



# Audit Report



OIG-16-058

## FINANCIAL MANAGEMENT

Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Processing Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2015 to July 31, 2016

September 23, 2016

Office of  
Inspector General

Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 23, 2016

**MEMORANDUM FOR SHERYL MORROW, COMMISSIONER  
BUREAU OF THE FISCAL SERVICE**

**FROM:** James Hodge  
Director, Financial Audit

**SUBJECT:** Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Processing Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2015, to July 31, 2016

I am pleased to transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, examined the Bureau of the Fiscal Service (Fiscal Service) Funds Management Branch's description of its general computer and trust funds management processing controls; and the suitability of the design and operating effectiveness of these controls. This report includes management's description of Fiscal Service's system, management's written assertion, and KPMG's independent service auditor's report. The contract required that the examination be performed in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements Number 16, *Reporting on Controls at a Service Organization*.

In its examination, KPMG found in all material respects:

- the description fairly presents the general computer and trust funds management processing controls that were designed and implemented throughout the period August 1, 2015, to July 31, 2016;
- 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, 2015, to July 31, 2016, and program entities applied the complementary program entity controls contemplated in the design of Fiscal Service's controls throughout the period August 1, 2015, to July 31, 2016; and

- the controls tested, which together with the complementary program entity controls, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period August 1, 2015, to July 31, 2016.

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 September 16, 2016, 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.

Should you have any questions, please contact me at (202) 927-0009, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audit, at (202) 927-5076.

Attachment

**U.S. Department of the Treasury  
Bureau of the Fiscal Service**

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

**Report on Funds Management Branch's Description of Its Trust Funds  
Management Processing Services and the Suitability of the Design and  
Operating Effectiveness of Its Controls  
For the Period August 1, 2015 to July 31, 2016**

**U.S. DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
FUNDS MANAGEMENT BRANCH**

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

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



KPMG LLP  
1676 International Drive  
McLean, VA 22102

## Independent Service Auditors' Report

Inspector General, U.S. Department of the Treasury  
Commissioner, Bureau of the Fiscal Service  
Deputy Commissioner, Fiscal Accounting and Shared Services

### *Scope*

We have examined the Bureau of the Fiscal Service (Fiscal Service) Funds Management Branch's description of its general computer and trust funds management processing controls used for processing Program Entities transactions throughout the period August 1, 2015 to July 31, 2016 (description) and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary Program Entities controls contemplated in the design of Fiscal Service's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or the operating effectiveness of such complementary Program Entity controls.

Fiscal Service uses external service organizations (sub-service organizations). The description in Sections III and IV includes only the control objectives and related controls of Fiscal Service and excludes the control objectives and related controls of the sub-service organizations. Our examination did not extend to controls of sub-service organizations.

The information in Section V of management's description of the service organization's system, "Other Information Provided by the Bureau of the Fiscal Service," that describes contingency planning is presented by management of Fiscal Service to provide additional information and is not a part of Fiscal Service's description of its system made available to Program Entities during the period August 1, 2015 to July 31, 2016. Information in Section V has not been subjected to the procedures applied in the examination of the description of the system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the system, and, accordingly, we express no opinion on it.

### *Service organization's responsibilities*

In Section II, Fiscal Service has provided an assertion about the fairness of the presentation of the description, the suitability of the design and the operating effectiveness of the controls to achieve the related control objectives stated in the description. Fiscal Service is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the 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 and using suitable criteria, and designing, implementing, and documenting controls 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, the suitability of the design and the operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation



standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented, the controls were suitably designed and the controls were operating effectively to achieve the related control objectives stated in the description throughout the period August 1, 2015 to July 31, 2016.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and the operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included 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. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in Section II of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

***Inherent limitations***

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions 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 is subject to the risk that controls at a service organization may become inadequate or fail.

***Opinion***

In our opinion, in all material respects, based on the criteria described in Fiscal Service's assertion, (1) the description fairly presents the general computer and trust funds management processing controls that were designed and implemented throughout the period August 1, 2015 to July 31, 2016, (2) 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, 2015 to July 31, 2016, and Program Entities applied the complementary Program Entity controls contemplated in the design of Fiscal Service's controls throughout the period August 1, 2015 to July 31, 2016, and (3) the controls tested, which together with the complementary Program Entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description in Section IV were achieved, operated effectively throughout the period August 1, 2015 to July 31, 2016.

***Description of tests of controls***

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



***Restricted use***

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of the management of Fiscal Service, Program Entities of Fiscal Service's general computer and trust fund management processing controls during some or all of the period August 1, 2015 to July 31, 2016, the U.S. Department of the Treasury Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, the U.S. Congress, and the independent auditors of Fiscal Service's Program Entities, who 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 misstatements of Program Entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 16, 2016  
McLean, Virginia

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



**DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
PARKERSBURG, WV 26106**

KPMG LLP  
1676 International Drive  
McLean, VA 22102

Ladies and Gentlemen:

We have prepared the description of the Bureau of the Fiscal Service's (Fiscal Service) Funds Management Branch (FMB) general computer and trust funds processing controls that use InvestOne accounting system which is a vendor supplied subsystem of the Debt Information Management System (DIMS) for Program Entities of the system during some or all of the period of August 1, 2015 through July 31, 2016, and their user auditors who have a sufficient understanding to consider the description, along with other information, including information about controls operated by Fund Agencies of the system themselves, when obtaining an understanding of Program Entities' information and communication systems relevant to financial reporting. We confirm, to the best of our knowledge and belief, that:

- a. The accompanying description in Sections III and IV, fairly presents the GAISS system made available to Fund Agencies of the system during some or all of the August 1, 2015 through July 31, 2016 for processing their transactions in the DIMS system.

FMB uses external service organizations (sub-service organizations). A list of these sub service organizations is provided in Section III. The description in Sections III and IV includes only the control objectives and related controls of FMB and excludes the control objectives and related controls of the sub-service organizations.

The description in Section III and IV includes only the controls and related control objectives of Fiscal Service and excludes the control objectives and related controls of the services listed above from the respective service organizations. The criteria we used in making this assertion were that the accompanying description:

- i. Presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including:
  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 transactions were initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports prepared for user entities;
  3. The related accounting records, supporting information, and specific accounts that were used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information was transferred to the reports prepared for user entities;
  4. How the systems captured and addressed significant events and conditions, other than transactions;

5. The process used to prepare reports or other information for user entities;
  6. Specified control objectives and controls designed to achieve those objectives;
  7. Controls that we assumed, in the design of the system, would be implemented by user entities, and which, if necessary to achieve control objectives stated in the accompanying description, are identified in the description along with the specific control objectives that cannot be achieved solely by controls implemented by us; and
  8. Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities transactions
- ii. Does not omit or distort information relevant to the scope of general computer and trust fund processing controls, while acknowledging that the description is prepared to meet the common needs of a broad range of trust fund customers and independent auditors of those entities and may not; therefore, include every aspect that each user entity and its auditor may consider important in its own environment.
- b. The description includes relevant details of changes to the general computer and trust fund processing controls during the period covered by the descriptions.
  - c. The controls related to the control objectives stated in the description were suitably designed and subservice organizations applied the controls contemplated in the design of Fiscal Service's controls and operated throughout the period of August 1, 2015 through July 31, 2016 to achieve those control objectives and sub-service organizations applied the controls contemplated in the design of FMB's controls. The criteria we used in making this assertion were that:
    - i. The risks that threatened achievement of control objectives stated in the description were identified;
    - ii. The identified controls would, if operating as described, provide reasonable assurance that those risks did not prevent the stated control objectives 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.

Very truly yours,



Susan L. Chapman, Director  
Funds Management Division

**III. DESCRIPTION OF CONTROLS PROVIDED BY THE BUREAU OF  
THE FISCAL SERVICE**

## OVERVIEW OF OPERATIONS

The Funds Management Branch (FMB), which was formerly called Trust Funds Management Branch, is a component of the Bureau of the Fiscal Service (Fiscal Service), which was created on October 7, 2012 as a result of the consolidation of two Treasury bureaus, the Financial Management Service (FMS) and the Bureau of the Public Debt (BPD). Treasury Order 136-01 consolidated and redesignated the bureaus formerly known as the Bureau of the Public Debt and the Financial Management Service as the Bureau of the Fiscal Service (Fiscal Service). Fiscal Service Delegation 10-5, Organizational Structure for the Bureau of the Fiscal Service and Delegations of Authority, dated August 27, 2014 and Fiscal Service Delegation 30-1, Organizational Structure for the Office of Fiscal Accounting Operations and Delegation of Authority, dated September 26, 2014 established the Office of Fiscal Accounting Operations' (FAO) responsibility to administer 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.

