



U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS

Final Audit Report

Subject:

**AUDIT OF THE
U.S. OFFICE OF PERSONNEL MANAGEMENT'S
INTERAGENCY AGREEMENT PROCESS**

Report No. 4A-CF-00-09-014

Date: March 28, 2012

--CAUTION--

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

**AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S
INTERAGENCY AGREEMENT PROCESS**

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A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits

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Office of the
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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

EXECUTIVE SUMMARY

**AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S
INTERAGENCY AGREEMENT PROCESS**

Report No. 4A-CF-00-09-014 Date: March 28, 2012

The Office of the Inspector General has completed a performance audit of the U.S. Office of Personnel Management's (OPM) Interagency Agreement Process. Our main objective was to determine if Interagency Agreements (IA) are being properly executed, monitored, and managed. In order to make this determination, our audit included the following specific objectives: (1) determine if OPM has controls in place to ensure IAs meets the requirements of applicable laws, regulations, procedures, and guidelines and (2) determine if OPM properly manages the financial aspects of its IAs.

Our audit was conducted from February 24, 2011 through November 22, 2011 at OPM headquarters in Washington, D.C. We determined that OPM needs to strengthen controls to ensure that IAs are being properly executed, monitored, and managed. Our audit identified five areas requiring improvement.

A. Financial Management

1. Internal Controls Over Financial Aspects of Interagency Agreements Procedural

Program offices need to improve controls over the financial aspects of IAs when selling goods and services.

B. Interagency Agreement Process

1. Internal Controls Over the Approval of Interagency Agreements – Buyer and Seller Procedural

OPM needs to strengthen controls over the process for preparing and approving IAs, both when OPM is the buyer and when they are the seller.

2. Internal Controls Over Interagency Agreements When OPM is the Buyer Procedural

The office of the Chief Financial Officer needs to strengthen its current policies and procedures when OPM is buying goods/services through IAs.

3. Internal Controls Over Interagency Agreements When OPM is the Seller Procedural

OPM needs to strengthen controls over IAs when OPM is selling goods/services to other federal entities.

4. Record-Keeping Over Interagency Agreements – Buyer and Seller Procedural

OPM does not have adequate controls in place over the record-keeping of IAs, both when OPM is the buyer and when they are the seller.

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
I. INTRODUCTION AND BACKGROUND	1
II. OBJECTIVE, SCOPE, AND METHODOLOGY	3
III. AUDIT FINDINGS AND RECOMMENDATIONS	5
A. Financial Management	
1. Internal Controls Over Financial Aspects of Interagency Agreements	5
B. Interagency Agreement Process	
1. Internal Controls Over the Approval of Interagency Agreements-Buyer and Seller	7
2. Internal Controls over Interagency Agreements When OPM is the Buyer	9
3. Internal Controls over Interagency Agreements When OPM is the Seller	10
4. Record-Keeping Over Interagency Agreements-Buyer and Seller	12
IV. MAJOR CONTRIBUTORS TO THIS REPORT	15
APPENDIX	
OPM’s consolidated response dated March 15, 2012	

I. INTRODUCTION AND BACKGROUND

Introduction

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Interagency Agreement Process. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

Background

An interagency agreement (IA) is a written agreement between federal agencies in which one agency provides goods or services to another agency on a reimbursable basis. In addition, there are agreements that exist between OPM entities, which are called intra-agency agreements. Both types of IAs establish the general terms and conditions that govern the relationship between the requesting (buyer) and servicing (seller) agencies. The IA provides information that is required to demonstrate a bona fide need and authorizes the transfer and obligation of funds. Each IA must contain certain information, such as a description of the goods/services ordered; approval by the appropriate authority; funds citation; and payment provisions. The IA becomes effective when it is signed by authorizing officials of both entities (the buyer and seller).

