



# Audit Report



OIG-09-049

Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Bureau of the Public Debt's Trust Funds Management Branch for the Period August 1, 2008 to July 31, 2009

September 23, 2009

## Office of Inspector General

DEPARTMENT OF THE TREASURY

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. Section 552.

Information within Sections III and IV has been **REDACTED**  
under **FOIA Exemption 2, 5 U.S.C. §552(b)(2)**:

Section III:

**Control Objective 1 – System Software**

**Control Objective 3 – Program Change Control**

**Control Objective 4 – Physical Access**

**Control Objective 5 – Logical Access**

**Control Objective 7 – Network Performance Monitoring**

Section IV:

**CONTINGENCY PLANNING**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

September 23, 2009

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

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

**SUBJECT:** Report on Controls Placed in Operation and Tests  
of Operating Effectiveness for the Bureau of the  
Public Debt's Trust Funds Management Branch for the  
Period August 1, 2008 to July 31, 2009

I am pleased to transmit the attached Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Bureau of the Public Debt's (BPD) Trust Funds Management Branch for the period August 1, 2008 to July 31, 2009. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent accounting firm, performed an examination of the general computer and trust fund management processing controls related to BPD's transactions processing of investment accounts of various Federal and State Government agencies (Program Entities) for the period August 1, 2008 to July 31, 2009. The contract required that the examination be performed in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Statement on Auditing Standards Number 70, *Reports on the Processing of Transactions by Service Organizations*, as amended.

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

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

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

- the *Description of Controls Provided by the BPD* presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of July 31, 2009,
- that these controls are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls,

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- that the controls tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives were achieved during the period from August 1, 2008 to July 31, 2009, and
- no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BPD's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated September 18, 2009 and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

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

Attachment

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

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

**(REDACTED VERSION)**

**Report on Controls Placed in Operation and  
Tests of Operating Effectiveness  
For the Period August 1, 2008 to July 31, 2009**

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

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

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



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Service Auditors' Report

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

We have examined the accompanying description of the general computer and trust fund management processing controls related to the Trust Funds Management Branch (TFMB) of the Bureau of the Public Debt (BPD). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to a Program Entities' internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls; and (3) such controls had been placed in operation as of July 31, 2009. BPD uses services provided by other organizations external to BPD ("sub-service organizations"). A list of sub-service organizations is provided in Section II of this report. Our examination did not extend to controls of sub-service organizations. Therefore, the accompanying description includes only those controls and related control objectives of BPD, and does not include control objectives and related controls of sub-service organizations. The control objectives were specified by the management of BPD. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards* issued by the Comptroller General of the United States and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of July 31, 2009. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in Section III, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from August 1, 2008 to July 31, 2009. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information is being provided to Program Entities of BPD and to their auditors to be taken into consideration, along with information about the internal control of Program Entities, when making assessments of control risk for Program Entities. In our opinion, the controls that were tested, as described in Section III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section III were achieved during the period from August 1, 2008 to July 31, 2009.



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

The description of controls at BPD is as of July 31, 2009, and the information about tests of the operating effectiveness of specific controls covers the period from August 1, 2008 to July 31, 2009. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at BPD is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such conclusions.

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

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

KPMG LLP

September 18, 2009

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

## OVERVIEW OF OPERATIONS

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

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

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

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

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

- Trial balance reports
- Schedules of assets and liabilities and schedules of activity
- Federal Accounting Centralized Trial Balance System Adjusted Trial Balance Reports
- Unemployment Trust Fund (UTF) Account Statement, Activity Statement, and Transaction Statement
- Borrowing Reports
- TFS-2108 Year-End Closing Statements

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

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

Non-marketable, market-based securities

- Bills
- Bonds
- Notes
- One-day securities

Non-marketable par value securities

- Special issue bonds
- Certificates of indebtedness

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

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

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

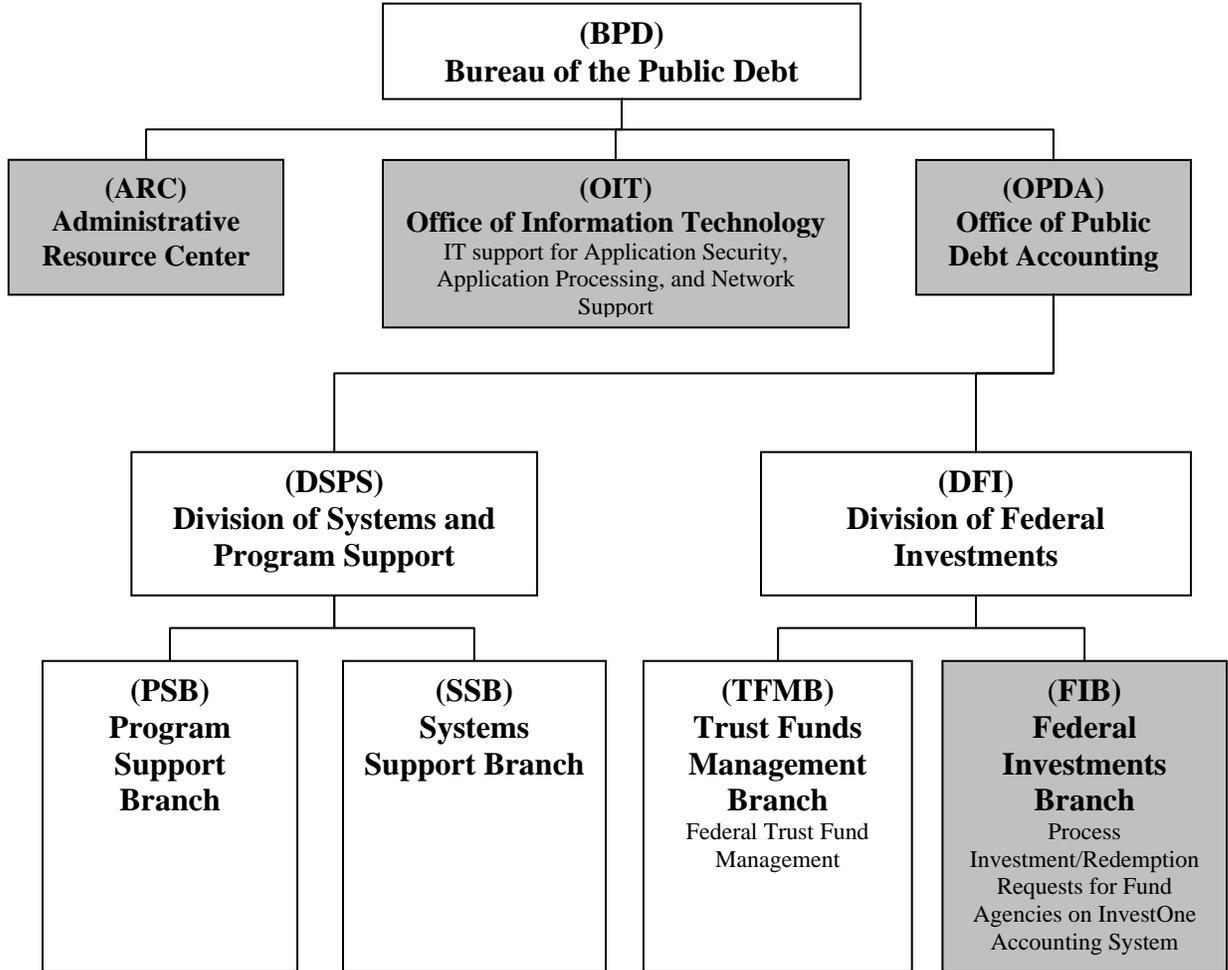
The Program Entities that are authorized to use trust fund assets as program resources request disbursements from TFMB. TFMB prepares an Investment/Redemption Request form and enters

