U.S. OFFICE OF PERSONNEL MANAGEMENT

OFFICE OF THE INSPECTOR GENERAL

OFFICE OF AUDITS

Final Audit Report

THE AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S BUDGET OFFICER GROUP

Report Number 2023-IAG-025

October 7, 2024

EXECUTIVE SUMMARY

Audit of the U.S Office of Personnel Management's Budget Officer Group

Why Did We Conduct the Audit?

The objectives of our audit were to determine if the Office of the Chief Financial Officer's (OCFO) Budget Officer Group was following its policies and procedures for the requisition, apportionment and reapportionment, and Interagency Agreement review processes; if appropriated funds were being spent in accordance with applicable laws and guidance; and if funds for apportionments, requested by the U.S. Office of Personnel Management's (OPM) program offices, were within budget allowances and contract limits.

What Did We Audit?

The Office of the Inspector General completed a performance audit of the Budget Officer Group's requisition, apportionment and reapportionment, and Interagency Agreement processes. Our audit fieldwork was conducted from March 28 through July 2, 2024, at OPM's headquarters, located in Washington, D.C.

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for Audits*

What Did We Find?

We determined that the Budget Officer Group is effectively approving requisitions based on *OPM's Requisition Approval in Delphi* process; following the U.S. Office of Management and Budget's (OMB) *Circular No. A-11* for reviewing and processing apportionments and reapportionments; and following the *OPM G-Invoicing Budget Documents Submission Standard Operating Procedures* for Interagency Agreements. In addition, the Budget Officer Group is spending appropriated funds in accordance with applicable laws, and the funds requested by program offices for apportionments were within budget allowances and contract limits. Therefore, we did not issue a draft report and are not making any recommendations.

We identified two areas of improvement that could have a positive impact on the Budget Officer Group's processes. These areas include:

- The OCFO would benefit from creating written internal policies and procedures for the review and approval of apportionment and reapportionment requests that align with OMB *Circular No. A-11*.

- The OCFO would benefit from updating the Standard Operating Procedures to include common exceptions to the Interagency Agreement process.

ABBREVIATIONS

IAA	**Interagency Agreement**
OCFO	**Office of the Chief Financial Officer**
OIG	**Office of the Inspector General**
OMB	**U.S. Office of Management and Budget**
OPM	**U.S. Office of Personnel Management**

TABLE OF CONTENTS

        REPORT FRAUD, WASTE, AND MISMANAGEMENT

I.   BACKGROUND

This final audit report details the conclusions resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Budget Officer Group. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the *Inspector General Act of 1978*, as amended. There were no prior audits completed by our office for the Budget Officer Group.

The Budget and Accounting Act, enacted in 1921, requires the President to coordinate budget requests for all government agencies and send a comprehensive budget to Congress. The budget formally transmits the President's proposals for allocating resources, which Congress considers as it drafts and passes laws affecting spending and receipts. The budget focuses primarily on the budget year which is the upcoming fiscal year for which Congress needs to make appropriations.[1] The Budget and Accounting Act created the Bureau of the Budget, now the U.S. Office of Management and Budget (OMB), to help the President implement these requirements. OMB *Circular No. A-11* provides policy and procedural guidance for the preparation, submission, and execution of the federal budget.

The Budget Officer Group, within OPM's Office of the Chief Financial Officer (OCFO), is responsible for the execution of budgetary operations that are necessary to support OPM's programs and personnel. While the Budget Officer Group is also responsible for performing, advising, and supervising work for all phases of the budget process - formulation, submission to OMB and Congress, and execution - this audit focused on the processes that take place during the execution phase.

The execution phase lasts for a minimum of five fiscal years and encompasses the completion of apportionments and reapportionments, as well as the reporting of outlays. An apportionment pertains to funds appropriated for the upcoming fiscal year and to balances of appropriations made in prior years that remain available for obligation. At the beginning of each fiscal year, and at such other times as necessary, OMB apportions funds by specifying the amount of funds that an agency may use by time period, program, project, or activity to Executive Branch agencies. Throughout the year, agencies hire employees, enter into contracts, etc., in order to carry out their programs, projects, and activities. These actions use up the available funds by obligating the federal government to make outlays[2] immediately or in the future. The reporting and outlay phases last until funds are canceled or until funds are totally disbursed.

In addition to OMB *Circular No. A-11*, the Budget Officer Group operated the budget process in accordance with *OPM's Financial Management Manual Chapter 4- Formulation and Execution,* which sets forth OPM's policies that govern the budget formulation and execution processes, and the *Anti-Deficiency Act,* which states that an officer or employee of the United States

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[1] The legal authority of an agency to incur obligations and to make payments for specified purposes from disbursements by the U.S. Department of Treasury.

[2] The amount, by account, that each agency may obligate the government to pay (budget authority) and estimates of payments.

Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

OPM's Budget Officer monitors the execution of OPM's budget, which includes prioritizing and requesting apportionments and reapportionments, issuing allotments within the limits of apportioned funds, and reporting to OMB on OPM's usage. Additionally, the Budget Officer issues budget allowances to OPM program offices, restricts allowances to the amounts available in the allotment, and issues operating plans consistent with approved allotment levels. The Budget Officer also provides periodic reports on the use and unused balances of allotments and allowances to financial management employees, ensuring that funds are expended within the correct appropriations, business lines, and program activities, without exceeding legal spending limits.

The Budget Officer Group is made up of two teams to manage and oversee the budget processes. The Budget Formulation and Execution Team is responsible for the apportionment, reapportionment, and requisition processes. The Interagency Agreement (IAA) Coordinating/Processing and Special Projects Team is responsible for the IAA process.

Apportionment and Reapportionment Process

An apportionment gives OPM authority to spend the appropriated amount, whether it is pursuant to an appropriations law passed by Congress, or a Continuing Resolution to fund the government at prior year levels. Apportionments are created as obligations from OMB within OMB MAX.[3] By law, an initial apportionment has to be filed with OMB using guidance outlined in OMB *Circular No. A-11*. OPM's Budget Officer submits apportionment requests to OMB for each of OPM's budget accounts by August 21 of each year, or within 10 calendar days after the approval of the appropriations; or whichever is later. Once an apportionment is submitted in OMB MAX, the Budget Officer and budget team receives an automated email confirming that the apportionment or reapportionment was submitted successfully. The Budget Officer Group will receive an automated notification within OMB MAX once OMB has approved the apportionment.

If an appropriations law has not been enacted, an initial apportionment can be incomplete and may not always include the correct apportionment amount. In this case, a reapportionment is submitted to OMB when changes to a previously approved apportionment are required. There is

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[3] A government-wide suite of advanced collaboration, information sharing, data collection, publishing, business intelligence, and authentication tools and services used to facilitate cross-government collaboration and knowledge management.

an automated control within DELPHI[4] that does not allow any apportionment transactions to be executed if there are insufficient funds.

<u>Requisition Process</u>

A requisition is a procurement action to purchase supplies or services. When OPM program offices have purchase requests, they initiate a requisition in PRISM[5] and follow up with an email to the Budget Officer Group. The email is sent out by the requesting OPM program office to the Budget Officer Group for review and approval of the requisition. The Budget Analyst will look in the International Business Machines Modules within PRISM to review and confirm aspects of the request including, but not limited to:

- accounting codes or the Budget Program Activity Code;

- operations plan that was agreed upon prior to the passage of the appropriation passed by Congress or the Continuing Resolution; and

- monthly budgetary data that tracks contract spending to ensure there are sufficient funds.

If the Budget Analyst identifies issues with the requisition request, they will go back to the program office and request corrections/clarifications. Once the Budget Analyst completes their review and identifies no issues, they approve the requisition in PRISM. If a requisition request is over $250,000, a Capital Investment and Information Technology Acquisition Review is required to be attached to the requisition. The Capital Investment and Information Technology Acquisition Review is an online workflow for program offices to request approval. OPM's process requires that the request be signed by OPM's Associate Director of Merit System Accountability and Compliance when OPM is the purchaser of the products or services. Waivers are granted in certain instances where there are significant pass-through costs. Requisition requests for any dollar amount are allowed to fall within a 10 percent threshold of the operating plan and budgeted amount. If it exceeds the 10 percent threshold, the Budget Officer will adjust the request and write a summary report that goes to the Director of OPM who will analyze and determine revisions and cuts, and then send guidance and targets back to the program office. The OCFO does not have the ability to override values or approve requests outside of the budgetary allowance. PRISM will send a notice of funds failure if there are not enough funds, which results in the requesting office resubmitting the request to fall within budgetary limits.

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[4] DELPHI is OPM's financial management system that aids in the management of the agency's financial resources, including management of the general ledger, accounts payable, and purchasing.
[5] PRISM is an IBM system used for approving all requisitions submitted on behalf of outside organizations, processing interagency agreements where OPM is the buyer, and processing baseline IAA agreements received by FAA's Accounts Receivables team where OPM is the seller.

<u>Interagency Agreement Process</u>

An IAA is a written agreement between federal agencies or components of federal agencies to acquire supplies or services as authorized by statute. There are two types of IAAs:

- Buyer/Requesting IAA Orders and
- Seller/Servicing Buyer Initiated Orders/ Seller Facilitated Order.

OPM's Budget Officer Group only handles IAAs where OPM is the buyer, while the Federal Aviation Administration handles the IAAs where OPM is the seller.

The U.S. Department of the Treasury's Bureau of the Fiscal Service issued a mandatory implementation of G-Invoicing for all federal agencies, for orders with a period of performance beginning October 1, 2022, or later. G-Invoicing is a web-based application created to manage intra-governmental buying and selling between two federal agencies through all stages of the IAA. If the IAA was created before the start of October 1, 2022, the U. S. Department of the Treasury's legacy process must be followed. OPM is using both the legacy agreement (Forms 7600A and 7600 B) and G-Invoicing.

The four stages of the IAA process as outlined in *OPM's G-Invoicing Budget Documents Submission Standard Operating Procedures* include:

- creating and agreeing on General Terms and Conditions;
- creating orders;
- completing performance transactions, deliver and/or exchange of goods; and
- completing fund settlements.