The OPM Financial Management Manual (FMM) contains a *Guide to Preparing Reimbursable Agreements*, which provides guidance on how to prepare an external agreement when OPM is selling to another agency under the Economy Act (i.e., Advances and Reimbursements). OPM's Revolving Fund (RF) programs have statutory authority to sell specific goods and services to other Federal agencies; however, the FMM does not cover those agreements. The FMM also contains guidance on how to prepare an internal agreement where one part of OPM is buying services from another part of OPM and how to prepare external agreements when OPM is buying goods or services from another agency.

When program offices purchase goods and services through an IA they follow policies and procedures issued by the Office of the Chief Financial Officer's (OCFO) Financial Services (FS) office. As part of FS' responsibilities they issued the following guidance: (1) *RF Work Instructions for Processing Interagency/Intra-Agency agreements – OPM is Buyer*, and (2) *RF Supplemental Work Instructions for Processing Interagency/Intra-Agency Agreements Valued at \$2,500 or Less – OPM Buyer*. FS also issued *RF Work Instructions for Processing Advances and Reimbursement (A&R) Agreements – OPM as the Seller*. A&R agreements are used when OPM is selling unique special services, such as when RF programs are conducting business outside their normal scope of operations. In addition, any OPM program office may be a party to an A&R agreement depending upon their need, or in situations where their resources are needed by another entity.

Facilities, Securities and Contracting (FSC) and FS are responsible for tracking all IAs where OPM is the buyer of services. Both of these program offices use excel spreadsheets to track the agreements. Therefore, any OPM program office that enters into an IA as a buyer of goods or services should appear on both of their logs.

In addition to FS and FSC, we also reviewed IAs for the following program offices, hereafter referred to as the program offices. They each also internally track their IAs when they are the buyer or seller of services:

- Human Resource Services (HRS)
- Federal Investigative Services (FIS)
- Office of the Chief Information Officer (CIO)

II. OBJECTIVE, SCOPE, AND METHODOLOGY

Objectives

The objective of our audit was to determine if OPM's IAs are being properly executed, monitored, and managed.

In order to achieve our primary objective, we determined if OPM:

- has controls in place to ensure IAs meet the requirements of applicable laws, regulations, procedures, and guidance, and
- properly manages the financial aspects of its IAs.

The recommendations included in this final report address these objectives.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit covered fiscal year (FY) 2010 IAs, both where OPM was the buyer and when they were the seller. Our scope covered the following program offices: CIO, FIS, HRS, FSC and OCFO.

We performed our audit fieldwork from February 24, 2011 through November 22, 2011 at OPM headquarters located in Washington D.C.

To accomplish the audit objective noted above, we:

- Sampled and tested IAs to see if program offices are executing IAs according to laws and regulations, and their policies and procedures;
- Reviewed and tested OPM and program office's policies regarding the execution, monitoring, and management of IAs;
- Traced IAs to tracking logs and data entered into OPM's financial system; and
- Interviewed OPM program office representatives, as necessary.

In planning our work and gaining an understanding of the internal controls over OPM's IA process, we considered, but did not rely on, the internal control structure to the extent necessary to develop our audit procedures. These procedures were mainly substantive in nature, although we did gain an understanding of management procedures and controls to the extent necessary to develop our audit objectives. The purpose of our audit was not to provide an opinion on internal

controls, but merely to evaluate controls over the processes that were included in the scope of our audit. Our audit included such tests of IA records and other procedures as we considered necessary under the circumstances. The results of our tests indicate that with respect to the items tested, OPM needs to strengthen controls to ensure that IAs are being properly executed, monitored, and managed.

We sampled IA documentation for review and testing on a random basis. Using the buyer tracking logs provided we selected:

- 5 out of 5 IAs for CIO (includes Enterprise Human Resource Integration (EHRI));
- 9 out of 9 IAs for FIS;
- 7 out of 39 IAs for FSC;
- 16 out of 80 IAs for FS;
- 4 out of 35 IAs for HRS; and
- 32 out of 160 IAs that appeared on both FS and FSC logs.