the request into FedInvest, which redeems the requested amount of securities and posts a Redemption Confirmation on the FedInvest website. TFMB enters a non-expenditure transfer authorization into FMS's GWA System to transfer the requested funds to the Program Entities. The Program Entities have responsibility for the ultimate disposition of the trust fund assets.

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

The BPD organization chart as it relates to TFMB SAS70 follows on the next page.

**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 Director of the Division of Systems and Programs Support (DSPS), which represent the functional areas listed below:

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

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

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

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

### **Risk Assessment**

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

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

## **Monitoring**

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

## INFORMATION AND COMMUNICATION

### Information Systems

#### InvestOne Accounting System Description

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

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

#### FedInvest System Description

FedInvest is a SunGard-developed, web-based extension to the InvestOne accounting system that provides access to the federal investments information through the Internet. The system 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, as well as view account statements and transaction information over the Internet. Additionally, FedInvest provides an interface to InvestOne for internal fund managers in BPD's DFI. FedInvest includes edits that serve to enforce federal investment program policies resulting in improved data quality in InvestOne.

FedInvest also includes two extensions that are available only to BPD internal users. The Customer Role Management (CRM) module is used by DSPS Information System Security Representatives (ISSRs) to manage FedInvest users and their access to associated investment account information. CRM is used by FIB 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 e-mail communication to all system users and their agency Chief Financial Officers. The Rate Price Administration (RPA) module is used by FIB accountants to load rates/prices, publish rates/prices on the Treasury Direct website, apply prices to pending market-based transactions, post pending par value redemption transactions, and update FedInvest with the Consumer Price Index (CPI) for processing TIPS transactions.

#### Oracle Federal Financials (Oracle) Description

Migration to Commercial Host (Oracle on Demand). ARC is in the process of migrating 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 systems administrator and provides back up and recovery services. The Oracle system physically reside in a caged federal environment within Oracle on Demand's Austin Data Center and will only be accessible via VPN between BPD and Oracle on Demand.

Prior to migration ARC operated Oracle version 11i, with the Oracle 9i database, which runs within BPD's perimeter security zones and accesses data in the perimeter security zones using Linux as its operating system. BPD's Office of Information Technology (OIT) served as the Oracle database administrator and provides primary support for tape backup and recovery. Security was also provided by OIT through firewall rules and router access control lists. Oracle on Demand operates Oracle version 11i, Oracle 10g database in a Linux operating system environment.

The following Oracle system information is relevant for the entire period – July 1, 2008 through June 30, 2009. Oracle uses a two-tier web-based infrastructure with a front-end Internet user interface and a database residing on a secure network. Oracle is compliant with Section 508 of the Rehabilitation Act Amendment for 1998 for Americans with Disabilities (ADA).

TFMB uses Oracle to report trust fund transactions processed through the InvestOne accounting system (for all trust funds except the Unemployment Trust Fund). Authorized users may create their own reports using the report writer package.

### **Communication**

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

## **PROGRAM ENTITY CONTROL CONSIDERATIONS**

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

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

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

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

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

## SUB-SERVICE ORGANIZATIONS

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

Name of Sub-service Organization	Name of system	Function/Responsibilities
Internal Revenue Service (IRS)	N/A	<p>At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to FMS. The IRS generally certifies excise taxes two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> quarter).</p> <p>The IRS determines the amount of excise tax refunds/credits and sends the adjustment to TFMB to be processed.</p>
Treasury - Office of Tax Analysis (OTA)	N/A	<p>Treasury's OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to FMS.</p> <p>Treasury's OTA estimates the monthly taxes, determines the amounts to be transferred to the appropriate trust funds, and sends the estimate to FMS.</p>
Treasury Financial Management Service (FMS)	N/A	<p>FMS issues a warrant (SF-1017) to increase the respective trust fund's account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. FMS sends the warrant and excise tax estimate to TFMB.</p> <p>FMS calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FMS issues TFMB a warrant for the excise tax adjustment to increase or decrease the respective trust fund's account.</p> <p>FMS sends TFMB the daily Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (SECA) tax deposit information. TFMB allocates the deposits to the appropriate trust funds based on the monthly OTA estimates and provides the investment amounts to FMS. FMS confirms the investment totals back to TFMB and prepares the tax warrant.</p>

