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**U.S. Office of Personnel Management  
Office of the Inspector General  
Office of Audits**

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# **Final Audit Report**

**Audit of the U.S. Office of Personnel  
Management's Check Receipt  
Process in Trust Funds**

**Report Number 4A-CF-00-20-035  
September 30, 2021**

# Executive Summary

Audit of the U.S. Office Of Personnel Management’s Check Receipt Process in Trust Funds

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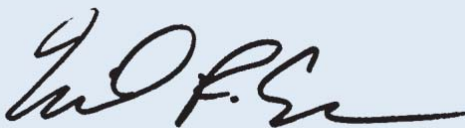
September 30, 2021

## Why Did We Conduct the Audit?

The objectives of our audit were to determine if the U.S Office of Personnel Management’s (OPM) Office of the Chief Financial Officer’s (OCFO) Trust Funds Management office (TFM) is: (1) timely processing the receipt of funds; (2) following policies and procedures related to the check receipt process; and (3) adhering to OPM and OCFO’s internal teleworking and Personally Identifiable Information (PII) handling procedures.

## What Did We Audit?

The Office of the Inspector General completed a performance audit of OPM’s check receipt process in Trust Funds and teleworking and PII handling procedures that govern the process. Our audit was conducted virtually from November 3, 2020, through April 29, 2021.



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## What Did We Find?

We determined that the TFM has approved telework agreements in place for all employees who work within the check receipt process. However, we identified three areas where the OCFO’s internal controls over the check receipt process and PII handling procedures should be strengthened. Specifically:

1. The TFM did not follow all procedures related to their check receipt process.
2. TFM employees do not properly track documentation containing PII in accordance with their procedures.
3. We were unable to determine if the TFM processed receipt of funds within seven business days from receipt.

# Abbreviations

<b>CDA</b>	<b>Certificate of Deposit Worksheet and Accounting</b>
<b>CSRDF</b>	<b>Civil Service Retirement and Disability Fund</b>
<b>CSRS</b>	<b>Civil Service Retirement System</b>
<b>FEGLI</b>	<b>Federal Employees' Group Life Insurance</b>
<b>FERS</b>	<b>Federal Employees Retirement System</b>
<b>GAO</b>	<b>U.S. Government Accountability Office</b>
<b>OCFO</b>	<b>Office of the Chief Financial Officer</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>OTCnet</b>	<b>Over the Counter Channel</b>
<b>PII</b>	<b>Personally Identifiable Information</b>
<b>TFM</b>	<b>Trust Funds Management</b>

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# I. Background

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) Check Receipt Process in Trust Funds. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended. This is the first audit conducted on OPM's check receipt process in Trust Funds by the OIG.

The Office of the Chief Financial Officer's (OCFO) Trust Funds Management office (TFM) is responsible for administering accounting functions relating to check processing for the Federal Employees Health Benefits Fund, Federal Employees' Life Insurance Fund, and the Civil Service Retirement and Disability Fund (CSRDF)<sup>1</sup>, (collectively known as the Trust Funds).

The check receipt process in the Trust Funds is performed in accordance with Title 5, United States Code Part III, Subpart G – Insurance and Annuities:

- §8714 - Federal Employees' Life Insurance Fund
- §8909 - Federal Employees Health Benefits Fund
- §8348 - Civil Service Retirement and Disability Fund

## **Check Receipt Process in Trust Funds**

The TFM receives check remittances from current Federal employees, retirees and survivors, financial institutions, and Federal and non-Federal agencies daily. The checks, which come in the form of personal checks, cashier's checks, or money orders, are a method of collecting monies for the CSRDF, the Federal Employees Health Benefits, the Retired Employees Health Benefits, and the Federal Employees' Group Life Insurance (FEGLI) funds.

The types of checks received are:

- Recertification – Payment received from an individual for deposit into the CSRDF for a duplicate payment the customer received, a stale dated annuity check (received by the TFM after the check void date) received from an individual requiring reissuance by OPM, or a payment sent by personal check for a duplicate payment received from the Government.

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<sup>1</sup> Most of the civilian Federal workforce is covered by one of two retirement systems: (1) the Civil Service Retirement System (CSRS) for individuals hired before 1984 or (2) the Federal Employees Retirement System (FERS) for individuals hired in 1984 or later. FERS annuities are fully funded by the sum of employee and employer contributions and interest earned by the Treasury bonds held by the CSRDF. The Federal Government makes supplemental payments into the CSRDF on behalf of employees covered by the CSRS because employee and agency contributions and interest earnings do not meet the full cost of the benefits earned by employees covered by that system.

- Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment – Payment received from an agency for deposit into the CSRDF for Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment processing costs.
- Service Credit – Deposit/redeposit payment received from a current Federal employee under the CSRS or FERS. The TFM records the payment amount and process date in OPM’s Service Credit Redeposit Deposit web access system.
- Annuity Service Credit – Deposit payment received from a retired CSRS or FERS employee prior to final adjudication of their annuity. The TFM records the payment amount and process date in OPM’s Document Case Control System.
- Voluntary Contributions – Deposit payment received from a current CSRS employee to purchase an additional annuity. The TFM records the payment amount and process date in the web accessed Automated Voluntary Contribution System.
- Reclamations (1184) – Payment received from an individual, financial institution, or agency for return to the CSRDF for an annuity overpayment that was issued to a deceased retired or survivor annuitant. The TFM records the payment amount and process date in OPM’s Accounting Control File System.
- Debt Collection – Payment received from an individual, retiree, institution, or agency to repay a debt owed to one of the Trust Funds managed by OPM. The TFM records the payment amount and process date in OPM’s Federal Financial System.
- Manual Repay – Payment received from an individual or agency through an established agreement to repay a debt owed to one of the Trust Funds managed by OPM. The TFM records the payment amount and process date in OPM’s Document Case Control System.
- Flexible Spending Account – Payment received from an agency for deposit into the Flexible Spending Account fund for reserve account and administrative fees on behalf of their employees enrolled in the Federal Flexible Spending Account Program.
- Contingency Reserve – Payment received from an individual or carrier for deposit into the Federal Employees Health Benefits fund because of an audit finding, a fraud recovery, or a letter of credit adjustment.
- Retired Employees Health Benefits – Payment received from a Federal employee and/or survivor for deposit into the Retired Employees Health Benefits fund for a Federal employee that retired prior to June 30, 1960.
- Escheatment – Payment received from an insurance company for deposit into the FEGLI fund because the beneficiary could not be located.

- Direct Pay Life Insurance – Payment received from a CSRS or FERS retiree for deposit into the FEGLI fund. TFM records the payment amount and process date in OPM’s Annuity Roll Payment System.
- Standard Form 2812: *Report of Withholdings and Contributions* – Payment received from an agency payroll office for deposit into the Trust Funds for Federal employees’ withholdings and contributions for retirement, health, and life insurance.

Checks may be mailed to OPM’s Headquarters or to two post office boxes in Washington, D.C. All checks mailed to OPM are received first by the OPM mailroom and then delivered to the TFM. In some instances, other OPM departments may receive a check directly and must hand-carry the check to the TFM for processing. In addition, checks that are sent to OPM’s Retirement Operations Center in Boyers, Pennsylvania are forwarded to the TFM. An individual submitting a check to OPM also has the option to hand-deliver checks to OPM’s Headquarters. All checks received by the TFM are recorded in the *Check Received Log* Excel spreadsheet prior to being scanned through the Over-the-Counter Channel (OTCnet)<sup>2</sup> system for processing.

Once the check is entered on the *Check Received Log*, the remaining procedures within the check receipt process are summarized as follows:

1. If necessary, make a photocopy of any supporting documentation sent with the payment to return to the customer or forward to other OPM offices.
2. Review information on the check to ensure OTCnet criteria is met prior to electronic processing.
3. OTCnet Processing: Scan checks through the OTCnet for electronic processing and a Financial Management Specialist manually enters the last name from the check and associated *Certificate of Deposit Worksheet and Accounting Summary*<sup>3</sup> (CDA) number.
4. Manually calculate and print a *Batch Tape*<sup>4</sup> for each check amount by payment type.

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<sup>2</sup> The OTCnet is a web-based application that offers Federal agencies flexible solutions to streamline management and reporting of payment transactions and deposits. OTCnet provides an all-in-one platform to automate deposit and payment processes, simplifying the classification of Treasury collections.

<sup>3</sup> The CDA is an internal TFM document, generated by a Financial Management Specialist, summarizing checks processed by accounting symbol, check type, and grand totals. This document is then forwarded and used by the TFM’s Accountants to post in OPM’s Federal Financial System.

<sup>4</sup> The *Batch Tape* is used by a Financial Management Specialist for reconciliation purposes to ensure that each check was manually recorded and compared to checks processed within OTCnet. Prior to March 16, 2020 (pre COVID-19 pandemic), *Batch Tape* preparation consisted of a Financial Management Specialist separating checks by check type and manually entering checks into a printing calculator and recording the check type grand total at the bottom of the printout. Since the aforementioned date (post COVID-19 pandemic), *Batch Tape* preparation consists of a Financial Management Specialist separating checks by check type and manually entering each check into an Excel spreadsheet recording the check type grand total in different columns.

5. Print OTCnet *Batch List*<sup>5</sup> report for all checks processed.
6. Reconcile *Batch Tape* and OTCnet *Batch List report* and remediate any discrepancies.
7. Prepare the *CDA* daily for the checks that were processed.
8. Log into the Treasury's Collection Information Repository and review OPM's Treasury General Account credits for checks processed the previous day.
9. If necessary, void checks that were unable to be processed.