Using the seller tracking logs provided, we selected:

- 24 out of 120 IAs for FIS;
- 33 out of 164 IAs for CIO; and
- 120 out of 6,976 IAs for HRS.

The results from our samples were not projected to the population.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Financial Management

1. Internal Controls Over Financial Aspects of Interagency Agreements

Program offices, when acting as the seller of goods and services, need to improve controls over the financial aspects of IAs. During our review of IAs and supporting documentation we noted the following:

- Financial information related to the IA in OPM’s financial system is incomplete and/or inaccurate. Data in the system did not always agree to the supporting documentation.
- Program offices do not effectively monitor funds. They do not record and monitor the period of availability of appropriations advanced from agencies and the dates that funds expire.
- Program offices do not consistently record or monitor the date they begin work on the agreements.
- OPM does not effectively monitor IAs to ensure timely close-out so that unneeded funds can be deobligated and used for other projects.

OPM provides minimal guidance when program offices are selling goods/services, as the procedures are limited to approval of an IA. There is no standard guidance that covers the proper recording and fiscal management of agreements.

OMB Circular A-123 (Introduction) states that “Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives.”

The Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* states that, “Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

GAO’s *Standards for Internal Control in the Federal Government* also states that management is responsible for developing control activities, which are the policies, procedures, techniques and mechanisms that enforce management’s directives. “Control activities occur at all levels and functions of an entity and include a wide range of

activities, such as approvals, authorizations, verifications, reconciliations, performance review, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities, as well as appropriate documentation.” Some examples of control activities are: reviews by management at the functional or activity level, controls over information processing, proper execution of transactions and events, access restrictions to and accountability for resources and records, and appropriate documentation. In addition, internal controls should be designed to assure that ongoing monitoring occurs in the course of normal operations. It should be performed continually and ingrained in the agency’s operations.

By not entering the appropriate IA financial data into the Consolidated Business Information System (CBIS), OPM is not capturing important financial details related to executing IAs. This increases the risk of receiving improper payments and using expired funds.

Recommendation 1:

We recommend that OPM develop a reference tool which contains all information necessary regarding how an IA should be created, managed, monitored and closed out.

OPM’s Response:

“We concur with Recommendation 1. As noted in the OIG draft and earlier in this response, OPM is developing two FMM chapters and associated work instructions (procedures) to provide guidance on how IAAs will be created, managed, monitored, and closed-out.”

Recommendation 2:

To help guard against the use of cancelled appropriations, we recommend that OPM electronically record and monitor key information about the period of availability of appropriations advanced to OPM from client agencies. IAs should include the Treasury Account Symbol (TAS) code which indicates the period of availability of appropriations. The expiration date should be included in OPM’s financial management system for tracking purposes.

OPM’s Response:

“We concur with Recommendation 2. As noted previously OPM is working toward adoption of the Treasury standard IAA form, which included the TAS, and issuing guidance on its use. ... As noted in the draft report, OPM is exploring the best way to maintain this data electronically in CBIS. ... OPM will continue to work internally with its partners and with Treasury to ensure it secures and maintains the buying and selling agency TAS/[Business Event Type Code] BETC.”

B. Interagency Agreement Process

1. Internal Controls Over the Approval of Interagency Agreements – Buyer and Seller

OPM needs to improve the process for preparing and approving IAs, both when OPM is the buyer and when they are the seller.

The OCFO's FS office receives the IA package from the program office for review and submission to the CFO or his designate for approval. The package consists of the Executive Routing (Intra only), Executive Summary (Intra only), signed Memorandum of Understanding or Statement of Work, the signed Form 1616, the signed Capital Investment Committee approval (for agreements valued at \$250,000 or more), and copies of the accounting lines and headers tabs of the CBIS requisition. In addition, Contracting, within Facilities, Security and Contracting, follows their *Interagency and Intra-agency Processing Procedures*. For all IAs approved by FSC an IA processing procedures checklist is completed, signed, and dated to verify that the proper documentation and signatures are included before the IA package is sent to CFO for payment.