Name of Sub-service Organization	Name of system	Function/Responsibilities
Treasury Financial Management Service	Government On-line Accounting System (GOALS) and Intragovernmental Payment and Collection (IPAC) System	<p>The Program Entities generate a file in the IPAC System to allocate the funds to the proper trust funds. TFMB receives the IPAC transaction report from the FMS GOALS system.</p> <p>TFMB receives the daily receipt reports from the Program Entities and the IPAC transaction report from the FMS GOALS system.</p> <p>Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the Federal Employees Compensation Act accounts receivable, and deposits collections in the UTF via SF-224.</p> <p>For each redemption transaction, the trust fund manager obtains the related IPAC report from the IPAC system.</p>
	CA\$HLINKII	The Budget Reports Division of FMS prepares warrants based on collections reported to FMS through CA\$HLINKII. The warrants are forwarded to TFMB.
	Government-wide Accounting and Reporting modernization project (GWA) system	<p>TFMB uses the automated GWA system, maintained by FMS, to process transfers.</p> <p>FMS configured the GWA system to authorize TFMB to transfer funds from the trust fund accounts to program entities' accounts but not to transfer funds from program entities' accounts to the trust fund accounts.</p> <p>FMS authorizes the GWA system to send the disbursement request to the STAR system using an automated interface. The GWA system changes the status of the transfer request to "STAR POSTED" on the GWA system.</p>
Treasury Financial Management Service	FACTS II	TFMB reports trust fund budget execution data in FACTS II.

<b>Name of Sub-service Organization</b>	<b>Name of system</b>	<b>Function/Responsibilities</b>
Treasury Financial Management Service	Central Accounting System (STAR)	<p>For disbursement processing, the STAR system transfers the funds from the trust fund account to the program entity account.</p> <p>TFMB submits, via GOALS, a SF-224 Statement of Transaction report (SF-224), which posts to STAR, and the appropriate Trust Fund accounts are adjusted for the refunds/credits.</p>
	Automated Standard Application for Payments (ASAP) System	<p>Program Entities must submit all disbursement requests using the ASAP system. Each day, Program Entities must enter their disbursement requests into the ASAP system by 6:00 pm EST if requesting a wire transfer and by 11:59 pm EST if requesting an Automated Clearing House payment.</p> <p>During the morning of the next business day, the ASAP system transmits a file to the InvestOne accounting system that contains all of the disbursement and transfer requests.</p>
Federal Reserve Bank of New York	N/A	The Federal Reserve Bank of New York accesses CA\$HLINKII, a Treasury on-line system in which deposit and withdrawal information is maintained at the detail and summary level, and uploads the deposit information into the Unemployment Trust Fund activity location code.
Administrative Resource Center	Oracle	Oracle is used to report trust fund transactions processed through the InvestOne accounting system (for all trust funds except the Unemployment Trust Fund).

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

## GENERAL COMPUTER CONTROLS

### Control Objective 1 – System Software

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

#### Description of Controls

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

The InvestOne accounting system operates within a mainframe environment<sup>1</sup>. The FedInvest system is operated within a client-server environment<sup>2,3</sup>. Mainframe 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 Office of Information Technology (OIT) specialists.

For system software changes, BPD uses the iET product for change management. All system software changes (i.e., new product installations, maintenance upgrades, etc.) require a change record to be opened in iET. A change record can be opened by any specialist in OIT's division responsible for effecting such changes or the change control coordinator. The iET 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 OIT 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 iET change control number.

Before system software changes can be moved to production, they are tested in accordance with the BPD's system software change control procedures. These procedures document the authorization, testing, approval, implementation, and documentation requirements for system software changes. Changes progress through various environments, which differ according to the type of system infrastructure. For the mainframe, there are three separate environments: test, acceptance, and production. Each environment is a logical environment with its own software,

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

(  
b  
2  
)



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

(  
b  
2  
)



<sup>3</sup> Reliant Services:

(  
b  
)



)  
(  
2  
)

datasets, and libraries. Mainframe changes are first tested by a programmer in the test environment; changes are 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 approved 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 approval of these changes are documented in iET.

BPD has established a process that allows system programmers and database administrators to have temporary access to the Production mainframe 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".

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

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

1. Inspected written procedures for system software configuration management and determined that procedures were documented, including procedures to document, test, authorize, and approve 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 approval by management.
3. Inspected vendor maintenance support contracts for system software and determined that the contracts existed and were current.
4. For a selection of system software change records, inspected iET tickets and determined that iET was used throughout the examination period to log, track, and monitor system software changes.
5. For a selection of dates, inspected Weekly Change Control Memorandums and determined that weekly change control meetings were held to discuss planned changes with the potential to impact the InvestOne accounting system or FedInvest application system software.
6. For a selection of system software changes and emergency system software changes, inspected supporting documentation and determined that the changes were tested, authorized, and approved prior to implementation.
7. For a selection of system software changes, inspected supporting documentation and determined that the changes were approved.
8. Inspected a list of users with access to use fire-call and determined that the list was commensurate with job responsibilities.

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

No exceptions noted.

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

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

### **Description of Controls**

BPD has documented procedures for the testing and authorization of new releases of vendor supplied applications. The change control process is under the control and direction of the Office of Public Debt Accounting (OPDA).

The InvestOne accounting system is licensed by SunGard Investment Systems, Inc (SunGard). BPD has a maintenance and support contract for InvestOne with SunGard. For the period of August 1, 2008 through September 30, 2008, BPD also had a maintenance and support contract for the FedInvest system with SunGard. Starting on October 1, 2008 through July 31, 2009, OIT was responsible for of all maintenance and support of the FedInvest system.