A *Debit Voucher* (Standard Form-5515) is received from Treasury for any payment that could not be settled through the payer's financial institution. Next, the payment is reversed in OPM's Federal Financial System, and a reversal is recorded in the *Check Received Log* Excel spreadsheet for the original payment.

The TFM also processes over-the-phone credit card payments via Pay.gov<sup>6</sup> for customers that need assistance making their Service Credit, Voluntary Contributions, Direct Pay Life Insurance, or other payment types by phone.

According to the *Office of the Chief Financial Officer's Service Level Agreement Metrics Performance*, the TFM is responsible for processing receipt of funds within seven business days from receipt. TFM personnel stated that some checks are held for research, which include receipt of funds that require more than seven business days to research.

### **Teleworking and Personally Identifiable Information (PII) Handling**

The *U. S. Office of Management and Budget Memorandum 17-12* defines PII as, "Information that can be used to distinguish or trace an individual's identity, either alone or when combined with other information that is linked or linkable to a specific individual." Also, "Many things can be used to distinguish or trace an individual's identity and therefore this definition is necessarily broad." Some PII is more sensitive and the loss of this PII can result in substantial harm to individuals, including identity theft or other fraudulent use of the information.

As a rule, OCFO employees should not physically remove sensitive PII or other sensitive information from an OPM onsite location. However, in circumstances where it is necessary to do so (e.g., telework due to the COVID-19 pandemic) for an authorized purpose, OCFO employees must receive a supervisor's approval. All eight individuals within the TFM's check receipt process were approved to telework. Beginning on March 16, 2020, the OCFO required

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<sup>5</sup> Upon completion of OTCnet processing, a Financial Management Specialist downloads the *OTCnet Batch List* report containing a detailed listing of all checks processed within the specific batch.

<sup>6</sup> Pay.gov is a program of the U.S. Department of the Treasury, Bureau of the Fiscal Service, used to make and manage online payments to many, but not all, United States Government agencies.



employees in telework status who have supervisory approval to physically remove documents containing PII from an OPM location to adhere to the following procedures:

1. Prior to removing any documents from the OPM worksite, the employee will make a list of all the documents that will be removed and provide the list to their supervisor to ensure accountability of all documents. The list should be comprehensive enough to identify the individuals whose PII they contain and the type of PII (e.g., name, address, social security number, financial account number, retirement account number) so that appropriate steps can be taken in the event the documents are inadvertently lost or stolen. Where feasible, a copy of the documents may be made and maintained securely at the OPM worksite.
2. All documents must be kept in an enclosed and locked container provided by the OCFO when transporting the documents to and from alternate worksites. The container should not be labeled in any way that indicates that it contains PII or sensitive information. Open hand carrying of documents or carrying in a non OPM-issued container is not permitted.
3. Documents and laptop computers may not be left unattended in a private vehicle or other conveyance at any time.
4. Once at the telework site, the information must be maintained in a controlled environment where no others have access, including family members.
5. When the work has been completed, the documents must be placed in an OPM-issued locked container until they are returned to the worksite. When the documents are returned to the worksite, the supervisor should compare the returned documents to the list or copy that was made at the time of removal and confirm that all removed documents were returned. Any copies that were made of removed documents can be destroyed by placing in a secure disposal container once that confirmation is complete.
6. If an employee becomes aware of a theft or loss of PII, they are required to immediately inform their OPM supervisor and OPM's Security Monitoring Center – regardless of the time or day of the week and cooperate fully with any investigation into the theft or loss. The Security Monitoring Center is available 24 hours per day, 365 days a year.

# II. Objectives, Scope, and Methodology

## Objectives

The objectives of our audit were to determine if the TFM is:

- Timely processing the receipt of funds;
- Following policies and procedures related to the check receipt process; and
- Adhering to OPM and OCFO's internal teleworking and PII handling procedures.

The recommendations included in this final report address the 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. These 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 performed our audit fieldwork virtually from November 3, 2019, to April 29, 2021. The scope of our audit covered:

- *Check Received Log* Excel spreadsheets and check processing dates for all checks received by the TFM from October 1, 2019, to September 30, 2020;
- Policies and procedures governing PII during March 16, 2020, to September 30, 2020;
- Telework agreements for all check receipt process employees within the TFM; and
- All checks received and related PII data that were removed and returned to the OPM worksite from March 16, 2020, to September 30, 2020.

To accomplish the audit objectives noted above, we:

- Interviewed TFM personnel;
- Reviewed policies regarding the storage, security, and transmission of PII;
- Reviewed policies for reporting incidents including the loss or compromise of PII;
- Evaluated the timeliness of processing the receipt of funds;
- Tested telework agreements to ensure supervisors approved staff telework agreements;

- Sampled and tested checks and related PII data removed and returned to the OPM worksite to determine if they were transported in accordance with the OCFO PII policies and procedures;
- Sampled and tested checks received to determine if they were processed in accordance with the OCFO procedures; and
- Evaluated the efficiency of the check receipt process to identify concerns, if any.