These responsibilities are handled by the Funds Management Branch (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 20 trust funds. In addition, FMB reports the results of the transactions processed to the Fiscal Service and the Program Agencies and States (Program Entities) whose programs are funded by the trust funds. FMB employs eleven personnel that are responsible for the management of and reporting for these trust funds. FMB reports on nearly \$3.1 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

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

- 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 CIR (Collections Information Repository) reports.
  - Intra-Governmental Payment And Collection (IPAC) transaction reports
  - Classification Transactions and Accountability (CTA)/SF-224 worksheet generated from the InvestOne accounting system
  - Government-wide Accounting (GWA)-issued warrants (SF-1017)
  - Fund Checklist/Investment and Redemption Requests
  - Investment and Redemption Confirmations
  - Disbursement request letters from Program Entities
  - Non-Expenditure Transfer Authorization (SF-1151)

- Automated Standard Application for Payments (ASAP) System Transaction by Account ID reports, disbursement and transfer request files and reports
  - InvestOne accounting system pending transactions report (Unemployment Trust Fund (UTF) Only)
- Cash Forecasting Report
  - Daily Transaction Support Package (DTSP)
  - Monthly financial review checklist
  - Classification Transactions Accountability and Reporting System (CTA)/Central Accounting and Reporting System (CARS) Account Statement
  - FIBB-generated Monthly Statement of Account
  - Monthly Financial Reconciliation
    - InvestOne accounting system to Oracle trial balance report reconciliations
    - General ledger account reconciliations
    - Budgetary to Proprietary Account Reconciliations
    - Financial Reconciliation Package
  - Financial Statement Package:
    - Trial Balance reports
    - Balance Sheet
    - Income Statements
  - Federal Unemployment Account (FUA) Pending Report (UTF only)
  - ASAP transaction report (UTF only)
  - UTF InvestOne accounting system Borrowing Reports (UTF only)

FMB processes receipt transactions based on warrants provided by other Fiscal Service organizations or amounts received from Program Entities and other organizations using the IPAC or CIR systems. The OTA and IRS are responsible for determining the amount of tax receipts. The Program Entities and other organizations are responsible for determining the amount of the non-tax receipts.

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

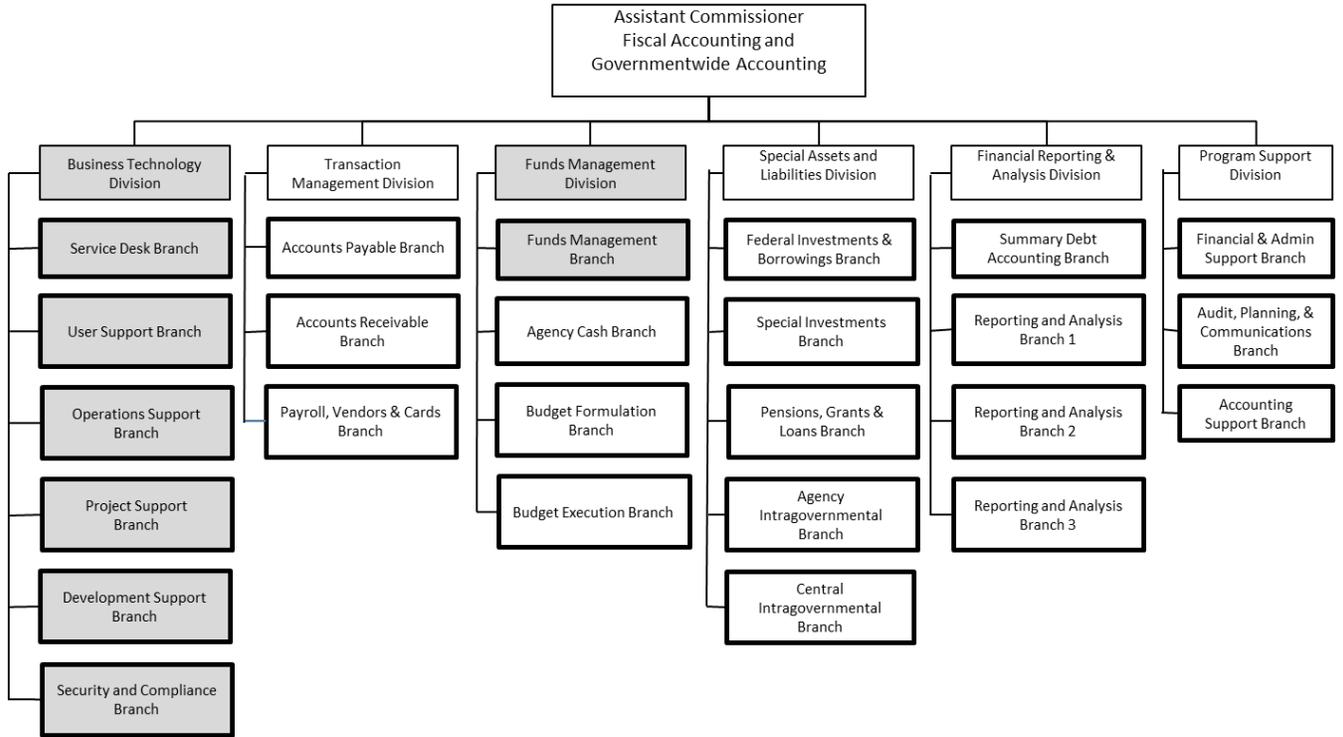
Interest income is a receipt to the trust fund and is either used to meet Program Entity disbursement requests or is reinvested according to the trust funds' investment policy. The trust fund manager records interest income as either received or accrued each month. Also if a gain or loss is sustained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

The Program Entities that are authorized to use trust fund assets as program resources request disbursements from 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 on the FedInvest website. 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 shaded in the following organizational chart.

### ORGANIZATIONAL CHART



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

### **Control Environment**

Operations are primarily under the direction of the Office of the Director of the Division of Federal Investment (DFI) and the Business Technology Division (BTD), which represent the functional areas listed below:

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

DFI and BTD 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 inquire and ensure the trust fund managers process transactions and perform internal controls. In addition, management reviews financial reports that summarize the trust fund transaction processing. One key control is that each month the trust fund managers reconcile the trial balance reports from the InvestOne accounting system to the CARS Account Statement.

## INFORMATION AND COMMUNICATION

### Information Systems

#### InvestOne Accounting System Description

The InvestOne accounting system is a vendor-supplied subsystem of the Debt Information Management System (DIMS). InvestOne is used to record and report trust fund activity processed by FMB. The InvestOne accounting system is licensed by Fidelity National Information Services (FIS). The InvestOne accounting system resides on Fiscal Service's Fiscal IT Mainframe (FIT-MF) Mainframe. The Information and Security Services (ISS) provides the primary support for maintaining the InvestOne accounting system. This includes FIT-MF operations (batch processing and reporting), custom report writing, application change management, data management, tape backup and recovery, user access security, remote access and continuity management. The InvestOne accounting system is accessed through the network using a terminal emulator that enables communication with ISS FIT-MF applications. The InvestOne accounting system also provides a report writer package called Spectra that provides users with the ability to create their own reports. Fiscal Service uses Spectra to create reports, which provide functionality not included in the standard InvestOne accounting system reports.

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

#### FedInvest Description

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

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

### Oracle Federal Financials (Oracle) Description

Fiscal Accounting Operations (FAO) has outsourced the hosting of Oracle Federal Financials to Oracle Corporation's Oracle on Demand service. As the hosting company for ARC, Oracle on Demand staff serve as the database and system administrator and provides backup and recovery services. The Oracle system physically resides in a caged federal environment within Oracle on Demand's Austin Data Center and is only accessible via a Virtual Private Network (VPN) between Fiscal Service and Oracle on Demand.

Oracle on Demand operates Oracle version R12, Oracle 11g 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. Oracle accesses the database IP to IP on a specified port that was defined in the Access Control List. Internet access is via a 128-bit Transport Layer Security (TLS) encrypted connection. Oracle is compliant with Section 508 of the Rehabilitation Act Amendment for 1998 for Americans with Disabilities (ADA).

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

### **Communication**

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

### **Control Objectives and Related Controls**

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

## COMPLEMENTARY PROGRAM ENTITY CONTROLS

FMB's processing of transactions and the controls over the processing were designed with the assumption that certain complementary user entity controls would be operating effectively at user entities. This section describes the complementary Program Entity controls that are necessary to achieve the control objectives stated in the description of FMB's system and also identifies the control objectives to which the complementary user entity controls relate.