FS' work instructions provide minimal guidelines on preparing and approving IAs. Many IAs we reviewed were improperly prepared. During our review of IAs and supporting documentation we noted the following:

- IAs did not cite a legal authority or cited the wrong legal authority;
- IAs did not contain the appropriate supporting documentation to support the need for an IA;
- IAs were not approved and signed by the proper official(s) and/or had not been signed by either party to the IA;
- IAs had incomplete funding information, such as the date when funds expire;
- IAs had unclear or undefined termination dates or performance periods. We found instances where IAs did not specify the performance terms and/or an effective date; and
- IAs were signed/dated after the project start date or period of performance had begun.

OPM provides minimal guidance to program offices when they are buying goods/services and they do not provide any official policy or procedures to the RF programs when OPM is the seller.

OMB Circular A-123 (Introduction) states that "Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives."

GAO's *Standards for Internal Control in the Federal Government* states that, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

GAO's *Standards for Internal Control in the Federal Government* also states that management is responsible for developing control activities, which are the policies, procedures, techniques and mechanisms that enforce management's directives. Control activities occur at all levels and functions of an entity and include a wide range of activities, such as approvals, authorizations, verifications, reconciliations, performance review, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities, as well as appropriate documentation. Some examples of control activities are: reviews by management at the functional or activity level, controls over information processing, proper execution of transactions and events, access restrictions to and accountability for resources and records, and appropriate documentation. In addition, internal controls should be designed to assure that ongoing monitoring occurs in the course of normal operations. It should be performed continually and ingrained in the agency's operations.

Errors in preparing and approving IAs may lead to OPM engaging in agreements that are not legally binding and cause OPM and/or customer agencies to violate the Anti-deficiency Act.

Recommendation 3:

We recommend that OPM provide adequate guidance and oversight to program offices to ensure that IAs include appropriate written documentation to prove that the relevant criteria for a binding legal agreement have been met.

OPM's Response:

"We concur with Recommendation 3 which applies to IAAs in which OPM is buyer and seller. As noted previously, OPM will be issuing two new FMM chapters and associated work instructions to help ensure that relevant guidance and criteria are met on OPM IAAs. This guidance will also apply to internal agreements in which OPM is both the buyer and seller of RF services. In addition to policy guidance in the FMM, OCFO has developed a draft work instruction for IAAs in which OPM is the buyer and seller."

Recommendation 4:

We recommend that the OCFO strengthen policies and procedures for preparing and approving IAs to ensure that all IAs are complete, accurate, and constitute binding legal agreements. This could include providing periodic training to staff working with IAs on

how to appropriately accept, process, review and monitor its IAs and maintaining complete, accurate, and easily accessible files for all IAs.

OPM's Response:

“We concur with recommendation 4 which applies to agreements in which OPM is both the buyer and seller. As noted previously, OPM will be issuing two new FMM chapters and associated work instructions to help ensure that relevant guidance and criteria are met on OPM IAAs. This guidance will also apply to internal agreements in which OPM is both the buyer and seller of RF services. Additionally, OCFO has been providing training and guidance to program offices on how to implement the Treasury standard IAA form.”

2. Internal Controls Over Interagency Agreements When OPM is the Buyer

The OCFO needs to strengthen its current policies and procedures when OPM is buying goods/services through IAs. We noted that:

- FS work instructions only take you through setting up and signing the IA; the procedures are incomplete in that there are no standardized steps to guide the program offices from the signing of the IA until an IA ends. The offices we reviewed (HRS, EHRI, CIO, and FIS) all used the procedures issued by FS; however, there may be other program offices that enter into IAs that also use this guidance, even though they are labeled for RFs.
- The FMM that is available to all program offices via THEO is outdated and needs to be revised.