In planning our work and gaining an understanding of the internal controls over the check receipt process, we considered, but did not rely on, the TFM’s internal control structure to the extent necessary to develop our audit procedures. These procedures were analytical and substantive in nature. We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. The purpose of our audit was not to provide an opinion on internal controls but merely to evaluate controls over the check receipt process.

Our audit included such tests and analysis of the TFM’s check receipt process, to include a review of procedures and timeliness, as we considered necessary. We also reviewed teleworking and PII handling procedures to be followed by personnel identified in the check receipt process, and other procedures, as we considered necessary. The results of our review indicated that with respect to the items tested, all employees who work in the check receipt process have approved telework agreements in place. However, we noted instances where the OCFO should strengthen controls over its check receipt process and PII handling procedures.

In conducting our audit, we relied to varying degrees on computer-generated data. To assess the reliability of computer-processed data obtained from the OTCnet system, we looked for obvious errors in accuracy and completeness. We did not evaluate the effectiveness of the general application controls over computer-processed performance data.

We selected the following for our testing:

Audit Area	Audit Universe	Sample Size
Check Received Logs	12	12
Telework Agreements	8	8

We also judgmentally<sup>7</sup> selected 71 out of 17,476 checks to determine if the TFM followed their check receipt processing procedures. The samples selected during our review were not statistically based. Consequently, the results from our samples were not projected to the populations tested.

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<sup>7</sup> Judgmentally selected samples based upon the difference in the check receipt process procedures prior to March 16, 2020, (pre COVID-19 pandemic) and procedures completed after the aforementioned date, resulting in 41 checks from January 23, 2020, and 21 checks from July 10, 2020. In addition, judgmentally selected samples based on abnormalities within the *Check Received Log* resulting in nine additional checks selected from FY 2020. These abnormalities include checks missing an amount or high dollar value.

# III. Audit Findings and Recommendations

For the areas below, we determined that the TFM has approved telework agreements in place for all employees who work within the check receipt process. However, we identified three areas, detailed below, in which OPM should strengthen controls over its check receipt process and PII handling procedures.

## 1. Check Receipt Process

We determined that the TFM is not following their check receipt process procedures in all cases. We found the following instances where controls are lacking and/or need to be strengthened.

**Controls over the Check Receipt Process are not always followed and need to be improved.**

1) We judgmentally selected 71 out of 17,476 checks that were received from October 1, 2019, through September 30, 2020, to determine if the TFM followed their check receipt processing procedures. We noted the following:

- Documentation was not provided for 17 of the checks because the TFM did not have access to copies of the documentation that was returned to the customer or forwarded to other offices. As a result, we could not determine if checks were processed in accordance with applicable OCFO procedures.

The OCFO's *Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)*, instructs the Financial Management Specialist to “[make] a photocopy of any supporting documentation sent with the payment to forward to other offices.” The TFM stated that they no longer have access to their CHECKLOG system, which was used to store copies of checks returned to customers and supporting documentation forwarded to other OPM offices. The Office of the Chief Information Officer informed the TFM that they would no longer be supporting the system and the TFM would no longer have access. The TFM did not make backup copies of the data that was stored in CHECKLOG prior to it being shut down.

- For the remaining 54 checks, we determined that the processing of 5 checks followed all procedures within the check receipt process and the processing of 49 checks included one or more exceptions within the check receipt process as noted below.

Procedural Exceptions	Applicable Checks*
Batch Tape Preparation	40
OTCnet Batch List Report Preparation	12
CDA Preparation	16
Treasury General Account Review	54

\*The results for each exception are independent of each other. Details of our results regarding each exception were provided to the TFM separately from this report.

The *OCFO's Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)* states that each Financial Management Specialist must “[calculate] and [print] a batch tape for each check amount by payment type. ... [calculate] and [print] a batch total tape [‘OTCnet Batch List report’] for all checks scanned through OTCnet system, [and] ... Verify the Check Log batch total tape with OTCnet batch total tape [‘OTCnet Batch List report’] for a match ... [and] Resolve any discrepancies... .” The work instruction also states that the primary Financial Management Specialist must “[prepare] a CDA worksheet using the batch tape totals from all other [financial management specialists] ... [and] Send the CDA worksheet to Accounting ... .” Lastly, the primary Financial Management Specialist should “[log] in the Collections Information Repository ... system the next following day to review the amount credited to OPM’s Treasury General Account ... and confirm that it matches the batch totals that were entered the previous day.”

- 2) The *OCFO's Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)* was marked as “draft” and never finalized. We found various instances where the draft work instruction contained outdated and/or incomplete information as it relates to the check receipt process. For example, the work instruction contained outdated position titles that are no longer used in the TFM. Furthermore, the work instruction was missing procedures performed within OTCnet, such as when a Financial Management Specialist processes a check, they must manually enter the last name of the customer and the associated CDA number in the OTCnet user fields. All discrepancies that we found have been communicated to the TFM separately from this report.