SunGard periodically provides new releases of InvestOne, including documentation. Each new release requires comprehensive testing. The Division of Systems and Program Support (DSPS) tests new InvestOne releases developed by SunGard consistent with change control procedures for OPDA systems. New InvestOne releases are initially installed in the Test environment where they are subjected to integration testing. After successful completion of testing, the InvestOne new release is migrated by OIT to the Acceptance environment, where it is subjected to acceptance testing by users. An InvestOne new release will be installed in the Production environment only after all testing has been successfully completed and management has approved the new release for implementation in the Production environment. No releases were issued between August 1, 2008 and July 31, 2009.

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

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

In addition, BPD 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 authorization, testing, documentation, and approval.
2. Inspected vendor maintenance support contracts for the InvestOne accounting system software and determined that the contracts existed and were current.

3. Inspected vendor maintenance support contracts for FedInvest software and determined that the contracts existed and were current.
4. Observed the version of the InvestOne accounting system and compared it to the prior year version and noted that the version had not changed during the period under examination.
5. For the fix tapes implemented during the examination period, inspected documentation of test results and approvals for implementation and determined that the fix tapes had been tested and approved prior to implementation into production.
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.

No exceptions noted.

### Control Objective 3 – Program Change Control

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

#### Description of Controls

BPD has documented procedures for the authorization, testing, approval, implementation, and documentation of application software changes. The change control process is under the control and direction of OPDA.

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

For RM COBOL, OIT uses a 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, using standard InvestOne processes, to a data file on the mainframe then via ftp to the servers where the programs execute. Data is not sent from these programs to the InvestOne accounting system. The reports are used by the trust fund managers, sent to Program Entities, or sent to U.S. Department of Treasury's Financial Management Service, the Office of Debt Management and Office of Fiscal Projection. The Congressional Budget Office also receives reports generated from the InvestOne accounting system.

For mainframe COBOL, OIT uses a 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 OIT and reside on the mainframe, where these programs execute.

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

DSPS provides support for the design and testing of the above changes. DSPS creates the requirements documentation, which is then provided to OIT (or SunGard) for development. DSPS manages the request, documentation, testing, and approval process using a Change Control Checklist and iET.

Changes using version control software progress through three separate environments: Test or Integration, Acceptance, and Production. A change is first tested by the programmer in the Test 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.

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

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<sup>4</sup> (b) (2) [REDACTED]  
<sup>5</sup> (b) (2) [REDACTED]  
<sup>6</sup> (b) (2) [REDACTED]

testing has been completed. The package is provided to the DSPS Branch Manager for final review and approval.

Once the DSPS Branch Manager approves the change, DSPS sends a Network Services Request to OIT to move the change into the Production environment. Upon notification of an accepted change, OIT creates an update package in version control software. Only approved changes are installed in the Production environment.

For mainframe 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 authorization, testing, documentation, and approval.
2. Inspected the access permissions and inquired of OIT management and determined that access to source code for internally-developed programs was commensurate with job responsibilities, with the following exception noted:
  - A member of OIT had the capability to make a change to the RM COBOL source code and migrate the changed source code into the production environment. In addition, when an OIT programmer makes a change to the RM COBOL source code, it is the programmer's responsibility to initiate a code review by another member of OIT. Under this process, coupled with the item noted above, it is possible that code may be migrated without review or approval.

Management Response: BPD is in the process of developing a new standard operating procedure for migration of RM COBOL code to production which will not allow the programmers making changes, to migrate the code into production.

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 a selection of change records in iET and determined that iET was used throughout the examination period to log, track, and monitor application software changes.
5. For a selection of application software changes, inspected supporting documentation and determined that the changes were tested and approved.
6. Inspected 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, except as described above.

## Control Objective 4 – Physical Access

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

### Description of Controls

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

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

The InvestOne mainframe and FedInvest servers reside in OIT'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 OIT Data Center is restricted to authorized users only. An employee needing access to the data center must have his/her Branch Manager request access. The requests are made through iET, a workflow system that is used to approve data center access. After the Branch Manager completes and submits the iET request form, requests are forwarded to OIT's data center managers for approval in the iET. If OIT approves the request, the BPD Division of Security and Emergency Preparedness (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 OIT 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>

OIT performs a monthly review and reconciliation of individuals with data center access to individuals authorized to have data center access. Additionally, OIT 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, OIT 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.

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<sup>7</sup>Armed security guards man and monitor BPD 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 (b) (2).

## **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 BPD buildings and the OIT data center and noted that security guards, video cameras, badge readers, displayed badges by employees, and locked doors were in place and in operation to restrict access.
3. Observed persons entering BPD 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 BPD 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 personnel granted data center access, inspected supporting documentation and determined that access badges were issued to personnel with a completed background check and fingerprinting.
7. Observed employees within the BPD 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 a list of employees with card key access to the data center and tape storage room from the card security system and an OIT phone list showing employees requiring access to the data center and tape storage room and determined that physical access to the OIT data center was restricted to authorized employees only.
10. For a selection of employees and contractors granted access to the data center during the examination period, inspected the iET record for the access grant and determined that access was approved by the data center manager.
11. Inspected permissions to access the PACS badge system of BPD security management, and determined that access permissions to the physical access systems were commensurate with job responsibilities.
12. 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 and violations were followed-up on.
13. For a selection of dates, inspected visitor logs and determined that visitor logs were reviewed by OIT management.

14. For a selection of days, inspected shift logs and determined that an inventory of vendor badges was performed.
15. Inspected documentation of the semi-annual review of physical access privileges to the data center and determined that access privileges were reviewed.
16. 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

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

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

InvestOne security along with the host mainframe's security package controls access to the InvestOne accounting system. InvestOne restricts access to accounts within the system based on users identification (UID). InvestOne access is restricted to OPDA personnel. The security package is also used to restrict OIT personnel's access to system software, database files, and program libraries.

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

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

OPDA follows BPD 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.