OBJECTIVES

The objectives of our audit were to determine if:

- The OCFO was following its policies and procedures for the requisition, apportionment and reapportionment, and IAA review processes.

- Appropriated funds were being spent in accordance with applicable laws and guidance.

- Funds for apportionments requested by program offices exceeded budget allowances and contract limits.

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 required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

We performed our audit fieldwork from March 28 through July 2, 2024, at OPM's headquarters, located in Washington, D.C. The scope of this audit covered:

- Requisitions received by the Budget Officer Group from October 1, 2022, through September 30, 2023;

- Apportionments and reapportionments from October 1, 2022, through September 30, 2023; and

- IAAs with a period of performance beginning October 1, 2022, or later.

To accomplish the audit objectives noted above, we:

- Interviewed Budget Officer Group personnel;

- Reviewed policies and procedures, as well as relevant laws and regulations that govern apportionments and reapportionments, requisitions, and IAAs; and

- Sampled and tested requisitions, apportionments and reapportionment requests, and IAAs.

In planning our work and gaining an understanding of the internal controls over the Budget Officer Group's apportionment, reapportionment, requisition, and IAA processes, we considered, but did not rely on, the Budget Officer Group'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 processes included in the scope of our audit. Our audit included tests and analysis of requisition requests, apportionments, reapportionments, IAAs, and other procedures as we considered necessary under the circumstances.

In conducting our audit, we relied on varying degrees of information extracted from OMB MAX and PRISM. We looked for obvious errors in accuracy and completeness within the reports, interviewed the Budget Officer and Budget Team officials who were knowledgeable about the data, and then we verified the data against supporting documentation. While utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives. We did not evaluate the effectiveness of the general and application controls over computer-processed performance data.

We selected the following samples from our audit universes:

Audit Area	Audit Universe	Total Sample Size	Sample Selection Methodology
Requisitions	10,717	50	Using Microsoft Excel, we randomly selected 50 requisitions received by the Budget Officer Group from October 1, 2022, through September 30, 2023.
Apportionments	24	24	We selected all 24 apportionments/reapportionments for fiscal year 2023(October 1, 2022, through September 30, 2023).
Interagency Agreements	225	20	Using Microsoft Excel, we judgmentally selected 20 IAAs with a period of performance beginning October 1, 2022, or later. The 20 IAAs included one IAA from each of the 19 program offices that had IAA requests and one IAA from a program office that was not listed in the *FY 23* [Fiscal Year 2023] *IAA Tracker*[6].

The samples selected during our review were not statistically based. Consequently, the results from our samples were not projected to the populations.

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[6] An Excel spreadsheet, used by the Budget Officer Group, to internally track all IAA requests for OPM.

III. RESULTS OF THE AUDIT

Our audit showed that the:

- Budget Officer Group is effectively approving requisitions based on *OPM's Requisition Approval in Delphi* process, following OMB *Circular No. A-11* for reviewing and processing apportionments and reapportionments, and following the *OPM G- Invoicing Budget Documents Submission Standard Operating Procedures* for Interagency Agreements.

- Budget Officer Group is spending appropriated funds in accordance with applicable laws.

- Funds for apportionments, requested by program offices, were within budget allowances and contract limits.

Therefore, we did not identify any findings and no corrective actions were necessary. However, during our audit we identified two areas of improvement that we feel could have a positive impact on the Budget Officer Group's processes. The areas that came to our attention include:

Apportionment/Reapportionment Procedures

We tested all 20 fiscal year 2023 apportionments and reapportionments and determined that the OCFO is following OMB *Circular No. A-11*, which includes specific procedures for all government agencies when processing apportionments and reapportionments. We believe that the OCFO would benefit from creating internal policies and procedures for the review and approval of apportionment and reapportionment requests that align with OMB *Circular No. A- 11*. This would allow their office to have specific and readily available policies and procedures that employees could reference, eliminating the risks associated with potential loss of institutional knowledge.

Interagency Agreement Procedures

We tested 20 out of 225 Interagency Agreements with a period of performance beginning October 1, 2022, or later, and determined that the OCFO is following the *OPM G-Invoicing Budget Documents Submission Standard Operating Procedures* for Interagency Agreements. During our review we identified several exceptions that were not noted within the Standard Operating Procedures; however, the OCFO provided documentation to support the deviations from the procedures. While every exception may not be captured in the Standard Operating Procedures, we believe the OCFO would benefit from updating the Standard Operating Procedures to include common exceptions to the IAA process and guidance on documenting and maintaining support for approved exceptions. For example, an approved exception would be when there are changes to the signing authority during the absence of designated personnel. Providing examples of common exceptions would allow the office to have clearly defined scenarios of when exceptions are applicable and increase transparency.

Report No. 2023-IAG-025

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

By Internet: https://oig.opm.gov/contact/hotline

By Phone: Toll Free Number: (877) 499-7295

By Mail: Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, NW
Room 6400
Washington, DC 20415-1100