User auditors should determine whether user entities have established controls to provide reasonable assurance to:

- Ensure that access to the FedInvest system is restricted to properly authorized individuals.
- Verify that only authorized receipts are deposited into the trust funds.
- Review and approve receipt amounts.
- Provide receipt information to FMB within the required time frames.
- Review the monthly financial reports provided by FMB to ensure that receipts are posted accurately. (Except for UTF)
- Verify that the type and term of the investments purchased are appropriate in relation to expected cash flow needs.
- Verify that the type and term of the investments purchased and related investment income are appropriate in relation to expected cash flow needs.
- Verify that only authorized disbursement requests are used for withdrawals from the trust funds.
- Review and approve the disbursement requests.
- Provide disbursement requests to FMB within the required time frame.
- Ensure that the systems they use to support on-line access to ASAP are approved, tested, and properly monitored. (UTF, Gulf Coast Restoration Trust Fund, and Patient Centered Outcomes Research Trust Fund only)
- Restrict access to the ASAP to authorized individuals. (UTF, Gulf Coast Restoration Trust Fund, and Patient Centered Outcomes Research Trust Fund only)
- Verify that disbursement requests are accurately entered into ASAP. (UTF, Gulf Coast Restoration Trust Fund, and Patient Centered Outcomes Research Trust Fund Only)
- Review the monthly trust fund financial reports provided by FMB to ensure that disbursements are posted accurately.
- Reconcile fund balance with Treasury from their records to Fiscal Service records to ensure that they receive the proper trust fund disbursements.
- Reconcile disbursement records to their bank's records to ensure that they receive the proper trust fund disbursements. (UTF only)
- Review the monthly trust fund financial reports to ensure that transactions are recorded accurately.
- Review their UTF account statements, transaction statements, and Federal activity reports to ensure that transactions are recorded accurately.
- Verify that transactions are recorded accurately into Government-Wide Treasury Account Symbols Adjusted Trial Balance System (GTAS)
- Verify that borrowing requests are accurately entered into the ASAP system. (UTF only)
- Verify that borrowing amounts are not in excess of the amount approved by the U.S. Department of Labor. (UTF only)

- Review the reports provided by FMB to ensure that borrowing, interest, and repayment transactions are recorded accurately. (UTF only)

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

## SUB-SERVICE ORGANIZATIONS

In order to provide trust funds management processing services, FMB relies on systems and services provided by other organizations external to Fiscal Service (sub-service organizations). The following table describes the types of the sub-service organizations used by FMB. These sub-service organizations were not subject to examination by KPMG LLP.

Name of Sub-service Organization	Name of System	Function/Responsibilities
Internal Revenue Service (IRS)	N/A	<p>At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to Fiscal Service. The IRS generally certifies excise taxes two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> quarter).</p> <p>The IRS determines the amount of excise tax refunds/credits and sends the adjustment to FMB to be processed.</p>
Treasury - Office of Tax Analysis (OTA)	N/A	<p>Treasury's OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to Fiscal Service.</p> <p>OTA also estimates the monthly FICA/SECA taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to Fiscal Service. OTA sends the monthly estimate and allocation detail to FMB.</p> <p>Treasury's OTA estimates the monthly taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to Fiscal Service.</p>
Fiscal Service Government wide Accounting	Central Accounting and Reporting System (CARS)	<p>GWA issues a warrant (SF-1017) to increase the respective trust fund's account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. GWA sends the warrant and excise tax estimate to FMB.</p> <p>GWA calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. GWA issues FMB a warrant for the excise tax adjustment to increase or decrease the respective trust fund's account.</p>

Name of Sub-service Organization	Name of System	Function/Responsibilities
		<p>GWA sends FMB the daily Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (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 GWA. GWA confirms the investment totals back to FMB and prepares the tax warrant.</p> <p>Transfers from program agencies are the result of IPAC or SF 1151 Non-Expenditure Transfers that FMB receives from Program Entities.</p> <p>FMB uses the automated CARS system, maintained by Fiscal Service, to process transfers.</p> <p>GWA configured the CARS system 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.</p> <p>The CARS system changes the status of the transfer request to "GWA POSTED" in the CARS system.</p> <p>FMB submits receipt and expenditure reporting activity to and from the trust funds via the CARS Classification Transactions and Accountability (CTA) module, these reclassifications are reconciled using COBOL reporting and a SF-224 Statement of Transaction report.</p>
	<p>Intragovernmental Payment and Collection (IPAC) System</p>	<p>FMB receives the daily receipt reports from the Program Entities and the corresponding IPAC transaction from the IPAC system.</p> <p>Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the Federal Employees Compensation Act accounts receivable, and deposits collections in the UTF via CTA reclassification in CARS.</p> <p>For each redemption transaction, the trust fund manager obtains the related IPAC report from the IPAC system.</p>

Name of Sub-service Organization	Name of System	Function/Responsibilities
		Some transaction requests from Agencies require FMB to initiate the collection or payment to transfer funds using the IPAC system.
	Collections Information Repository (CIR)	The Budget Reports Division of Fiscal Service within GWA prepares warrants based on collections reported to Fiscal Service through CIR. The warrants are forwarded to FMB.
	Treasury Information Executive Repository (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).
	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 over systems reporting trial balance data. Replaces FACTS II reporting for FMB and is used to report trust fund budget execution data.
	Automated Standard Application for Payments (ASAP) System	<p>The UTF Program Entities must submit all disbursement requests using the ASAP system. Each day, Program Entities must enter their disbursement requests into the ASAP system by 6:00 pm EST if requesting a wire transfer and by 11:59 pm EST if requesting an Automated Clearing House payment.</p> <p>During the morning of the next business day, the ASAP system transmits a file to the InvestOne accounting system that contains all of the disbursement and transfer requests.</p> <p>Patient-Centered Outcomes Research Institute sends transfer requests which are sent by increasing the agency's transfer account then initiating payment within the ASAP system.</p> <p>Each time an award is issued to a RESTORE Act grant recipient, FMB receives an email Notice of Award from GrantSolutions.gov. FMB creates an account in Oracle which interfaces with ASAP matching each Notice of Award. Authorizations are entered in Oracle which interfaces with ASAP according to the terms and conditions of each award. Recipients draw authorized funds from ASAP as needed. The following morning, the Agency Reconciliation Report is printed from ASAP and used to disinvest the funds. The day after the payment</p>

Name of Sub-service Organization	Name of System	Function/Responsibilities
		settles, the Agency Payment Report is printed from ASAP and is used to reconcile payments that are interfaced with Oracle.
Federal Reserve Bank of New York	N/A	The Federal Reserve Bank of New York 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 Unemployment Trust Fund (UTF) activity location code.
Office of Shared Services	Oracle	Oracle is used to report trust fund transactions processed through the InvestOne accounting system for all trust funds except the UTF. Transactions for the Gulf Coast Restoration Trust Fund (GCRTF) are processed in Oracle.
Federal Investments and Borrowings Branch (FIBB)	FedInvest	FIBB processes and confirms investment/redemption transactions and balances.

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

## GENERAL COMPUTER CONTROLS

### Control Objective 1 – System Software

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

#### Description of Controls

The Bureau of the Fiscal Service has documented procedures for the authorization, testing, implementation, and documentation of system software changes.

The InvestOne accounting system operates within a FIT-MF environment<sup>1</sup>. The FedInvest system is operated within a client-server environment<sup>2,3</sup>. FIT-MF and client-server system software products are under vendor control for maintenance and support. Upgrades to these products are obtained from the vendors and installed by the Information and Security Services (ISS) specialists.

For system software changes, Fiscal Service uses the HP Service Manager (HPSM) product for change management. All system software changes (i.e., new product installations, maintenance upgrades, etc.) require a change record to be opened in HPSM. A change record can be opened by any specialist in ISS for effecting such changes or the change control coordinator. The HPSM 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 assistant commissioner, division directors, branch managers and/or staff personnel. Following the meeting, the change control coordinator prepares and distributes the Weekly Change Control Memorandum with information on changes for the upcoming week. This memorandum describes the system changes, effective dates, reasons for changes or problems the changes will resolve. There is also a reference to the HPSM change control number.

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<sup>1</sup> Which consists of the following system software products:

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

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

- Spring
- Hibernate
- Java Server Faces
- JAVA
- Windows Server 2008
- DB2
- WebSphere Application Server

<sup>3</sup> Reliant Services:

- LDAP access to Enterprise Directory Services
- SMTP access to Domino messaging service

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

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

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

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

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

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

1. Inspected written procedures for system software change management and determined that procedures were documented, including procedures to document, test, and authorize system software changes, and properly implement changes into production.
2. Inspected the emergency system software change procedures and determined that procedures for implementing emergency system software changes were documented, including authorization by management.
3. Inspected vendor maintenance support contracts for system software and determined that the contracts existed and were current.
4. Inspected system software changes in HPSM and determined that HPSM was used throughout the examination period to log, track, and monitor system software changes; however, there were no standard or emergency changes.
5. For a selection of dates, inspected Weekly Change Control Memorandums and determined that weekly change control meetings were held to discuss planned changes with the potential to impact the InvestOne accounting system or FedInvest application system software.
6. Inspected a list of users with access to use fire-call and determined that the list was commensurate with job responsibilities.

7. For a selection of days, inspected fire-call logs and evidence of review, and determined that fire-call logs were reviewed by ISS management.
8. For a selection of weeks, inspected evidence of ISS's review of reports for sensitive system utilities in the protected programs group and determined that the reports were reviewed.

No exceptions noted.

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

Controls provide reasonable assurance that implemented new releases of vendor-supplied applications are tested, authorized, properly 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 BTM (part of FAO). Fiscal Service uses the HPSM product for documenting 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 of the InvestOne accounting system, including documentation. Each new release requires comprehensive testing. BTM tests the new InvestOne accounting system releases developed by FIS consistent with change control procedures for FAO systems. New InvestOne accounting system releases are installed in the Test environment where they are initially tested. After successful completion of testing, ISS migrates the InvestOne accounting system new release to the Acceptance environment, where it is subjected to acceptance testing by users. ISS only installs an InvestOne accounting system new release in the Production environment after all testing has been successfully completed and management has approved the InvestOne accounting system new release for implementation in the Production environment. Fiscal Service loaded InvestOne version 12.0 on February 22, 2014.