We also noted that the TFM does not have a process in place, nor documented guidance, to finalize and update their procedures used in the check receipt process. Not having these controls increases the risk that TFM employees may process check receipts using outdated procedures that are no longer applicable to the process. Training new employees may also be a challenge, as the written work instruction does not match the actual process.

- 3) The TFM does not log over-the-phone credit card payments that they make on Pay.gov on behalf of customers that need assistance. As a result, we were unable to test these transactions to determine if procedures for these transactions were being followed.

Once payments are entered into Pay.gov, the TFM can run a report that shows all transactions that were entered into the system. However, all transactions appear as though they were completed by the customer, even the ones entered by the TFM on behalf of the customer. The TFM does not track the transactions (e.g., date and time of transaction, customer name, payment amount) that they enter on behalf of the customer.

The OCFO's *Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)* instructs the TFM to “[obtain] credit card information, payment amount and ... account number from the customer. Log in the pay.gov website. [Select] the credit card payment option to enter the information obtained from the customer.” However, the work instruction does not specifically address documenting the TFM's transaction based on the customer's request. This increases the risk that if a customer disputes a charge, the TFM has no documentation to show that the customer called in and that the TFM processed the credit card payment on behalf of the customer.

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government, Principle 12* states, “Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.”

The *Standards, Principle 10 – Design Control Activities*, states, “Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.” Furthermore, *Principle 10* also states, “Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. ‘Transactions’ tends to be associated with financial processes (e.g., payables transactions), while ‘activities’ is more generally applied to operational or compliance processes. For the purposes of this standard, ‘transactions’ covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications,

reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.”

### **Recommendation 1**

We recommend that the OCFO update and finalize *OCFO’s Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)* to ensure it is accurate and contains all requirements governing the TFM’s check receipt process.

#### **OCFO’s Response:**

**“Concur. OCFO is currently updating and finalizing the work instruction as noted above. We anticipate finishing this action before the end of the fiscal year.”**

### **Recommendation 2**

We recommend that the OCFO create and implement written procedures to ensure that over-the-phone pay.gov transactions created by TFM employees are properly tracked and recorded.

#### **OCFO’s Response:**

**“Concur. OPM is currently updating and finalizing the work instruction. As of August 2021, OCFO/TFM created a tracking log and implemented procedures to record and track over-the-phone pay.gov (credit card) payments processed on the behalf of the customer.”**

### **Recommendation 3**

We recommend that the OCFO implement periodic supervisory reviews throughout the check receipt process to ensure that the TFM staff are adhering to applicable policies and procedures.

#### **OCFO’s Response:**

**“Partially concur. OCFO/TFM performs periodic supervisory reviews throughout the check receipt process. The Certificate of Deposit worksheets are signed by supervisor/team lead, which indicates all support documentation has been reviewed and verified. OCFO will continue to conduct periodic supervisory reviews to ensure the TFM staff are adhering to applicable policies and procedures.”**

#### **OIG Comments:**

Based on the samples we reviewed, there was no documentation that supervisory reviews occurred, as stated in the OCFO’s response. In addition, the “Certificate of Deposit worksheets” we sampled and reviewed were signed by the preparer of the worksheet but not the supervisor/team lead.



## Recommendation 4

We recommend that the OCFO establish and implement internal controls to ensure that completion of check receipt procedures is properly documented and maintained.

### OCFO's Response:

**“Concur. OCFO/TFM has strengthened internal controls to ensure documents are properly maintained electronically on the P drive.”**

## 2. Teleworking and Personally Identifiable Information Handling Procedures

We determined that the TFM employees do not properly track documentation containing PII in accordance with their procedures. The TFM employees utilize a printout of the monthly *Check Received Log* to serve as the required list of all documents that are removed from and returned to the OPM worksite. Based on our review, we found the following weaknesses regarding the handling of PII:

**There are control weaknesses related to the handling of PII**

- The TFM staff stated that a supervisor is supposed to review the listing (*Check Received Log* and documentation containing PII prior to removal from the OPM worksite to the alternate worksite; however, they were unable to provide documentation to support that supervisory reviews were completed. In addition, we propose that their written procedures be updated to accurately reflect the TFM's intent to have a review of the list, prior to the removal of PII, take place. Currently, the procedures only state that “the employee will make a list of all documents that will be removed and provide the list to their supervisor ... .”
- There is no documentation to support that the supervisor compared the returned documents to the list and confirmed that all removed documents were returned to the office. The TFM stated that the supervisor does not review the listing or documentation when it is returned to the OPM worksite.