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

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

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

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<sup>9</sup> These guidelines require passwords (b) (2)

<sup>10</sup> BPD's standard authentication utility, BPDLogin, is used to authenticate users. (b) (2)

On a routine basis, an 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 user IDs that have not been used to access the 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, OPDA recertifies access to mission critical systems by verifying access privileges for all InvestOne and FedInvest users. DSPS ISSRs remove any user IDs or access privileges identified for deletion by the user's manager/supervisor or DFI personnel when accompanied by a revoke form.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

- Ensure access to the FedInvest system is restricted to properly authorized individuals.

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

1. Inspected the relevant Certification and Accreditation (C&A) of the InvestOne and FedInvest systems and determined that the system had been authorized to operate.
2. Inspected the InvestOne and FedInvest risk assessment and determined that a risk assessment was performed.
3. Inspected the InvestOne and FedInvest security plan and determined that the plan was documented.
4. Observed a user log into the InvestOne accounting system and the FedInvest system and noted that their access was restricted in accordance with the system configuration.
5. For each new InvestOne user, compared access granted to an OPDA Organization Chart and determined that access privileges were commensurate with job responsibilities.
6. Inspected security guidelines and procedures for InvestOne and FedInvest and determined that logical access procedures were documented.
7. Inspected a list of users with administrator access privileges to InvestOne and FedInvest and determined that access was limited commensurate with job responsibilities.
8. Inspected an organizational chart and determined that administrator access was 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 and FedInvest and determined that password length, complexity, and expiration settings were configured in accordance with BPD requirements.

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<sup>11</sup> A list of InvestOne users that have not logged into InvestOne (b) (2) is reviewed (b) (2).

11. Observed a user log into InvestOne and FedInvest and determined 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.
13. For a selection of new FedInvest users, inspected documented user access request forms and determined that access was authorized by DFI and the user's supervisor.
14. Inspected a list of all separated and transferred BPD employees and lists of InvestOne and FedInvest user IDs and determined that access to InvestOne and FedInvest had been revoked for terminated and transferred BPD employees.
15. For a selection of weeks, inspected reports listing InvestOne security administrator actions entered into the system and determined that the reports were reviewed by an ISSR and any exceptions were followed-up.
16. 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 and any exceptions were followed-up.
17. For a selection of months, inspected evidence of review and removal of inactive accounts and determined that inactive user accounts were reviewed and removed on a monthly basis.
18. Inspected documentation of the review and recertification of internal InvestOne and FedInvest user access and determined that internal InvestOne and FedInvest user access were reviewed and recertified.
19. 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 were reviewed and recertified.
20. For a selection of user account recertification reviews requesting removal of user access privileges, inspected InvestOne and FedInvest user lists, and determined that requested modifications were made.

No exceptions noted.

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

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

### **Description of Controls**

The InvestOne accounting system is an interactive mainframe system with master data files that are updated when entries are posted. End-of-day processes perform maintenance to the data tables and data backups. OIT 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. OIT completes the Production Control Monthly Checklist to verify the successful completion of end-of-month processes.

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 OIT support personnel and privileges are commensurate with job responsibilities. The job scheduler sends messages confirming successful completion of each day's scheduled jobs to OIT and DSPS. Any abends are also communicated to the appropriate OIT and OPDA personnel as they happen through automated messages. 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. Inspected screenshots taken during the observation of the entry of transactions into the InvestOne accounting system and determined 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 and FedInvest, the FIB 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. For a selection of months, inspected Production Monthly Checklists and determined that the checklists were used during month-end processing.
6. Inspected the InvestOne accounting system job schedule and determined that a job production schedule for InvestOne were documented.

7. Inspected privileges of individuals granted access to make modifications to schedules and job control language for production jobs in the mainframe job scheduler and inquired of management regarding job responsibilities, and determined that access privileges were limited commensurate with job responsibilities.

No exceptions noted.

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

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

### **Description of Controls**

Users must be connected to the BPD Intranet to access the InvestOne accounting system. Additionally they must run terminal emulation software to connect to the mainframe environments. Network performance and availability is monitored by OIT at all times.<sup>12</sup>

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

1. Observed OIT Command Center staff and noted that monitoring tools were used to monitor the performance and availability of BPD networking equipment, such as switches and firewalls.
2. Observed OIT Command Center staff and noted that tools were used to monitor the performance and availability of the FedInvest website.
3. Inquired of management and were informed that the OIT 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 (b) (2) 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.

## **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 Trust Funds Management Branch (TFMB).

#### **Description of Controls**

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

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

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

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

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

1. Inspected SOP manuals and observed operational areas and determined operational areas were operating in accordance with procedures.
2. Inquired of TFMB trust fund managers and inspected the SOP manuals online and determined the SOP manuals were available for TFMB trust fund managers to refer to.
3. Inspected the SOP manuals online and determined that the SOP manuals were stored in a read-only format.

No exceptions noted.