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

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

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

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

1. Inspected procedures for the implementation of new releases of vendor supplied applications, and determined that they were documented and included requirements for testing, documentation, and authorization.

2. Inspected vendor maintenance support contracts for the InvestOne accounting system software and determined that the contracts existed and were current.
3. Inspected HPSM and determined that no new releases for InvestOne were installed during the period.
4. Inspected the listing of vendor software changes and enhancements and determined that there were no fix tapes installed into the production environment during the examination period.
5. Inspected version control software access permissions and determined that access permissions to migrate changes to the production environment were restricted commensurate with job responsibilities.

No exceptions noted.

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

Controls provide reasonable assurance that development of new applications and changes to existing applications are tested, authorized, properly 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 BTD.

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

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

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

For FedInvest and customized reports, ISS uses version control software<sup>6</sup> to control access to source code for the vendor supplied and Fiscal Service managed programs to facilitate version control. Changes to FedInvest were developed by FIS between August 1, 2008 and September 30, 2008 and by ISS between October 1, 2008 and July 31, 2009.

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

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/

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<sup>4</sup> Subversion

<sup>5</sup> Endeavor

<sup>6</sup> Subversion

or 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 Manager within BTM authorizes the change and sends a request to ISS to move the change into the Production environment. Upon notification of an accepted change, ISS creates an update package in version control software. Only approved changes are installed in the Production environment.

Each change is reviewed by the user groups that are affected by the change, and each group provides user concurrence that they accept the change. Following user concurrence, a senior staff member reviews the testing materials and completes the Change Control Checklist indicating that testing has been completed. The package is provided to applicable Manager within BTM for final review and approval.

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

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

1. Inspected application software change procedures and determined that they were documented and included requirements for testing, documentation, and authorization.
2. Inspected the access permissions and inquired of ISS management and determined that access to source code for internally-developed programs was commensurate with job responsibilities.
3. Inspected the access control lists for FedInvest and customized reports version control software and determined that access to the source code for FedInvest was commensurate with job responsibilities.
4. Inspected all change records in HPSM and determined that HPSM was used throughout the examination period to log, track, document, and monitor application software changes.
5. For all application software, inspected supporting documentation and determined that the changes were tested and authorized changes were installed.
6. Inspected version control software access permissions and determined that access permissions to migrate changes to the production environment were restricted commensurate with job responsibilities for mainframe COBOL and FedInvest.

No exceptions noted.

## Control Objective 4 – Physical Access

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

### Description of Controls

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

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

The InvestOne accounting system FIT-MT and FedInvest servers reside in ISS's data center. Various physical access controls protect the facilities.<sup>7</sup>

The 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 Hewlett Packard Service Manager (HPSM), a workflow system that is used to approve data center access. After the Branch Manager completes and submits the HPSM request form for the appropriate ISS resource area access level, requests are forwarded to ISS's data center managers for approval in the HPSM. If ISS approves the request and the appropriate training is completed by the employee, the Fiscal Service Division of Security and Emergency Programs (DSEP) 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.<sup>8</sup>

ISS performs a monthly review of individuals' access patterns of the data center for the previous month. ISS performs a semiannual reconciliation of individuals authorized data center access to

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<sup>7</sup>Armed security guards staff and monitor Fiscal Service facilities 24 hours a day, 7 days a week. A digital video camera system monitors all entrances, the building perimeter, and certain interior areas, including the data center, and records activity 24 hours a day. All people entering each building are required to place any materials, packages, bundles, etc. onto an x-ray machine. Entrants are also required to pass through a walkthrough metal detector. An activation of the walkthrough metal detector results in further screening by the security guard, utilizing a handheld metal detector to identify the source of activation. In addition, entrants must swipe their badges into an access control system that grants access to authorized personnel.

<sup>8</sup> Only designated DSEP specialists have access to PACS. Vendors that are authorized to have a badge are issued a One-day badge and must leave their access badge onsite following completion of work in the data center. A log of One-Day badges is maintained and reviewed weekly.

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

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

1. Inspected physical access policies and procedures for the data center and determined that they were documented and included the identification of sensitive/critical areas to which access needs to be restricted, physical access controls designed to detect unauthorized access, and procedures for log reviews and investigation of violations.
2. Observed physical access controls of Fiscal Service buildings and the ISS data center and noted that security guards, video cameras, badge readers, and locked doors were in place and in operation to restrict access.
3. Observed persons entering Fiscal Service buildings and noted that persons were required to place any materials, packages, bundles, etc. onto an x-ray machine, and additionally were required to pass through a walkthrough metal detector.
4. Observed persons entering Fiscal Service buildings and noted that an activation of the walkthrough metal detector resulted in further screening by the security guard, utilizing a handheld metal detector to identify the source of activation.
5. Observed entrants swipe their badges into the access control system and noted that the controls system granted access to authorized personnel.
6. For a selection of employees and contractors granted access to the data center and tape storage room, inspected the card security system (HPSM) record for granting access and determined that access was restricted to authorized individuals only.
7. Observed employees within the Fiscal Service buildings and noted that badges were displayed.
8. Inspected the data center access list and compared to a list of separated employees and determined that separated employees were removed from the badge reader system.
9. Inspected permissions to access the Physical Access Control System (PACS) badge system of Fiscal Service security management, and determined that access permissions to the physical access systems were commensurate with job responsibilities.
10. For a selection of months, inspected evidence of the monthly review of violation logs and determined that a review to identify unauthorized access attempts was performed.
11. For a selection of dates, inspected visitor logs and determined that visitor logs were reviewed.
12. For a selection of days, inspected shift logs and determined that an inventory of vendor badges was performed.
13. Inspected documentation of the monthly review of physical access privileges to the data center and determined that access privileges were reviewed.
14. 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 every three years. This review identifies assets and possible threats to these assets, provides a measure of vulnerability of the system to these threats, and confirms control or protective measures are in place.

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

FedInvest is a web-based user interface through which users have access to enter transactions into 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) are able to connect to FedInvest over the Internet to input transactions into the InvestOne accounting system as well as to view account statements and transaction information. Administrator access permissions are allocated in the FedInvest and the InvestOne accounting system users commensurate with their job responsibilities.

FAO follows Fiscal Service system administration security password guidelines/procedures to establish and maintain passwords.<sup>9</sup> Passwords are not displayed when entered. The reserved word feature is enabled to prevent the use of commonly used words in passwords.

ISSRs manage access to the InvestOne accounting system. To establish access to FedInvest, the applicant representing the Program Agency must complete the Bureau of the Fiscal Service FedInvest Logon ID Request. Once completed, the form is reviewed and signed by the applicant's supervisor and submitted to FMB for processing. Upon receipt, FMB verifies that the information is complete and then initiates a request that the user be added to Contact Management by submitting a Contact Creation Request in the Hewlett-Packard (HP) Service Request Catalog. Once the IT Service Desk notifies FMB that the user has been added to Contact Management, FMB provides a copy of the FedInvest Logon ID Request to the Fiscal Accounting Operations (FAO) Information System Security Representatives (ISSRs) for user set-up in FedInvest. After this is completed, Information and Security Services (ISS) provides the new user with their user ID and temporary password. The user is then instructed to login to FedInvest with the temporary password, answer security questions, and change their temporary password. When access to FedInvest is no longer required by the user, the applicable Program Agency will email FMB at

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<sup>9</sup> These guidelines require passwords to be at least 8 characters in length, changed every 30 days for ACF2 and every 90 days for LDAP, and unique for each individual.

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

The ISSRs have documented procedures for granting access. Modifications to user accounts require use of the same Access Request/Revoke Form.

External users must have their supervisor's approval along with FMB approval documented on an Access Request/Revoke form before access is granted to FedInvest. When an external user accesses InvestOne accounting system data, they enter a user ID and password into FedInvest. User IDs are authenticated by a security utility<sup>10</sup>. If the required authentications failed, the user would be prevented from accessing InvestOne accounting system data through FedInvest.

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

On a routine basis, ISSR reviews Internal Violations Reports for any inappropriate activity; follow-up is notated on the report.

Additionally, on a periodic basis an ISSR reviews a report of all InvestOne accounting system user IDs that have not been used to access InvestOne accounting system within a predetermined number of days<sup>11</sup>. The ISSR follows up with any affected users by email or by phone.

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

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

### **Complementary Program Agency Controls**

Program Agencies should establish controls to:

- Ensure that access to FedInvest is restricted to properly authorized individuals.

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

1. Inspected the relevant System Security Assessment and Authorization documentation of the InvestOne accounting system and FedInvest systems and determined that the system had been authorized to operate.
2. Inspected the InvestOne accounting system and FedInvest risk assessment and determined that a risk assessment was performed and was approved on March 1, 2016.
3. Inspected the InvestOne accounting system and FedInvest security plan and determined that the plan was documented.
4. Observed a user log into the InvestOne accounting system and noted that their access was restricted in accordance with the system configuration.

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<sup>10</sup> Fiscal Service's standard authentication utility BPDLogin, is used to authenticate users. User credentials are stored in the enterprise directory.

<sup>11</sup> A list of InvestOne users that have not logged into InvestOne for 45 days or more is reviewed monthly.