*The Office of the Chief Financial Officer Financial Services Teleworking and PII Handling Procedures* states, “Prior to removing any documents from OPM worksite, the employee will make a list of all documents that will be removed and provide the list to their supervisor to ensure accountability of all documents. The list should be comprehensive enough to identify the individuals whose PII they contain and the type of PII (e.g., name, address, Social Security number, financial account number, retirement account number) so that appropriate steps can be taken in the event the documents are inadvertently lost or stolen.” The procedures also state, “When the documents are returned to the worksite, the supervisor should compare the returned documents to the list or copy that was made at the time of removal and confirm that all removed documents were returned.”

Not properly ensuring that PII removed by employees from OPM worksites to alternate worksites is returned increases the risk that documents that are lost or stolen would go unnoticed. This may result in substantial harm to individuals, including identity theft or other fraudulent use of their information.

### **Recommendation 5**

We recommend that the OCFO implement internal controls to ensure supervisory and/or independent reviews are conducted, documented, and retained when employees remove and return PII from and to the OPM worksite. The reviews and retention of supporting documentation should be in accordance with OCFO's PII handling procedures.

#### **OCFO's Response:**

**“Partially concur. OCFO/TFM agrees that controls are needed on the return of documents. Effective August 2021, TFM strengthened the process associated with returning documents to OPM worksite. This involves a manager going onsite to review the return checks. The update is aligned with OCFO's PII handling procedures. However, we do not agree with the removal of documents, we believe internal controls are sufficient concerning the removal of documents from OPM's worksite. We have internal controls in place to ensure supervisory and/or independent reviews are conducted, documented, and retained concerning the removal of these documents.”**

#### **OIG Comments:**

As noted in our finding, the TFM staff stated that a supervisor is supposed to review the listing *Check Received Log*) and documentation containing PII prior to removal from the OPM worksite to the alternate worksite. However, during our audit we did not receive documentation to support that this type of review occurred. The OCFO should ensure that these reviews are documented if this step will continue to be a part of their PII handling procedures.

### **Recommendation 6**

We recommend that the OCFO update their PII handling procedures to reflect all requirements that must be followed when removing PII from the OPM worksite.

#### **OCFO's Response:**

**“Partially concur. OCFO/TFM agrees that the information logged should align with the PII handling procedures. TFM has updated the PII handling procedures to reflect requirements that must be followed when removing PII from OPM's worksite. However, OCFO does not agree that there is a weakness with the removal of PII data from OPM worksite. Controls are in place when PII data is being removed.”**

## OIG Comments:

The OCFO did not provide their updated PII handling procedures. Therefore, the corrective action will be addressed during the audit resolution process.

### 3. Receipt of Funds Processing Timeliness and Tracking

The TFM has a timeliness metric (seven business days) established to process the receipt of funds. However, we were unable to determine if the TFM processed all funds within seven business days from receipt. We analyzed all 12 monthly *Check Received Logs*, from October 1, 2019, through September 30, 2020, to determine the processing time for all 17,476 checks received.

**We were unable to determine the timely processing for the Receipt of Funds due to incomplete and inaccurate data.**

The TFM uses data recorded in their *Check Received Logs*, the headings from which are shown below, to determine if they met their timeliness target. The “Received Date” and “Process Date” are used in calculating the TFM’s timeliness metric.

Date Received	Date Logged	Check From	Check Date	Check #	Amount	Claim/Annuitant No.	Method of DropOff	Reconciled Date	Received Date	Process Date	Processor	Within 3 business days?	Notes
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Source: TFM Monthly *Check Received Logs*.

We found the following instances where the *Check Received Logs* were incomplete and inaccurate, therefore affecting our ability to determine the time it took the TFM to process checks.

- The “Received Date” (coded gray) which is the date that the Financial Management Specialist receives the check from the Management Assistant and is the start date that the TFM uses for the timeliness metric, was not recorded for 11,766 out of 17,476 checks (approximately 67 percent).
- The “Process Date” (coded gray) was missing for 13,505 out of 17,476 checks (approximately 77 percent). The individual responsible for entering this information transferred to a new position and a replacement was not designated, resulting in the processing date not being captured on the *Logs*.
- For the 3,971 checks, out of 17,476, which included a “Process Date” shown on the logs, we could not determine if the timeliness target was met due to discrepancies with the dates that were manually entered on the logs. For example, the “Process Date” included dates manually entered as “12/12/20019” and “12/17/20179”. In addition, there was an instance of the “Process Date” occurring before the “Date Received” (coded blue).