## **Control Objective 9 – Receipts Processing**

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

### **Description of Controls**

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

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

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

- Excise taxes – Treasury’s OTA estimates the monthly excise taxes based on projected excise tax receipts and sends the estimate to Treasury Financial Management Service (FMS) and TFMB. On two specified work days of each month, FMS issues a warrant (SF-1017) to increase the respective trust fund’s account, with each warrant containing exactly half of the OTA estimated monthly excise taxes. FMS sends TFMB email notification that the warrants have been processed in Government Wide Accounting and Reporting modernization project (GWA). TFMB pulls the warrants from GWA and agrees the warrants to the estimates received from OTA. At the end of each calendar quarter the IRS certifies the excise taxes actually collected and sends the certification to FMS. The IRS generally certifies excise taxes within two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> quarter). FMS calculates the excise tax adjustment as the difference between the excise taxes estimated by OTA and excise taxes certified by the IRS. FMS enters a warrant in GWA to increase or decrease the respective trust fund’s account and sends TFMB email notification that the warrants have been processed in GWA. FMS also faxes the adjustment documentation prepared by the IRS to TFMB. TFMB prints the warrants from GWA and agrees the warrants to the adjustment documentation prepared by the IRS. The IRS determines the amount of excise tax refunds/credits and sends the adjustment to TFMB to be processed. TFMB reports the tax adjustments received prior to issuance of the annual financial reports in the annual financial reports to which the tax adjustment relates to; however, TFMB associated investment or redemption transactions are processed on the actual date TFMB receives the warrant.
- TFMB 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. And for those adjustments that do relate to the current fiscal year, the trust fund manager reviews the tax adjustments received after September 30 to identify tax 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 the InvestOne accounting system (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 the InvestOne accounting system 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 U.S. Customs Department submits to FMS 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. TFMB receives a copy of the SF-1220 from the U.S. Customs Department via e-mail 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 FMS. FMS sends TFMB the daily FICA and SECA tax deposit information. TFMB allocates the deposits to the appropriate trust funds based on the monthly OTA estimates and provides the investment amounts to FMS. FMS confirms the investment totals back to TFMB and prepares the tax warrant. After each month-end, TFMB agrees the daily warrants to the amounts reported by FMS on the GWA Account Statement for each trust fund. Estimated tax collections are adjusted in subsequent transfers to the amount of actual tax receipts certified by the IRS and the respective Program Entities.
- Customs Duties – The Department of Homeland Security's (DHS) Customs and Border Protection's Office of Border Patrol notifies TFMB monthly of actual receipts collected and deposited in the Sport Fish Restoration and Boating Trust Fund and Harbor Maintenance Trust Fund. Customs notifies TFMB the first workday of the month the actual amounts for the previous month by sending TFMB a fax.
- Fines, penalties, and cost recoveries – Collected fines, cost recoveries, and penalties are transferred from the collecting agencies directly to the trust funds' accounts. The collecting agencies fax notification of the receipts to TFMB. In most cases, the notification is also mailed by the collecting agency to TFMB.
- Civil penalties and damages – Agencies mandated to collect civil penalties and fines for deposit into a specific trust fund send TFMB a letter or Intragovernmental Payment and Collection (IPAC) transaction report. These documents list the civil penalties and damages that are collected and the 3 percent administrative cost to be reimbursed to the trust fund. TFMB prepares a separate letter requesting the collected penalties and damages, and the administrative fee withheld by the Federal agency and sends the letter to FMS. FMS issues a warrant to TFMB via GWA.
- Appropriations – Certain Program Entities receive annual appropriations to fund payments to the trust funds in accordance with legislation. The Program Entities generate a file in the IPAC system to allocate the funds to the proper trust funds. TFMB receives the IPAC transaction report from the FMS GOALS system.

- Donated revenue – Donated revenue represents gifts from individuals. TFMB receives receipt reports from Program Entities throughout the month.
- Transfers in from program agencies – Transfers are the result of IPAC or SF 1151 Non-Expenditure Transfers that TFMB receives from Program Entities.
- Collected premiums and Federal matching funds – Amounts withheld from Social Security beneficiary checks and the related Federal matching funds are transferred by the Program Entities to the appropriate trust funds using the SF-224 and the IPAC system. TFMB receives the daily receipt reports from the Program Entities and the IPAC transaction report from the FMS GOALS system.

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

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

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

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

The Unemployment Trust Fund (UTF)

The primary receipts for the UTF are as follows:

- Federal unemployment taxes – The Federal unemployment taxes fund the Employment Security Administration Account established pursuant to Title IX, section 901(a), of the Social Security Act. This account funds administrative expenses of the UTF and provides intra-fund transfers to the other Federal accounts within the UTF. The Budget Reports Division of FMS prepares warrants based on collections reported to FMS through CASHLINKII. The warrants are forwarded to TFMB.

- Federal Employees Compensation Act (FECA) accounts receivable – Federal agencies make payments on FECA accounts receivable pursuant to Title IX, section 909, of the Social Security Act to fund unemployment benefits for former Federal civilian and military personnel. Federal agencies make payments to the Department of Labor using the IPAC System. The Department of Labor receives IPAC transactions, maintains the FECA accounts receivable, and deposits collections in the UTF via SF-224.
- State unemployment taxes – TFMB established 53 separate Unemployment Insurance (UI) book accounts for the States, the District of Columbia, Puerto Rico, and the Virgin Islands. Daily, these Program Entities use FEDWIRE to transfer deposits from local banks to the Federal Reserve Bank in New York to the UI book accounts. These deposits are summarized on a SF-215 Deposit Summary form (SF-215) by Pittsburgh National Corporation (PNC). The Federal Reserve Bank in New York accesses CA\$HLINKII, 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 CA\$HLINKII.
- Deposits by the Railroad Retirement Board – Each day TFMB checks for any Railroad Retirement Board receipt reports forwarded from the Railroad Retirement Board to be included in the Railroad Unemployment Insurance and Administration Accounts. TFMB agrees the receipts from the receipt report to the amounts reported by the Railroad Retirement Board on the SF-224.

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

The trust fund manager compares the transaction from the InvestOne accounting system to the transaction documentation (i.e., Automated Standard Application for Payments System (ASAP) reports, CA\$HLINKII 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 the IRR form.

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

#### All Trust Funds

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

### **Program Entity Control Considerations**

Program Entities should establish controls to:

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

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

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 IRRs and determined that the receipts were documented and authorized.
3. For a selection of receipts processed, inspected supporting receipt documentation, IRR, 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 tax adjustments processed subsequent to year end (i.e., September 30, 2008), inspected the tax adjustment supporting documentation, IRR, investment confirmation, and the InvestOne accounting system and determined that the tax adjustments were reviewed and approved by the trust fund manager and that the tax adjustments were processed and recorded accurately in the proper period.
5. For a selection of months, inspected the reconciliation of the month-end Fund Balance with Treasury from the InvestOne accounting system trial balance report to the *GWA Account Statement* and determined that a trust fund manager completed the reconciliations and the reviewing trust fund manager reviewed and approved the reconciliations.