5. For each InvestOne accounting system user, compared access granted to an FAO Organization Chart and determined that access privileges were commensurate with job responsibilities.
6. Observed a user log into the FedInvest system and noted that their access was restricted in accordance with the system configuration.
7. Inspected security guidelines and procedures for administrator privileges for the InvestOne accounting system and FedInvest and determined that security guidelines and procedures were documented for administrator privileges.
8. Inspected a list of users with administrator access privileges to InvestOne accounting system and FedInvest and determined that access was limited and commensurate with job responsibilities.
9. Inspected security guidelines and procedures for InvestOne and FedInvest and determined that logical access controls procedures were documented.
10. Inspected password settings for InvestOne accounting system and FedInvest and determined that password length, complexity, and expiration settings were configured in accordance with Fiscal Service requirements.
11. Observed a user log into InvestOne accounting system and FedInvest and noted that their password was masked as they entered it.
12. For a selection of new InvestOne users, inspected documented user access request forms and determined that access was authorized by FMB and the user's supervisor.
13. For a selection of new FedInvest users, inspected documented user access request forms and determined that access was authorized by FMB and the user's supervisor.
14. Inspected a list of all separated and transferred Fiscal Service employees with InvestOne or FedInvest access and lists of InvestOne accounting system and FedInvest user IDs and determined that access to InvestOne accounting system and FedInvest had been revoked for terminated and transferred Fiscal Service employees with InvestOne or FedInvest access.
15. For a selection of weeks, inspected ACF2 InvestOne audit log reports and evidence of review, and determined that the reports were reviewed by an ISSR.
16. For a selection of months, inspected evidence of review and removal of inactive accounts and determined that inactive user accounts were reviewed on a monthly basis.
17. Inspected documentation of the review and recertification of internal InvestOne and FedInvest user access and determined that internal InvestOne and FedInvest user access had been reviewed and recertified.
18. For a selection of external FedInvest users, inspected documentation of the review and recertification of external FedInvest user access and determined that external FedInvest user access had been reviewed and recertified.
19. Inspected a selection of annual user access recertification for external FedInvest users and determined that no supervisor requested removal of any access privileges.

No exceptions noted.

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

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

### **Description of Controls**

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

Daily user operations procedures are posted for the InvestOne accounting system to provide operators with the information necessary to sequentially complete daily processing. Additionally, a monthly calendar is posted that highlights the daily requirements. The InvestOne accounting system configuration requires that daily reporting be performed in sequence before transaction processing can begin.

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

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

1. For a selection of dates, inspected Production Control Daily Checklists and determined that the checklists were used during processing.
2. Observed transactions entered into the InvestOne accounting system and noted that error checking edits prevented users from entering values of the wrong data type or values not on lookup lists.
3. Inspected posted daily user operations for InvestOne accounting system and FedInvest, the FMB Daily Procedures, and the monthly requirements calendar and determined that these schedules and procedures were available.
4. For a selection of months, inspected the 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 the InvestOne accounting system was documented.

6. Inspected the list of ACF2 user IDs with access to make modifications to schedules, compared the list to an ISS staff detail listing and determined that access privileges to make modifications to CA Workload Object were commensurate with job responsibilities.

No exceptions noted.

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

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

### **Description of Controls**

Users must be connected to the Fiscal Service network in buildings where FMB is supported to access the InvestOne accounting system. Additionally they must run terminal emulation software to connect to the FIT-MF environments. Network performance and availability is monitored by ISS 24 hours a day.<sup>12</sup>

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

1. Observed FMB staff and noted that terminal emulation software was used to connect to the FIT-MF.
2. Observed ISS Command Center staff and noted that monitoring tools were used to monitor the performance and availability of Fiscal Service networking equipment, such as switches and firewalls.
3. Observed ISS Command Center staff and noted that tools were used to monitor the performance and availability of the FedInvest website.
4. Inquired of management and were informed that the ISS Command Center was staffed 24 hours a day.

No exceptions noted.

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<sup>12</sup> Using the following utilities:

A combination of monitoring tools (ManageEngine OPManager and HP SiteScope) are used to monitor networking equipment such as switches and firewalls. These tools automatically report any network equipment or application outages to the Network Operations Center (NetOps).

## **TRUST FUNDS MANAGEMENT PROCESSING CONTROLS**

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

Controls provide reasonable assurance that management has defined, documented, and communicated procedures associated with operational areas within the Funds Management Branch (FMB).

#### **Description of Controls**

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

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

FMB has defined and communicated procedures regarding the trust fund operations in Standard Operating Procedures (SOP) manuals. The SOP manuals provide guidelines for processing transactions including receipts, investments, redemptions, investment income, and disbursements. Additional reference materials including Federal Government accounting standards; U.S. Standard General Ledger (USSGL) accounting and reporting requirements; and Treasury-wide and Fiscal Service-wide accounting and reporting policies are readily available in electronic format on the Internet. In addition, the SOP manuals provide guidelines for records maintenance and periodic reporting. The SOP manuals are maintained electronically and include electronic links to the additional reference materials listed above. FMB employees with access to the FMB directory have the ability to read the SOP manuals. Access to revise the SOP manuals, which are password protected, is restricted to only the FMB employees that have been approved by management.

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

1. Inspected SOP manuals and observed operational areas and determined operational areas were operating in accordance with procedures.
2. Inquired of FMB trust fund managers and inspected the SOP manuals that are maintained electronically and determined the SOP manuals were available for FMB trust fund managers' reference.
3. Inspected the SOP manuals that are maintained electronically and determined that the SOP manuals were stored in a read-only format.

No exceptions noted.

## Control Objective 9 – Receipts Processing

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

### Description of Controls

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

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

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

- Excise taxes – Treasury’s OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to Government-wide Accounting (GWA) and FMB. On two specified work days of each month, GWA issues a warrant (SF-1017) to increase the respective trust fund’s account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. GWA sends FMB email notification that the warrants have been processed in Central Accounting and Reporting System (CARS). FMB pulls the warrants from CARS and verifies the warrants to the estimates received from OTA. At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to GWA. 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). GWA calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. GWA enters a warrant in CARS to increase or decrease the respective trust fund’s account and sends FMB email notification that the warrants have been processed in CARS. GWA also emails the adjustment documentation prepared by the IRS to FMB. FMB prints the warrants from CARS and agrees the warrants to the adjustment documentation prepared by the IRS. The IRS determines the amount of excise tax refunds/credits and sends the adjustment to FMB to be processed. FMB reports the tax adjustments received prior to issuance of the annual financial reports to which the tax adjustment relates to; however, FMB associated investment or redemption transactions are processed on the actual date FMB receives the warrant.
- 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 trust fund manager 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 trust fund manager enters the tax adjustment into InvestOne backdated into the proper accounting period (i.e., adjusts tax revenue and tax receivable/payable) and provides the tax adjustment supporting documentation to the reviewing trust fund manager. The reviewing trust fund manager compares the tax adjustment supporting documentation to InvestOne to

ensure that the tax adjustment is properly recorded (i.e., tax revenue and tax receivable/payable) and documents approval on the tax adjustment documentation.

- Oil Spill Drawbacks – Monthly the Department of Homeland Security’s (DHS) Customs and Border Protection’s Office of Border Patrol submits to GWA a Statement of Transaction report (SF-1220) which charges the Oil Spill Liability Trust Fund for claims made by oil importers on excise tax charges. FMB receives a copy of the SF-1220 from the U.S. Customs Department via email and records a negative receipt to reduce excise taxes in the Oil Spill Liability Trust Fund for these claims.
- Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act taxes (SECA) – Amounts equivalent to 100 percent of FICA and SECA taxes are designated to be transferred to specified trust fund accounts. Treasury’s OTA estimates the monthly taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to GWA. OTA sends the monthly estimate and allocation detail to FMB. GWA 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 GWA. GWA 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 GWA 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 Department of Homeland Security’s (DHS) Customs and Border Protection’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 third workday of the month the actual amounts for the previous month by sending FMB an email.
- Fines, penalties, and cost recoveries – Collected fines, cost recoveries, and penalties are transferred from the collecting agencies directly to the trust funds’ accounts. The collecting agencies fax/email notification of the receipts to FMB. In the case of the GCRTF, the collecting agency (DOJ), initiates an IPAC to pay the collected amount to the trust fund. In most cases, the notification is also mailed by the collecting agency to FMB.
- Civil penalties and damages – Agencies mandated to collect civil penalties and fines for deposit into a specific trust fund send FMB a letter or Intragovernmental Payment and Collection (IPAC) transaction report. These documents list the civil penalties and damages that are collected and the 3 percent administrative cost to be reimbursed to the trust fund. FMB prepares a separate letter requesting the collected penalties and damages, and the administrative fee withheld by the Federal agency be appropriated to the trust fund, then sends the letter to GWA. GWA 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 agencies – Transfers are the result of an IPAC or SF 1151 Non-Expenditure Transfers that FMB receives from Program Entities. In the case of the PCORTF, a letter from CMS informs FMB of the amounts to be transferred from Federal Hospital Insurance Trust Fund (HI) and Federal Supplementary Medical Insurance Trust Fund (SMI) to the Patient Centered Outcomes research Trust Fund (PCORTF). FMB then records the transfer from HI and SMI and the receipt to PCORTF via a reclassification in the CARS CTA module.
- Collected premiums and Federal matching funds – Amounts withheld from Social Security beneficiary checks and the related Federal matching funds are transferred by the Program Entities to the appropriate trust funds using the CTA and the IPAC system. FMB receives the daily receipt reports from the Program Entities and collection and disbursement transactions from the IPAC system.

