corrects the difference (subject to an evaluation of the level of effort relative to the size of the difference), 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 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.

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 or Fiscal Data's website.

### **Complementary Program Entity Controls**

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

- 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 and completely into GTAS.
- Self-prepared financial statements and/or financial reconciliations are complete and accurate as FMB does not perform any functions to achieve this (applicable to DOL only).

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

1. For a selection of months and financial reconciliation packages, inspected corresponding financial reconciliation packages and determined trust fund managers documented completion of the monthly financial review checklists and digitally signed the package prior to submitting it to the reviewing trust fund manager.
2. For a selection of months and financial reconciliation packages, inspected corresponding financial reconciliation packages and determined that reviewing trust fund managers reviewed the reconciliations and documented approvals on financial review checklists.

No exceptions noted.

## **Control Objective 13 – 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 and completely 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.

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 for ASAP to include the activity in the file transmitted to InvestOne the morning of the following business day.

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, verifies transactions have posted to the proper accounting period, and approves the posted transactions if no differences are noted. 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 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 assess whether interest is appropriately calculated for any State still in borrowing status.

## **Complementary Program Entity Controls**

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

- 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 authorized, and accurately and completely entered into ASAP. (UTF only)
- Borrowing amounts do not exceed amounts approved by the DOL. (UTF only)
- The borrowing 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. (BL, CMS, and UTF.)

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

1. For a selection of days, inspected corresponding processed borrowing requests and determined requests were reviewed, any differences noted were investigated and resolved, and requests were approved by reviewing trust fund managers.
2. For a selection of days by state, inspected corresponding DTSP Checklists indicating that trust fund managers reviewed accounts to assess whether receipts were applied as repayments and determined the reviews were documented.
3. For a selection of states still in borrowing status, inspected corresponding documentation indicating that trust fund managers reviewed the borrowing Program Entity account balances at year-end and determined that the reviews were documented.

No exceptions noted.



## MONITORING CONTROLS

### **Control Objective 14 – 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, and the review and approval will be documented on a review memorandum. The review of Subservice Organization SOC 1 reports are coordinated by PSD who obtains the reports as early as possible after their issuance and immediately distributes them for review across FA. The consolidated overview of Subservice Organization SOC 1 reports, including the review completed by FMB, is retained, and provided to FA/ARC management.

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

1. Inspected the system verification letters and determined the system verification letters were reviewed and approved by management.
2. Inspected the SOC report review memorandums and determined the reports were reviewed and approved by FMB management.

No exceptions noted.

**V. OTHER INFORMATION PROVIDED BY THE MANAGEMENT OF  
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 FA, 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 FA and the Bureau of the Fiscal Service (Fiscal Service) Continuity of Operations Plan (COOP). Throughout the year, the Funds Management Branch (FMB) performs contingency tests on all Mission Essential Functions requiring the InvestOne accounting system.

ISS performs backups of the InvestOne accounting system on a regular schedule. ISS retains the backups according to a pre-set schedule. ISS stores one backup copy in the production data center facility, and the backup is also replicated to the disaster recovery site. If a backup needs to be restored, the request will be made from CTD or PSD. ISS will then restore the backup.

### Continuity of Operations

A fire alarm and sprinkler system that is managed, maintained, and tested by the building management protects the data center. 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.

The FA 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 FA BCP, should the facility supporting InvestOne accounting system and FedInvest become unavailable, designated FMB personnel will relocate to reestablish their daily operations. When applicable, Fiscal Service will revert to manual procedures until the InvestOne accounting system and FedInvest are fully recovered.

## NETWORK PERFORMANCE MONITORING

Users must be connected to the Fiscal Service network to access the InvestOne accounting system. users run terminal emulation software to access the Linux client server. Network performance and availability, which includes FedInvest website, are monitored by ISS 24 hours a day.

Fiscal Service uses a combination of monitoring tools to monitor networking equipment, such as switches, firewalls, routers, load balancers, Domain Name System (DNS), Dynamic Host Configuration Protocol (DHCP), and Mail Transfer (MTA). These tools automatically report any network equipment or application outages to the Network Operations Center (NetOps).



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