No exceptions noted.

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

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

### **Description of Controls**

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

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

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

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

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

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

To purchase an investment, the trust fund manager accesses the InvestOne accounting system through FedInvest using their user ID and password. To purchase an investment, the trust fund manager prepares and enters the investment request into FedInvest that automatically updates the InvestOne accounting system. FIB approves the investment requests in the InvestOne accounting system, which processes the investment and 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, FIB automatically reinvests the par value securities upon maturity. On the maturity date, the InvestOne accounting system processes the maturity automatically and FIB manually processes the reinvestment, into the InvestOne accounting system. The corresponding confirmations are available in FedInvest.

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

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

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

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

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

### **Program Entity Control Considerations**

Program Entities should establish controls to:

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

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

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.

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

No exceptions noted.

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

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

### **Description of Controls**

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

#### *Interest Payments Received*

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

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

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

#### *Accrued Interest Receivable*

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

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

### Discount/Premium

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

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

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

### Gains and Losses

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

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

### **Program Entity Control Considerations**

Program Entities should establish controls to:

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

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

1. Inspected SOPs and observed trust fund managers and reviewing trust fund managers process and record interest, and amortization transactions and determined that the processing was performed in accordance with the procedures.
2. Inquired of the trust fund managers of any gains/losses during the period and inspected the InvestOne accounting system trial balance reports, and determined that no gains/losses were recorded during the period. As such, the operating effectiveness of gains/losses control process could not be tested.

3. For a selection of months, inspected a selection of the monthly reconciliations from the InvestOne accounting system trial balance to the FIB-provided Monthly Statement of Account and determined that the reconciliations were completed, were reviewed and approved by the reviewing trust fund manger, and that any differences were investigated and resolved.
4. For a selection of transactions, inspected interest, 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.
5. For a selection of months, inspected the monthly financial reconciliation checklist and the monthly trial balance and determined that the trust fund managers reviewed the interest balances for reasonableness.
6. For a selection of months, inspected the monthly financial reconciliation checklist, amortization report, trial balance report, and financial report, and determined that the trust fund managers completed the reconciliations.

No exceptions noted.

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

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

### **Description of Controls**

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

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

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

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

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

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

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

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

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

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

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

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

#### **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.
3. For a selection of months, inspected the monthly reconciliations from the InvestOne accounting system trial balance to the FIB-provided Monthly Statement of Account and determined that the reconciliations were completed, were reviewed and approved by the reviewing trust fund manager, and that any differences were investigated and resolved.

No exceptions noted.

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

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

### **Description of Controls**

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

#### *All Trust Funds*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### All Trust Funds

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

### **Program Entity Control Considerations**

Program Entities should establish controls to:

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

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

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

No exceptions noted.

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

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

### **Description of Controls**

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

- Transaction supporting documentation:
  - Receipt notification documents, such as OTA tax estimate/adjustment letters, IRS tax refund/credit letters, Program Entity receipt letters/reports, Deposit Summary Form (SF-215), and CA\$HLINKII reports.
  - IPAC transaction reports
  - SF-224 worksheet generated from the InvestOne accounting system
  - FMS-issued warrants (SF-1017)
  - Investment and Redemption Requests
  - Investment and Redemption Confirmations
  - 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)
- Monthly Financial Reconciliation
- Financial Statement Package:
  - Trial Balance reports
  - Balance Sheet
  - Income Statements
  - FACTS II Trial Balance
  - Schedules of Assets & Liabilities and Schedules of Activity (Attest Schedules) – Attest Funds only
- UTF Internet Account Statements
- UTF InvestOne Borrowing Reports
- TFS-2108 Year-End Closing Statement

### **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**

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

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

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

At the end of the monthly processing cycle, the trust fund managers prepare the financial statement package for each trust fund. A reviewing trust fund manager is responsible for examination and transmission of the financial statement package, by electronic mail to BPD Web Support for posting on the BPD website.

The trust fund manager completes the financial reconciliation package, documents approval on the financial reconciliation checklist, and submits the corresponding financial reconciliation package to the reviewing trust fund manager for review and approval. The reviewing trust fund manager reviews the financial reconciliation package and documents approval via signature on the financial reconciliation checklist. The 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.
- General ledger account reconciliations – Prepare reconciliations of Fund Balance with Treasury, accounts receivable, investments, and accounts payable from the various source documents to the general ledger to ensure detailed transactions processed were posted to the appropriate general ledger accounts. In addition, prepare budgetary to proprietary account reconciliations to ensure complete general ledger account posting for all recorded transactions and investigate and resolve any erroneously posted transactions or out-of-balance relationships identified.
- Schedules of Assets and Liabilities and Schedules of Activity – Review the schedules for format and presentation and compare the schedules to the trial balance reports.
- Schedule of misstatements – Prepare a schedule outlining any identified line item misstatements for any report within the monthly financial statement package. The TFMB manager reviews the schedule of misstatements and instructs the trust fund manager to correct misstatements deemed material by the TFMB manager in the appropriate accounting period.

Once the financial reconciliation package is approved, the trust fund manager transmits the financial statement package (i.e., the trial balance reports, schedules of assets and liabilities, and schedules of activity) to BPD Web Support for posting on the BPD website. TFMB 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, TFMB corrects the misstatement, revises the financial statement package, and transmits the revised financial statement package to BPD Web Support for posting on the BPD website.

#### Unemployment Trust Fund

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

#### All Trust Funds

The trust fund activity is also reported in FACTS II. FACTS II is used to consolidate all Federal financial reporting at the agency level for the purposes of generating the annual consolidated financial statements for the Federal Government as a whole. The Program Entities are responsible for entering the information into FACTS I using the reports they receive from TFMB.