FMB submits a CTA Statement of Transaction report for certain expenditure transactions which posts to the CARS central accounting system.

FMB processes receipt notifications received prior to 3:00 pm EST the day they are received and the next business day if the notifications are received after this deadline. Using the receipt documentation noted above, the trust fund manager: 1) enters the receipts into the Fund Checklist/ and Investment/Redemption Requests; 2) enters the receipts into the InvestOne accounting system (all except GCRTF); 3) enters the investment/redemption request into 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; 6) provides the DTSP to the reviewing trust fund manager for review. For the Gulf Coast Restoration Trust Fund (GCRTF), the trust fund manager 1) enters the receipt in a manually maintained EXCEL Cash Sheet and creates a Journal Discoverer Report; 2) prepares an entry that will post the receipt transaction into the Oracle accounting system; 3) enters the investment request 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; 6) provides the DTSP to the reviewing trust fund manager for review.

The trust fund manager compares the transaction from InvestOne (i.e., the Cash Forecasting Report) to the transaction documentation (i.e., Treasury warrants, excise tax receipts, FICA and SECA tax deposits, agency program letters, reports, or email/fax notifications, IPAC documents, or SF-1151 Non-Expenditure Transfers) and investment confirmation to ensure that the transaction is properly recorded and classified. The trust fund manager documents completion of the comparison by signing the DTSP. For the GCRTF, the trust fund manager compares the transaction

from Oracle (Journal Discoverer Report) to the EXCEL Cash Sheet and the transaction documentation.

The reviewing trust fund managers reviews the supporting documentation to ensure that the receipts are authorized by legislation, received from the appropriate Program Entities, and do not contain any obvious errors. The reviewing trust fund managers also compare the receipt supporting documentation to the InvestOne Cash Forecasting Report, the Fund Checklist and Investment/Redemption Requests, and investment confirmation to ensure that the receipt is properly recorded, and documents approval by digitally signing the DTSP after the review is complete. For the GCRTF, the reviewing trust fund manager compares the transaction from Oracle (Journal Discoverer Report) to the EXCEL Cash Sheet, transaction documentation, and investment confirmation to ensure that the receipt is properly recorded and documents approval on the DTSP.

#### The Unemployment Trust Fund (UTF)

The primary receipts for the UTF are as follows:

- Federal unemployment taxes – The Federal unemployment taxes fund the Employment Security Administration Account established pursuant to Title IX, section 901(a), of the Social Security Act. This account funds administrative expenses of the UTF and provides intra-fund transfers to the other Federal accounts within the UTF. The Budget Reports Division of GWA prepares warrants based on collections reported to Fiscal Service through CIR. The warrants are forwarded to FMB.
- Federal Employees Compensation Act (FECA) accounts receivable – Federal agencies make payments on FECA accounts receivable pursuant to Title IX, section 909, of the Social Security Act to fund unemployment benefits for former Federal civilian and military personnel. Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the FECA accounts receivable, and deposits collections in the UTF via CTA/SF-224.
- 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) by Pittsburgh National Corporation (PNC). The Federal Reserve Bank in New York accesses CIR, a Treasury on-line system in which deposit and withdrawal information is maintained at the detail and summary level, and uploads the deposit information into the UTF activity location code. The trust fund manager 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/SF-224.

The trust fund manager processes receipts received prior to 3:00 pm EST the day they are received and the next business day if the receipts are received after 3:00 pm EST. The trust fund manager: 1) enters the receipts into InvestOne (Oracle for the GCRTF); 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/Redemption Requests and investment confirmation to the reviewing trust fund managers.

The reviewing trust fund manager compares the transaction as recorded within InvestOne (or Oracle) to the transaction documentation (i.e., Automated Standard Application for Payments System (ASAP) reports, CIR reports, letters from the Program Entities and IPAC reports) to ensure that the transaction is properly recorded and classified. The trust fund manager documents completion of the comparison by signing DTSP.

The reviewing trust fund manager reviews the supporting documentation to ensure that the receipts are authorized by legislation, are received from the appropriate Program Entities, and do not contain any obvious errors. In addition, the reviewing trust fund managers compares the receipt supporting documentation to InvestOne, the Fund Checklist and Investment/Redemption Requests, and investment confirmation to ensure that the receipt is properly recorded and approves the DTSP by digitally signing it.

### **Complementary Program Entity Controls**

Program Entities should establish controls to:

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

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

1. Inspected documented SOPs and observed the trust fund managers and reviewing trust fund managers process receipts and determined that receipt transactions were processed in accordance with the procedures.
2. For a selection of receipts processed, inspected supporting receipt documentation and IRR and determined that the receipts were documented and authorized.
3. For a selection of receipts processed, inspected supporting receipt documentation, IRR, Cash Forecasting Report, investment confirmation, and the InvestOne accounting system and determined that the receipts were reviewed and approved by the trust fund manager and that the receipts were processed and recorded accurately in the proper period.

4. For a selection of the 4<sup>th</sup> quarter tax adjustments processed subsequent to year end (i.e., September 30, 2015), inspected the tax adjustment supporting documentation and the InvestOne accounting system and determined that the tax adjustments were reviewed and approved by the reviewing trust fund manager and that the tax adjustments were processed and recorded accurately in the proper period.

No exceptions noted.

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

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

### **Description of Controls**

FMB has documented policies and procedures for staff to follow 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 Federal Investments and Borrowings Branch (FIBB). FMB determines the type and term of the Treasury security to purchase based on the following factors:

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

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 trust fund manager prints the InvestOne Cash Forecasting Report that displays the previous day's overnight redemptions and current reinvestments. The trust fund manager compares the reinvestments (i.e., "Buy" transactions) to the previous day's maturity to verify that they net to zero, investigates and resolves any differences, and signs the DTSP. The reviewing trust fund managers review each Cash Forecasting Report and documents approval by signing the DTSP.

For all the trust funds other than the UTF and GCRTF, the trust fund manager determines the amount to invest by inspecting the Cash Forecasting Report from the InvestOne accounting system. The Cash Forecasting Report summarizes the daily receipts and disbursements that have been posted within InvestOne. For the UTF and GCRTF, the fund manager determines the amount to invest by maintaining an EXCEL Cash Sheet that includes any maturities and/or interest payments that need to be reinvested, current day receipts and disbursement transactions that will be uploaded to Oracle, and the current day reinvestment transactions. The trust fund manager 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 signs the DTSP. The reviewing trust fund manager reviews the Fund Checklist, EXCEL Cash Sheet, the Journal Discoverer Report, along with the supporting documents, and documents approval by digitally signing the DTSP.

To purchase an investment, the trust fund manager prepares and enters the investment request 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 trust fund manager manually prepares and provides the 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 trust fund manager compares the IRR investment type, amount, purchase date, and maturity date to the Investment Confirmation. After investigating and resolving any differences, the trust fund manager approves the IRR and the Investment Confirmation. The trust fund manager combines the Fund Checklist, the IRR, Investment Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation in the DTSP for the reviewing trust fund managers. The trust fund manager digitally signs the DTSP. For the GCRTF, the trust fund manager, combines the Fund Checklist and Investment/Redemption Requests, Investment Confirmation, the EXCEL Cash Sheet, the Journal Discoverer Report, and the receipt/disbursement source documentation in the DTSP for the reviewing trust fund managers.

The reviewing trust fund managers inspects the Fund Checklist and Investment/Redemption Requests, the Investment Confirmation, the Cash Forecasting Report, and the receipt/disbursement source documentation to ensure that the proper amount was invested, to confirm that the trust fund manager purchased an authorized investment, and to ensure that the investment amount and timing is consistent throughout all of these documents. For the GCRTF, the reviewing trust fund manager inspects the Fund Checklist and Investment/Redemption Requests, Investment Confirmation, the EXCEL Cash Sheet, the Journal Discoverer Report, and the receipt/disbursement source documentation. The reviewing trust fund managers document their approval on the DTSP by digitally signing it.

### **Complementary Program Entity Controls**

Program Entities should establish controls to:

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

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

1. Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process investment requests and determined that the investment requests were processed in accordance with the procedures.
2. For a selection of investment purchases, inspected the Investment/Redemption Requests, the Investment Confirmation, Cash Forecasting Report, supporting receipt/disbursement documentation, and the InvestOne accounting system and determined that the investment transactions were documented, authorized in accordance with legislation, and processed and recorded accurately and in the proper period. For a selection of GCRTF investment purchases, inspected the Fund Checklist and Investment/Redemption Requests, Investment Confirmation, the EXCEL Cash Sheet, the Journal Discoverer Report, and the receipt/disbursement source

documentation in the DTSP and determined that the investment transactions were documented, authorized in accordance with legislation, and processed and recorded accurately and in the proper period.