We also noted that the “Date Received” (coded blue), which was entered by a Management Assistant, and the “Received Date” (coded gray), which was entered by a Financial Management Specialist, represented different dates. The TFM stated that the date recorded by the Management Assistant represented the date that the TFM received the check; however, the date recorded by the Financial Management Specialist represented the date that the check was transferred from the Management Assistant to the Financial Management Specialist for processing. Since the *Office of the Chief Financial Officer’s Service Level Agreement Metrics Performance* states a target of seven business days from receipt, having two ‘received’ dates, with different meanings, on the log may cause confusion when calculating the timeliness metric. The TFM stated that the seven-day benchmark starts when the check is transferred from the Management Assistant to the Financial Management Specialist, notated as “Received Date” (coded gray) and not the day that the TFM receives the check, “Date Received” (coded blue). The OCFO’s work instruction provides no clarity regarding which received date should be used and the service level agreement also is not clear on which receipt date to use, therefore leaving it up to interpretation.

We were informed that workload issues pertaining to logging checks and checks received needing additional research may cause the target not to be met; however, these exceptions are not noted on the logs. Those exceptions should be noted on the logs or elsewhere to help the TFM identify outliers or to determine how those exceptions can be processed in a timelier fashion.

If the OCFO’s intent is to calculate the timeliness metric beginning from the transfer of checks received by the Management Assistant to the Financial Management Specialist, this methodology does not truly report on how long it takes the TFM to process the receipt of funds. To obtain an accurate depiction of the time required to process the receipt of funds, the TFM should calculate the check receipt process from beginning (receipt of the check) to end. Using the latter method, the TFM can determine if the check receipt process is efficient and identify any lags in the process. The service level agreement and work instruction should be very clear as to how the timeliness calculation is determined and to specifically state which data elements from the logs should be used. Changing the name of the fields and defining the fields on the logs would also lower the risk of confusion as to what each date field represents.

By not properly capturing the check received and processing dates on the monthly *Check Received Logs*, the TFM is unable to accurately measure their performance regarding processing the receipt of funds. This metric serves as a tool for the OCFO to measure, report, and monitor performance of the TFM, and without complete and accurate data, they will be unable to accomplish this.

GAO’s *Standards for Internal Control in the Federal Government, principle 10 - Design Control Activities*, advises that management “design control activities in response to the entity’s objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks. ... [and] clearly documents internal

control ... in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

Furthermore, *Principle 10* also states, “Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. ‘Transactions’ tends to be associated with financial processes (e.g., payables transactions), while ‘activities’ is more generally applied to operational or compliance processes. For the purposes of this standard, ‘transactions’ covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.”

Additionally, *Principle 10* states, “Management designs control activities in response to the entity’s objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks ... [and] clearly documents internal control ... The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

### **Recommendation 7**

We recommend that the OCFO implement controls to ensure that the TFM is capturing all relevant information that is needed to measure the timeliness of the check receipt process. At a minimum, but not limited to, controls should ensure that the information entered on the *Check Received Logs*, or any other tools that may be used, are reviewed for completeness and accuracy.

#### **OCFO’s Response:**

**“Concur. OCFO/ TFM updated the Check Receipt Log in June 2021 to include verified date for checks. This is the date that will be used to randomly measure timeliness of the check receipt process. OCFO/TFM will update its work instruction/policies and implement to ensure TFM captures all relevant information needed to measure the timeline of the check receipt process.”**

### **Recommendation 8**

We recommend that the OCFO update their work instructions and service level agreement to clearly state the methodology and data elements that should be used in tracking their timeliness metric.

**OCFO's Response:**

**“Concur. OCFO is currently updating the work instructions and SLA to clearly state the methodology and data elements that should be used in tracking the timeliness metric. TFM updated the Check Receipt Log in June 2021 to include verified date for checks. This is the date that will be used to ensure we are able to select a random sample to measure the timeliness of the check receipt process.”**

**Recommendation 9**

We recommend that the OCFO allocate sufficient resources to ensure that all tasks associated with the check receipt process can be completed accurately and timely.

**OCFO's Response:**

**“Concur. As a part of Trust Fund Modernization, On-Line Bill Payment (OLBP) was implemented in January 2021 to reduce the number of checks being received in the office, thus also reducing the resources needed to ensure that all tasks associated with the check receipt process can be completed accurately and timely. In addition to current resources, OCFO is seeking alternative options to ensure that all tasks associated with the check receipt process is efficient and streamlined.”**

# Appendix

August 19, 2021

Memorandum for: Nicole Brown-Fennel  
Chief, Internal Audits Group

From: Sherri D. Jordan **SHERRI JORDAN** Digitally signed by SHERRI JORDAN  
Date: 2021.08.20 08:25:39 -04'00'  
Associate Chief Financial Officer

Subject: Management Response to the Draft Audit Report on the  
U.S. Office of Personnel Management's Check Receipt  
Process in Trust Funds (Report No. 4A-CF-00-20-035)

Thank you for providing OPM the opportunity to respond to the Office of the Inspector General (OIG) draft report, Audit of the U.S. Office of Personnel Management's Check Receipt Process in Trust Funds, 4A-CF-00-20-035.

Responses to your recommendations including planned corrective actions, as appropriate, are provided below.