We are unsure as to why the work instructions do not contain procedures for the life cycle of an IA. FS stated that the FMM is no longer pertinent and is superseded by the work instructions that they issued. Due to the volume of FS' work load they have not updated the FMM nor included the work instructions on THEO.

A thorough policy on IAs is a necessary resource for program offices utilizing agreements by providing such information as when an IA is necessary, the level of approval required, ongoing monitoring that should take place, and proper recording of funds.

GAO's *Standards for Internal Control in the Federal Government* states that, “Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

GAO's *Standards for Internal Control in the Federal Government* also states that "management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into [agency operations] and [are] an integral part of the operations." Written policies and procedures are an effective way for management to communicate the internal controls for program transaction cycles and a critical element of a well-defined control environment.

OMB Circular A-123 (Introduction) states that "Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives."

If there is no standard guidance regarding the use, management, and oversight of IAs, there is no assurance that the IA complies with legislative and regulatory authority, meets legislative criteria, or protects OPM's interest. In addition, OPM may not be receiving the best value for its money and funds may be wasted if due diligence is not exercised.

Recommendation 5:

We recommend that the OCFO improve the process for preparing and monitoring IAs by developing and implementing uniform policies, procedures, and guidance for the use, management, and oversight of IAs. The policy should contain all information necessary regarding how IAs should be created, managed, monitored, and closed out to ensure that the IAs achieved their intended results and were completed within the terms of the agreements.

OPM's Response:

"We concur with Recommendation 5 which applies to agreements in which OPM is the buying agency. OPM is issuing two new FMM chapters on the RF and IAA, as well as an associated work instruction for preparing agreements in which OPM is the buying agency. OCFO has also issued a work instruction on project close-outs. OCFO will continue to provide guidance and training to program offices, and OPM will consider amending proposed work instructions or developing new work instructions as the process moves forward."

3. Internal Controls Over Interagency Agreements When OPM is the Seller

OPM needs to strengthen its internal controls over IAs when OPM is selling goods/services to other federal entities. We noted that:

- OPM has no uniform policies and procedures in place to guide program offices in the proper handling of agreements when OPM is the seller. We noted that the offices we reviewed - HRS, EHRI, CIO, and FIS - all used the A&R procedures issued by FS when selling unique special services; however, they each had their

own individual procedures that they follow when they sell goods/services as part of their regular line of business. The procedures, however, were not consistent. For example, FIS has procedures dealing with how to de-obligate unused funds when requested by customer agencies, whereas other program offices do not have procedures to formally closeout projects and resolve remaining funds with the customer.

- The FMM that is available to all program offices via THEO is outdated and needs to be revised.

OPM does not get involved in the review of RF agreements and they do not provide any official policy or procedures to the RF programs; therefore, there is no standard guidance to follow. FS stated that the FMM is no longer pertinent and is superseded by the work instructions that they issued for A&R agreements. Due to the volume of FS' work load they have not updated the FMM nor included the work instructions on THEO.

A thorough policy on IAs is a necessary resource for programs utilizing agreements as it would provide such information as when an IA is necessary, the level of approval required, ongoing monitoring that should take place, and proper recording of funds.

GAO's *Standards for Internal Control in the Federal Government* states that, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

GAO's *Standards for Internal Control in the Federal Government* also states that "management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into [agency operations] and [are] an integral part of the operations." Written policies and procedures are an effective way for management to communicate the internal controls for program transaction cycles and a critical element of a well-defined control environment.

OMB Circular A-123 (Introduction) states that "Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives."

By not having standard guidance for all program offices to follow when they are selling goods/services, the risk that OPM cannot provide a reasonable assurance that program offices are properly recording and managing their agreements from beginning to end is increased. Program offices may execute IAs incorrectly if they rely on outdated guidance. The lack of standard guidance also increases the risk that the IA may not comply with legislative and regulatory authority or protect OPM's interest.

Recommendation 6:

We recommend that OPM form an executive steering committee of representatives from the various program offices within OPM to develop and implement standard policies and procedures for the management and oversight of IAs when OPM is the seller. The policies and procedures should contain all information necessary regarding how an IA should be created, reviewed, approved, managed, monitored and closed out.