3. For a selection of investment purchases, inspected the Investment/Redemption Requests and the Investment Confirmation and determined that the reviewing trust fund manager reviewed and approved the investment purchases. For a selection of GCRTF investment purchases, inspected the Fund Checklist and Investment/Redemption Requests, Investment Confirmation, the EXCEL Cash Sheet, the Journal Discoverer Report, and the receipt/disbursement source documentation and determined that the reviewing trust fund manager reviewed and approved the investment purchase.
4. Observed a trust fund manager enter a selected investment purchase into FedInvest, inspected the on-screen confirmation received by FMB and noted that the on-screen confirmation confirmed the successful recording of the investment purchase into FedInvest and InvestOne.
5. For a selection of days from trust funds that invest continuously in overnight securities, inspected the cash forecasting report and determined that a FMB trust fund manager performed a comparison of the reinvestment to the previous day's maturity, that the trust fund manager signed the DTSP, that the reviewing FMB trust fund manager reviewed and signed the DTSP, and that any differences were resolved. For a selection of GCRTF reinvestments, inspected the EXCEL Cash Sheet, the Journal Discoverer Report, along with the supporting documents, and determined that an FMB trust fund manager signed the DTSP, that the reviewing FMB trust fund manager reviewed and signed the DTSP, and that any differences were resolved.

No exceptions noted.

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

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

### **Description of Controls**

FMB has documented policies and procedures for staff to follow 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 request or is reinvested.

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

#### *Accrued Interest Receivable*

Accrued interest receivable is recorded by FMB 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 trust fund manager and reviewing trust fund managers review the interest balances on the monthly trial balance reports for reasonableness and to ensure that the interest balances are properly recorded and classified and documents approval on the monthly financial review checklist.

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

#### *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). The trust fund manager and reviewing trust fund manager review the gains/losses on the monthly trial balance reports for reasonableness and to ensure that the gains/losses are properly recorded and classified and documents approval on the monthly financial review checklist.

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

Program Entities should establish controls to:

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

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

1. Inspected SOPs and observed trust fund managers and reviewing trust fund managers process interest income and amortization transactions and determined that the transactions were processed in accordance with the procedures.
2. For a selection of transactions, inspected interest, gain/loss, and amortization documentation, inspected the InvestOne accounting system, and determined that transactions were documented, mathematically accurate, processed and recorded accurately and in the proper period.
3. For a selection of months, inspected the monthly financial review checklist and the monthly trial balance and determined that the trust fund managers reviewed the interest balances for reasonableness.
4. For a selection of months, inspected the monthly financial review checklist, amortization report, trial balance report, and financial report, and determined that the trust fund managers completed the reconciliations.
5. For a selection of months, inspected the monthly financial review checklist and the monthly trial balance and determined that there was one gain/loss in the testing period. We performed testwork and determined that the trust fund managers reviewed the gain/loss for reasonableness.

No exceptions noted.

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

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

### **Description of Controls**

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

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

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

FMB redeems securities by completing the request in FedInvest, which is maintained by FIBB and ISS. To redeem a security, the trust fund manager completes the following steps:

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

confirmation, cash sheet, checklist, and supporting documentation from ASAP or IPAC to the reviewing trust fund manager. The reviewing trust fund manager compares the checklist and cash sheet to the Redemption Confirmation and supporting documentation verifying that the redemption amount and timing is consistent.

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

1. Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process and record redemption transactions and determined that the transactions were processed in accordance with the procedures.
2. For a selection of redemption transactions, inspected the Redemption Confirmation, the IRR, and the InvestOne accounting system and determined that the transactions were documented, reviewed, and approved by the reviewing trust fund manager and processed and recorded accurately in the proper period.

No exceptions noted.

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

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

#### **Description of Controls**

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

##### *All Trust Funds*

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

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

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 trust fund manager records the disbursement in InvestOne. When the disbursement confirmation is received by email/fax, the trust fund manager matches the confirmations to the telephone request. The trust fund manager reviews the request to ensure that it is received from the appropriate Program Entity and does not contain any obvious errors. The trust fund manager also reviews the account balances to ensure the trust fund has sufficient funds to cover the request. For the GCRTF, the trust fund manager enters the disbursement in a manually maintained EXCEL Cash Sheet and prepares entries for Federal entities that will post the disbursement transaction into the Oracle accounting system and produces a Discoverer Journal Report. The trust fund manager then enters the investment/redemption request into the FedInvest system, which processes the investment/redemption, records the investment in InvestOne, and generates a confirmation. The trust fund manager then prints the investment confirmation and prepares and signs the DTSP. When processing payments to non-Federal entities from the GCRTF using the interface that was implemented on January 19, 2016, the trust fund manager enters the disbursement in a manually maintained EXCEL Cash Sheet and checklist. 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 trust fund manager then prints an Oracle payment screen and prepares and signs the DTSP. Prior to the interface, the same process was followed except the same report printed on the settle date was used to manually enter the disbursement into Oracle on the settle date. The trust fund manager printed the same Oracle payment screen and prepared and signed the DTSP.

FMB uses the automated CARS system, maintained by Government-Wide Accounting, to process non-expenditure transfers.

GWA 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.

The trust fund manager enters the transfer into the CARS system, in accordance with the Program Entity's instruction. CARS reflects a transfer status of "SAVED" for a transfer, until the transfer is certified. The trust fund manager provides the transfer request documentation to the reviewing trust fund managers.

The reviewing trust fund managers compare the disbursement request to the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report from InvestOne. The reviewing trust fund manager accesses CARS to verify that the transfer is designated to the proper entity, then certifies the transfer request in CARS. CARS changes the transfer status to "AGENCY CERTIFIED". The reviewing trust fund manager documents completion on the Fund Checklist and saves the Non-Expenditure Transfer with the funds daily work. Another reviewing trust fund manager compares the disbursement details and amount from the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report from InvestOne to a print screen from CARS. The reviewing trust fund manager 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 InvestOne accounting system to ensure the transactions have been properly entered. The reviewing trust fund manager documents his/her completion of the comparisons by signing the daily GWA packet and the daily review checklist.

After the transfer is certified by FMB, GWA certifies the disbursement request, and CARS changes the status of the transfer request to "GWA POSTED". The trust fund manager 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 Fiscal Service.

The trust fund manager provides the disbursement requests (i.e., emails/faxes, SF-1081s (*Voucher and Schedule of Withdrawals and Credits form*), or IPAC reports) to the reviewing trust fund manager. On a daily basis, the reviewing trust fund manager compares disbursements from InvestOne (i.e., the Cash Forecasting Report) to the disbursement requests to ensure the disbursement is properly recorded. The reviewing trust fund manager documents approval on the DTSP. For the GCRTF, the reviewing trust fund manager reviews the EXCEL Cash Sheet, Journal Discoverer Report or Oracle payment screen shot, along with the supporting documentation, and documents approval by digitally signing the DTSP.

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

The Program Entities (i.e., State Employment Agencies) are responsible for verifying that the disbursements are in compliance with legislation, determining the amount of the disbursements, and requesting the disbursements. Program Entities must submit all disbursement requests using the Automated Standard Application for Payments (ASAP). Each day, Program Entities must enter their disbursement requests into ASAP by 6:00 pm EST if requesting a wire transfer and by 11:59 pm EST if requesting an Automated Clearing House payment. The Program Entities may request a disbursement from their Unemployment Insurance (UI) account, Reed Act account, the Extended Unemployment Compensation Account (EUCA), the Federal Employment Compensation Account (FECA), the Federal Unemployment Account (FUA), Special Admin, the Self-Employment Assistance (SEA) account if applicable, the Short-Time Compensation (STC) program if

applicable, or the Federal Additional Unemployment Compensation Account (FAUC) through ASAP. A written disbursement confirmation is not required from the Program Entities.

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

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

### **Complementary Program Entity Controls**

Program Entities should establish controls to:

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

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

1. Inspected documented SOPs and observed the trust fund managers and the reviewing trust fund managers' process and record disbursement transactions and determined that the transactions were processed in accordance with the procedures.
2. For a selection of disbursement transactions (other than UTF), inspected the Program Entity disbursement requests, support that the disbursement appeared in the CARS system, the Non-Expenditure Transfers FMB Trust Fund Accounts Transaction Report, IRR and FedInvest confirmation, the InvestOne accounting system (e.g., Cash Forecasting Report), and the Daily Transaction Support Package checklist and determined that the transactions were documented, reviewed and approved by the reviewing trust fund manager, and processed and recorded accurately in the proper period.

3. For a selection of UTF disbursement transactions, inspected the DTSP checklist and underlying reports (agreed the amount and date from the DTSP checklist to the underlying reports (i.e., EUCA Pending Report for EUCA disbursements, ASAP report to total disbursements), and determined that the transactions were documented, reviewed and approved by the reviewing trust fund manager as evidenced by signoff on the DTSP checklist. Agreed the fund, amount, and date from the DTSP checklist to the DATE/VSTE underlying reports and FedInvest confirmation and determined the disbursement transactions were reviewed and approved by the reviewing trust fund manager, and transaction was processed and recorded accurately in the proper period.
4. For a selection of UTF disbursement transactions, inspected the reconciliation from the ASAP transaction report to the pending transactions report in the InvestOne accounting system and determined that the reconciliations were completed, the transactions were processed and recorded accurately in the proper period, and the reviewing trust fund manager reviewed and approved the reconciliations.