**Recommendation 1:** We recommend that Office of Chief Financial Officer (OCFO) update and finalize *OCFO's Work Instruction – Non-2812 Daily Cash Receipts (Hardcopy Checks)* to ensure it is accurate and contains all requirements governing Trust Funds Management's (TFM) check receipt process.

**Management Response:**

**Concur.** OCFO is currently updating and finalizing the work instruction as noted above. We anticipate finishing this action before the end of the fiscal year.

**Recommendation 2:** We recommend that OCFO create and implement written procedures to ensure that over-the-phone pay.gov transactions created by TFM employees are properly tracked and recorded

**Management Response:**

**Concur.** OPM is currently updating and finalizing the work instruction. As of August 2021, OCFO/TFM created a tracking log and implemented procedures to record and track over-the-phone pay.gov (credit card) payments processed on the behalf of the customer.

**Recommendation 3:** We recommend that OCFO implement periodic supervisory reviews throughout the check receipt process to ensure that TFM staff are adhering to applicable policies and procedures.

**Management Response:**

**Partially concur.** OCFO/TFM performs periodic supervisory reviews throughout the check receipt process. The Certificate of Deposit worksheets are signed by supervisor/team lead, which indicates all support documentation has been reviewed and verified.

OCFO will continue to conduct periodic supervisory reviews to ensure the TFM staff are adhering to applicable policies and procedures.

**Recommendation 4:** We recommend that OCFO establish and implement internal controls to ensure that completion of check receipt procedures is properly documented and maintained.

**Management Response:**

**Concur.** OCFO/TFM has strengthened internal controls to ensure documents are properly maintained electronically on the P drive.

**Recommendation 5:** We recommend OCFO implement internal controls to ensure supervisory and/or independent reviews are conducted, documented, and retained, when employees remove and return PII from and to the OPM worksite. The reviews and retention of supporting documentation should be in accordance with OCFO's PII handling procedures.

**Management Response:**

**Partially concur.** OCFO/TFM agrees that controls are needed on the return of documents. Effective August 2021, TFM strengthened the process associated with returning documents to OPM worksite. This involves a manager going onsite to review the return checks. The update is aligned with OCFO's PII handling procedures.

However, we do not agree with the removal of documents, we believe internal controls are sufficient concerning the removal of documents from OPM's worksite. We have internal controls in place to ensure supervisory and/or independent reviews are conducted, documented, and retained concerning the removal of these documents.



**Recommendation 6:** We recommend that OCFO update their Personally Identifiable Information (PII) handling procedures to reflect all requirements that must be followed when removing PII from OPM's worksite.

**Management Response:**

**Partially concur.** OCFO/TFM agrees that the information logged should align with the PII handling procedures. TFM has updated the PII handling procedures to reflect requirements that must be followed when removing PII from OPM's worksite.

However, OCFO does not agree that there is a weakness with the removal of PII data from OPM worksite. Controls are in place when PII data is being removed.

**Recommendation 7:** We recommend that OCFO implement controls to ensure that TFM is capturing all relevant information that is needed to measure the timeliness of the check receipt process. At a minimum, but not limited to, controls should ensure that the information entered on the *Check Received Logs*, or any other tools that may be used, are reviewed for completeness and accuracy.

**Management Response:**

**Concur.** OCFO/TFM updated the Check Receipt Log in June 2021 to include verified date for checks. This is the date that will be used to randomly measure timeliness of the check receipt process. OCFO/TFM will update its work instruction/polices and implement to ensure TFM captures all relevant information needed to measure the timeline of the check receipt process.

**Recommendation 8:** We recommend that OCFO update their work instructions and Service Level Agreement (SLA) to clearly state the methodology and data elements that should be used in tracking their timeliness metric.

**Management Response:**

**Concur.** OCFO is currently updating the work instructions and SLA to clearly state the methodology and data elements that should be used in tracking the timeliness metric.

TFM updated the Check Receipt Log in June 2021 to include verified date for checks. This is the date that will be used to ensure we are able to select a random sample to measure the timeliness of the check receipt process.

**Recommendation 9:** We recommend that OCFO allocate sufficient resources to ensure that all tasks associated with the check receipt process can be completed accurately and timely.

**Management Response:**

**Concur.** As a part of Trust Fund Modernization, On-Line Bill Payment (OLBP) was implemented in January 2021 to reduce the number of checks being received in the office, thus also reducing the resources needed to ensure that all tasks associated with the check receipt process can be completed accurately and timely.

In addition to current resources, OCFO is seeking alternative options to ensure that all tasks associated with the check receipt process is efficient and streamlined.

We appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact Priscilla Holland, 202-606-7993, [Priscilla.Holland@opm.gov](mailto:Priscilla.Holland@opm.gov)

CC:

Janet L. Barnes  
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Chief, Risk, Management, and Internal Controls



# Report Fraud, Waste, and Mismanagement

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