OPM's Response:

“OPM concurs with this recommendation and will consider forming an executive steering committee to develop and implement policies for agreements in which OPM is the seller. OPM will also consider using other existing groups, such as the Senior Assessment Board for Internal Control, for this purpose. Additionally, OPM is improving management and oversight of this process by issuing two new FMM chapters on the RF and IAA, as well as an associated work instruction for preparing agreements in which OPM is the selling agency. OCFO has also issued a work instruction on project close-outs. OCFO will continue to provide guidance and training to program offices, and OPM will consider amending proposed work instructions or developing new work instructions as the process moves forward.”

4. Record-Keeping Over Interagency Agreements – Buyer and Seller

OPM does not have adequate controls in place over the record-keeping of IAs, both when OPM is the buyer and when they are the seller. There is no routine oversight to ensure all transactions and documents are accurately recorded and maintained. Based on our review we found instances, discussed below, where documentation was incomplete, inaccurate, or missing.

- We determined that FSC, FS, and the program offices we reviewed have unreliable tracking logs for IAs when they are the buyer. The logs were inaccurate or missing information such as: order numbers, award date, awardee or description of service, interagency agreement number, and agreement amount. In addition, there are no policies and procedures in place to ensure that differences amongst FS, FSC, and program office logs are reconciled.
- We also noted instances of inaccurate or missing information on the seller logs that are maintained by each of the program offices.
- When the program offices are buying and selling, we found instances where documents, such as the Statement of Work; Form 1616/1617; Determination and Findings; and receipt of goods/services, were incomplete or missing from the IA files.

OMB Circular A-123 (Introduction) states that “Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship

of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives.”

GAO’s *Standards for Internal Control in the Federal Government* states that, “Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. ... All documentation and records should be properly managed and maintained.”

GAO’s *Standards for Internal Control in the Federal Government* also states, “Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.”

OPM’s Financial Management Manual states, “Furthermore, when appropriate and required, documents must be prepared and maintained that evidence receipt, inspection, and acceptance of goods and services provided to OPM.”

If tracking logs are not accurate and reliable, there is the possibility that they can impair management’s oversight and monitoring capabilities for IAs. In addition, if IA files lack documentation, OPM cannot provide a complete and accurate record of the agreement and all transaction relating to the agreement. Federal internal control standards require that transactions be properly authorized, executed, recorded timely and documented appropriately. If these internal controls are weak or missing, OPM cannot provide reasonable assurance that it is efficiently using its resources and complying with applicable fiscal laws.

Recommendation 7:

We recommend that FS, FSC, and program office management conduct monthly reviews of their tracking logs to ensure that the information recorded is complete, accurate and reconciled on a regular basis.

OPM’s Response:

“We concur with Recommendation 7. OCFO, FSC and OPM program offices will work to ensure that logs on IAAs are kept complete, accurate and reconcilable.”

Recommendation 8:

We recommend that OPM strengthen its controls to ensure that all documentation related to the IA process is properly stored and maintained.

OPM's Response:

“We concur with Recommendation 8. OCFO, FSC, and OPM program offices will take necessary actions to ensure recordkeeping on IAAs is improved.”

IV. MAJOR CONTRIBUTORS TO THIS REPORT

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415


Chief Financial
Office


MEMORANDUM FOR: MICHAEL ESSER
ASSISTANT INSPECTOR GENERAL FOR AUDITS


[REDACTED]
CHIEF, INTERNAL AUDITS GROUP

FROM: 
DENNIS COLEMAN
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SUBJECT: OIG DRAFT AUDIT REPORT
Audit of the U.S. Office of Personnel Management's FY 2011 Interagency
Agreement Process
Audit Report Number – 4A-CF-00-09-014, dated February 13, 2012

Thank you for the opportunity to respond to your review of OPM's Inter Agency Agreement process (IAA), including internal OPM agreements. Improving the control environment for OPM's Revolving Fund (RF) programs is an important priority for our offices and we are firmly committed to this priority.