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

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

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

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

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

Program Entities should establish controls to:

- Review the monthly trust fund financial reports to ensure that transactions are recorded accurately.

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

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

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

No exceptions noted.

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

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

### **Description of Controls**

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

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

#### *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 TFMB indicating the amount that the program entity may borrow. During the twelve month period ended July 31, 2009, fourteen states were authorized to borrow. The states withdraw repayable advances from the FUA through the ASAP system.

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

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

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

#### *Repayment Activity*

As discussed in Control Objective 9, the Program Entities deposit unemployment tax receipts into their UTF accounts. TFMB processes repayments from Program Entities' accounts to the FUA as directed by the borrowing Program Entities and the DOL. These repayment entries are reviewed and initialed by the reviewing trust fund manager as part of the daily review of the Unemployment Trust Fund withdrawal package.

#### *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 the InvestOne borrowing and repayment balances. The trust fund manager reviews the borrowing Program

Entity account balances at year-end to ensure that interest is appropriately calculated for any state still in borrowing status.

### **Program Entity Control Considerations**

Program Entities should establish controls to:

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

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

1. Inspected SOPs and observed the trust fund managers and reviewing trust fund managers process and record state borrowing transactions and determined that the transactions were processed in accordance with the procedures.
2. For a selection of days, inspected the Borrowing Report, ASAP transaction report, and authorized borrowing limits provided by DOL, and determined that the trust fund manager verified that the borrowing was within the authority established by DOL.
3. For a selection of days, inspected the reconciliation of the Borrowing Report to the ASAP transaction report and determined that the reviewing trust fund manager reviewed and approved the reconciliations.
4. For a selection of ASAP transaction reports, inspected a selection of ASAP transaction reports, Borrowing Reports, and the InvestOne accounting system and determined that the borrowings were processed and recorded accurately and in the proper period.
5. For a selection of states 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, inspected the sign-off on the ASAP reports evidencing the trust fund manager's review of accounts to ensure receipts are applied as repayments and determined that the reviews were documented.
7. Inspected documentation of the trust fund manager's review of the borrowing Program Entity account balances at year-end and determined that the trust fund manager reviewed the accounts for the accurate calculation of interest for any state still in borrowing status.

No exceptions noted.

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

## CONTINGENCY PLANNING

### System Back Up

The InvestOne accounting system has a contingency plan managed by the Division of Systems and Program Support (DSPS). There is a formal Division of Federal Investments (DFI) Continuity of Operations Plan (COOP), which is part of a larger COOP for the Office of Public Debt Accounting (OPDA) and the Bureau of the Public Debt (BPD). The Federal Investments Branch (FIB) performs tests on all essential daily InvestOne functions<sup>13</sup>

The Office of Information Technology (OIT) performs backups of the InvestOne accounting system on a regular schedule. OIT retains the backup tapes according to a pre-set schedule<sup>14</sup> at an offsite facility. OIT stores one copy in the production tape library, and the other copy is shipped to an offsite facility. Long-term storage of tapes is provided through a contract with an offsite storage facility. If a backup tape needs to be restored, the request will be made from the DSPS. OIT will then load the backup tape.

### Continuity of Operations

A fire alarm and sprinkler system that is managed, maintained, and tested by the building management protects the data center<sup>15</sup>. Sprinkler heads are located in the ceiling of each room of the buildings. This is a wet pipe (always charged with water) system with individual heads that discharge water.<sup>16</sup>

The DFI Business Continuity Plan calls for resumption of operations and critical applications of essential functions within a pre-set time frame<sup>17</sup>. The InvestOne accounting system has been classified as a critical application.

As part of the DFI COOP Plan, should the facility supporting InvestOne and FedInvest become unavailable, designated Trust Funds Management Branch (TFMB) personnel will relocate<sup>18</sup> to reestablish their daily operations. When applicable, BPD will revert to manual procedures until the mainframe and InvestOne accounting system are fully recovered.

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<sup>13</sup> FIB performs (b) (2) tests on all (b) (2) InvestOne functions at OPDA's contingency site with the support of (b) (2) FIB employees. The focus of these tests is to provide assurances that connectivity can be made and these functions will continue with minimum interruption during any emergency that may occur with or without warning.

<sup>14</sup> OIT uses (b) (2) to perform (b) (2) backups of the system (b) (2). (b) (2) OIT retains the first backup (b) (2).

Alarms are active 24 hours a day, 7 days a week, and are tied in to the local fire department (b) (2) for spontaneous notification

<sup>16</sup> In the event the (b) (2) building, where the InvestOne accounting system is run, becomes inoperable, mainframe operations would be relocated to the BPD contingency facility in accordance with the OIT data center recovery plan. This facility employs a (b) (2) strategy for recovery of mainframe operations. OIT has contracted (b) (2) to provide mainframe equipment for this site.

<sup>17</sup> (b) (2) time frame.

<sup>18</sup> (b) (2) the (b) (2) facility

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



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

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

We have examined the accompanying description of the general computer and trust fund management processing controls related to the Trust Funds Management Branch (TFMB) of the Bureau of the Public Debt (BPD) as of July 31, 2009, and have issued our report thereon dated September 18, 2009. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants, and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to a Program Entities' internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and Program Entities and sub-service organizations applied the controls contemplated in the design of BPD's controls; and (3) such controls had been placed in operation as of July 31, 2009. The control objectives were specified by the management of BPD. Our examination included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

Compliance with laws and regulations applicable to TFMB of BPD is the responsibility of BPD management. As part of obtaining reasonable assurance about whether control structure policies and procedures tested were operating with sufficient effectiveness to achieve the related control objectives during the period from August 1, 2008 to July 31, 2009, we performed tests of BPD's compliance with certain provisions of applicable laws and regulations directly and materially affecting the general computer and trust fund management processing controls. We limited our tests of compliance to these provisions and we did not test compliance with all applicable laws and regulations. The objective of our examination was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

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

KPMG LLP

September 18, 2009