No exceptions noted.

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

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

### **Description of Controls**

Transaction support is maintained in paper or electronic format. The supporting documentation is organized in separate work folders for each trust fund. The key transaction records and files are as follows:

- Transaction supporting documentation:
  - Receipt notification documents, such as OTA tax estimate/adjustment letters, IRS tax refund/credit letters, Program Entity receipt letters/reports, Deposit Summary Form (SF-215), and CIR reports.
  - IPAC transaction reports
  - CTA/SF-224 worksheet generated from InvestOne
  - GWA-issued warrants (SF-1017)
  - Investment and Redemption Requests
  - Investment and Redemption Confirmations
  - Disbursement request letters from Program Entities
  - Non-Expenditure Transfer Authorization (SF-1151)
  - ASAP Transaction by Account ID reports (UTF Only)
  - ASAP disbursement and transfer request files and reports (UTF Only)
  - InvestOne pending transactions report (UTF Only)
- Cash forecasting report
- Fund Checklist and Investment/Redemption Requests
- Daily Transaction Support Package
- Monthly financial review checklist
- CTA/CARS Account Statement
- FIBB-generated Monthly Statement of Account
- Monthly Financial Reconciliation
  - InvestOne to Oracle Trial Balance report reconciliations
  - InvestOne Trial Balance
  - CARS Account Statement
  - General Ledger Account Reconciliations
  - Budgetary to Proprietary Account Reconciliations
  - Financial Statement Package (All except UTF)
- Financial Statement Package:
  - Trial Balance reports
  - Balance Sheets
  - Income Statements
- UTF Internet Account Statements (UTF only)
- FUA Pending Report (UTF only)
- ASAP transaction report (UTF only)
- UTF InvestOne accounting system Borrowing Reports (UTF only)

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

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

No exceptions noted.

## Control Objective 15 – Reporting

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

### Description of Controls

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

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

Upon completion of daily processing of receipts, disbursements and investment transactions in InvestOne, the trust fund manager extracts and uploads the transactions into the Oracle. Each day, the trust fund manager prepares a summary reconciliation of InvestOne and Oracle account balances, investigates and resolves any differences, and documents completion on the reconciliation log. The process is similar for the GCRTF but the daily processing of receipts and disbursements are processed in Oracle. No receipt and disbursement data is maintained within InvestOne for the GCRTF.

At the end of the monthly processing cycle, the trust fund managers prepare the financial statement package for each trust fund. The trust fund manager is responsible for transmission of the financial statement package, by electronic mail to Fiscal Service Web Support for posting on the TreasuryDirect website.

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

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

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

### Unemployment Trust Fund

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

### **Complementary Program Entity Controls**

Program Entities should establish controls to:

- Review the monthly trust fund financial reports to ensure that transactions are recorded accurately.
- Review their UTF account statements, transaction statements, and Federal activity reports to ensure that transactions are recorded accurately.
- Verify that transactions are recorded accurately into Government-Wide Treasury Account Symbols Adjusted Trial Balance System (GTAS).

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

1. Inspected SOPs and observed the trust fund manager and reviewing trust fund manager generate reports and determined that reports were generated in accordance with the procedures.
2. For a selection of months, inspected:
  - Evidence of the review of the trust fund financial statement package by the reviewing trust fund manager and determined that: the InvestOne accounting system and Oracle trial balance ending balances agreed, the general ledger account reconciliations were prepared, the budgetary to proprietary account reconciliations were prepared, the Schedules of Assets and Liabilities and Schedules of Activity agreed to the trial balance reports, the schedule of misstatements was prepared, and the reviewing trust fund manager reviewed the reports for accuracy.
  - Reconciliation of the month-end Fund Balance with Treasury from the Invest One accounting system trial balance report to the CARS Account Statement and determined that a trust fund manager completed the reconciliations and the reviewing trust fund manager reviewed and approved the reconciliations as indicated on the monthly financial review checklist.
  - Monthly reconciliations from the InvestOne trial balance to the FIBB-provided Monthly Statement of Account and determined that the reconciliations were completed, and reviewed and approved by the reviewing trust fund manager, and that any differences were resolved.

3. For a selection of weeks by state, inspected evidence of the review of the individual UTF account statements, transaction statements, and Federal activity reports (EUCA, FUA, and FECA) by the trust fund manager and determined that the reviewing trust fund manager reviewed the reports for accuracy.

No exceptions noted.

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

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

### **Description of Controls**

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

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

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

The U.S. Department of Labor (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. During the twelve month period ending July 31, 2012, twenty-nine states were authorized to borrow. In contrast, as of July 31, 2016, only two states were authorized to borrow. This number is subject to change as more or less states are authorized for funding. The states withdraw repayable advances from the FUA through ASAP.

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

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

#### *Repayment Activity*

As discussed in Control Objective 9, the Program Entities deposit unemployment tax receipts into their UTF accounts. FMB processes repayments from Program Entities' accounts to the FUA as directed by the borrowing Program Entities and the DOL. These repayment entries are reviewed as part of the daily review of the Unemployment Trust Fund Daily Transaction Support Package (DTSP).

#### *Interest Terms*

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

## **Complementary Program Entity Controls**

Program Entities should establish controls to:

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

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

1. Inspected SOP manuals and observed the trust fund managers and reviewing trust fund manager's process state borrowing transactions, and determined that the transactions were processed in accordance with the procedures.
2. For a selection of days by state, inspected the Borrowing Report, ASAP transaction report and authorized borrowing limits provided by DOL, and determined that the trust fund manager verified that the borrowing was within the authority established by DOL
3. For a selection of days by state, inspected the reconciliation of the Borrowing Report to the ASAP transaction report and determined that the reviewing trust fund manager reviewed and approved the reconciliations
4. For selection of days by state, inspected a selection of ASAP transaction reports, Borrowing Reports, and the InvestOne accounting system and determined that the borrowings were processed and recorded accurately in the proper period.
5. For a selection of days by state authorized to borrow, inspected InvestOne accounting system reports and determined that the Program Entity in borrowing status did not earn any daily income when it was allocated.
6. For a selection of days by state, inspected the sign-off on the DTSP evidencing the trust fund manager's review of accounts to ensure receipts were applied as repayments and determined that the reviews were documented.
7. For a selection of states still in borrowing status, inspected documentation of the trust fund manager's review of the borrowing Program Entity account balances at year-end and determined that the trust fund manager reviewed the accounts for the accurate calculation of interest.

No exceptions noted

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

## CONTINGENCY PLANNING

### System Back Up

The InvestOne accounting system is included in the Debt Information Management System (DIMS) information system contingency plan (ISCP) managed by the Fiscal Accounting Operations (FAO) Program Support Group (PSG), and supported by the Business Technology Division (BTD). This plan is part of the DIMS System Security Plan (SSP), which is managed by the DIMS Information System Security Officer (ISSO) in BTD. There is a formal FAO Business Continuity Plan (BCP), which is part of a larger BCP for Fiscal Accounting Operations (FAO) and the 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.<sup>13</sup>

The ISS performs backups of the InvestOne accounting system on a regular schedule. ISS retains the backup tapes according to a pre-set schedule at an offsite facility. ISS stores one copy in the production tape library, and the other copy is shipped to an offsite facility. If a backup tape needs to be restored, the request will be made from the Business Technology Division's System Support Branch (SSB). ISS will then load the backup tape.

### Continuity of Operations

A fire alarm and sprinkler system that is managed, maintained, and tested by the building management protects the data center<sup>14</sup>. Sprinkler heads are located in the ceiling of each room of the buildings. This is a pre-action dry pipe system, charged with nitrogen, with individual heads that discharge water.<sup>15</sup>

The FAO Business Continuity Plan (BCP) calls for resumption of operations and critical applications of essential functions within a pre-set time frame<sup>16</sup>. The InvestOne accounting system has been classified as a critical application.

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

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<sup>13</sup>FMB performs emergency telework tests on all essential InvestOne functions a minimum of quarterly. The focus of these tests is to provide assurances that connectivity can be made and these functions will continue with minimum interruption during any emergency that may occur with or without warning. FMB also participates in the annual Fiscal Service Disaster Recovery Exercise, which tests FISMA compliance and business continuity capabilities.

<sup>14</sup> Alarms are active 24 hours a day, 7 days a week, and are tied in to the local fire department over phone lines for spontaneous notification.

<sup>15</sup> In the event the main building, where the InvestOne accounting system is run, becomes inoperable, FIT-MF operations would be relocated to the Fiscal Service contingency facility in accordance with the ISS data center recovery plan. This facility employs a warm site strategy for recovery of FIT-MF operations.

<sup>16</sup> 4 hour time frame.

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## **Treasury OIG Website**

Access Treasury OIG reports and other information online:

<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>

## **Report Waste, Fraud, and Abuse**

**OIG Hotline for Treasury Programs and Operations** – Call toll free: 1-800-359-3898

**Gulf Coast Restoration Hotline** – Call toll free: 1-855-584.GULF (4853)

Email: [Hotline@oig.treas.gov](mailto:Hotline@oig.treas.gov)

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>