As noted in our detailed response that follows, the Office of the Chief Financial Officer (OCFO) has been working closely with our Revolving Fund (RF) programs to adopt the standard Treasury IAA form for all OPM activity (including internal agreements). Adopting the standard IAA form will help ensure that vital information, including the buying agency's Treasury Account Symbol (TAS), is obtained and maintained for all RF activity. Additionally, OCFO, in coordination, with the program offices, is adding two new chapters to the OPM Financial Management Manual (FMM). These chapters, on the

OPM RF and the IAA process, will help ensure that OPM follows relevant legal guidance on RF activity. This guidance will include the most recent 2011 memorandum from OPM's Office of General Counsel on RF activity. That memorandum included specific guidance on the appropriate use of funds received from other Federal agencies and OPM believes it has been following that guidance since issued.

In addition to overall OPM policy and guidance to be issued in the OPM FMM, the OCFO is developing specific work instructions consistent with the draft FMM chapters. These include instructions on initiating projects and agreements and project close-out procedures. Additionally, Human Resources Services (HRS) Division has developed work instructions for its Vendor Management Branch program which is one of OPM's largest RF activities. The Facilities, Security and Contracting (FSC) organization has developed a checklist to ensure that contract files for IAAs are complete. OPM will continue to ensure that procedures are kept up-to-date and that new procedures are adopted as needed.

As you know, issuing policies and procedures is an important first step but implementation of those policies and procedures requires continued oversight. In that light, OPM's Internal Oversight and Compliance organization and the CFO's Policy and Internal Control (PIC) group will be conducting a review in FY 2012 of the Vendor Management Branch program in HRS. This review will include an assessment of the OCFO and HRS policies and procedures, and the extent to which they have been implemented.

We also wanted to note that the OCFO and Federal Investigative Services (FIS) Division are fully engaged in the Treasury pilot project to utilize the Internet Payment Platform—a web-based electronic inter-agency agreement solution. This shows OPM is serious about moving forward with the standardized IAA. However, we caution that the use of a standard IAA is not yet mandatory government-wide and therefore full use of the standard IAA, which captures important data such as the TAS, may be a few years away. This includes FIS' largest trading partner, the Department of Defense. Finally, we recognize that all programs can benefit from external evaluations, and therefore your audit is an important facet to improving our RF programs. We concur with all of your recommendations and have begun corrective actions as detailed below. We look forward to working with your office to resolve these issues.

Responses to the individual recommendations follow:

Recommendation 1

We recommend that OPM develop a reference tool which contains all information necessary regarding how an IA should be created, managed, monitored, and close-out.

Response to Recommendation 1

We concur with Recommendation 1. As noted in the OIG draft and earlier in this response, OPM is developing two FMM chapters and associated work instructions (procedures) to provide guidance on how IAAs will be created, managed, monitored, and closed-out.

Recommendation 2

To help guard against the use of cancelled appropriations, we recommend that OPM electronically record and monitor key information about the period of availability of appropriations advanced to OPM from client agencies. IAAs should include the Treasury Account Symbol (TAS) code which indicates the period of availability of appropriations. The expiration date should be included in OPM's financial management system for tracking purposes.

Response to Recommendation 2

We concur with Recommendation 2. As noted previously OPM is working toward adoption of the Treasury standard IAA form, which included the TAS, and issuing guidance on its use. Implementation of the standard form has begun for OPM RF programs and OCFO has provided guidance and training on its use. As noted in the draft report, OPM is exploring the best way to maintain this data electronically in CBIS. Treasury's current Intra-Governmental Payment and Collection System (IPAC) system does not require the use of the TAS or Business Event Type Code (BETC). However, the Government-Wide Accounting Modernization Project (GWAMP) plans to complete modifications to Treasury systems to require and capture the TAS/BETC at the transaction level by December 31, 2012. OPM will continue to work internally with its partners and with Treasury to ensure it secures and maintains the buying and selling agency TAS/BETC.

Recommendation 3

We recommend that OPM provide adequate guidance and oversight to the programs to ensure that IAAs include appropriate written documentation to prove that the relevant criteria have been met.

Response to Recommendation 3

We concur with Recommendation 3 which applies to IAAs in which OPM is buyer and seller. As noted previously, OPM will be issuing two new FMM chapters and associated work instructions to help ensure that relevant guidance and criteria are met on OPM IAAs. This guidance will also apply to internal agreements in which OPM is both the buyer and seller of RF services. In addition to policy guidance in the FMM, OCFO has developed a draft work instruction for IAAs in which OPM is the buyer and seller.

Recommendation 4

We recommend that the CFO strengthen policies and procedures for preparing and approving IAs to ensure that all IAs are complete, accurate, and constitute binding legal agreements. This could include providing periodic training to staff involved in accepting, processing, managing, and overseeing IAs on how to appropriately accept, process, review, and monitor IAs and maintaining complete, accurate, and easily accessible files for all IAs.

Response to Recommendation 4

We concur with recommendation 4 which applies to agreements in which OPM is both the buyer and seller. As noted previously, OPM will be issuing two new FMM chapters and associated work instructions to help ensure that relevant guidance and criteria are met on OPM IAAs. This guidance will also apply to internal agreements in which OPM is both the buyer and seller of RF services. Additionally, OCFO has been providing training and guidance to program offices on how to implement the Treasury standard IAA form.

Recommendation 5

We recommend that the office of the CFO improve the process for preparing and monitoring IAs by developing and implementing uniform policies, procedures and guidance for the use, management, and oversight of IAs. The policy should contain all information necessary regarding how an IA should be created, managed, monitored, and closed out to ensure that the IA achieved its intended results and were completed within the terms of the agreement.

Response to Recommendation 5

We concur with Recommendation 5 which applies to agreements in which OPM is the buying agency. OPM is issuing two new FMM chapters on the RF and IAA, as well as an associated work instruction for preparing agreements in which OPM is the buying agency. OCFO has also issued a work instruction on project close-outs. OCFO will continue to provide guidance and training to program offices, and OPM will consider amending proposed work instructions or developing new work instructions as the process moves forward.

Recommendation 6

We recommend that OPM form an executive steering committee of representatives from the various offices within OPM to develop and implement standard policies and procedures for the management, and oversight of IAs when OPM is the seller. The policies and procedures should contain all information necessary regarding how an IA should be created, reviewed, approved, managed, monitored and closed-out.

Response to Recommendation 6

OPM concurs with this recommendation and will consider forming an executive steering committee to develop and implement policies for agreements in which OPM is the seller. OPM will also consider using other existing groups, such as the Senior Assessment Board for Internal Control, for this purpose. Additionally, OPM is improving management and oversight of this process by issuing two new FMM chapters on the RF and IAA, as well as an associated work instruction for preparing agreements in which OPM is the selling agency. OCFO has also issued a work instruction on project close-outs. OCFO will continue to provide guidance and training to program offices, and OPM will consider amending proposed work instructions or developing new work instructions as the process moves forward.

Recommendation 7

We recommend that FS (OCFO's Financial Services organization), FSC, and program office management conduct monthly reviews of their tracking logs to ensure that the information recorded is complete, accurate and reconcilable.

Response to Recommendation 7

We concur with Recommendation 7. OCFO, FSC and OPM program offices will work to ensure that logs on IAAs are kept complete, accurate and reconcilable.

Recommendation 8

We recommend that OPM strengthen its controls to ensure that all documentation related to the IA process is properly stored and maintained.

Response to Recommendation 8

We concur with Recommendation 8. OCFO, FSC, and OPM program offices will take necessary actions to ensure recordkeeping on IAAs is improved.