

Internal Controls Over Confidential Information Collected and Generated During the Application Process

Evaluation Report No. 00-003

March 24, 2000



Office of Inspector General
Office of Congressional Relations and Evaluations

Letter from the Director

Date: March 24, 2000

To: Cindy Medlock
Associate Director, Personnel Services Branch

The Office of Congressional Relations and Evaluations (OCRE) has completed a review of the internal controls over confidentiality of information that is collected and generated during the application process carried out by the Washington Personnel Services Section (WPSS). Our office performed this review at your request.

We met with WPSS management and staff to obtain an understanding of the application process. We developed a flow chart of the process and provided it to WPSS for review and comment. We used the flow chart to review and analyze internal controls over confidential information collected and generated during the application process for Headquarters vacancies. We also met with the Office of Inspector General's (OIG) Human Resources Branch and four other federal agencies that provided some insight on how FDIC could address the issue of maintaining confidentiality of information.

Our review identified control techniques in place and being implemented in WPSS that provide reasonable assurance that the confidentiality of information that is collected and generated during the application process is maintained. In addition to the control techniques already in place, we found that WPSS had taken positive steps during our review to improve the security over confidential information. These steps included:

- ▶ installing office door locks,
- ▶ installing locking file cabinets, and
- ▶ making the staff aware of the importance of protecting confidential information.

As a result of our review, we suggested in a draft of this report that WPSS implement the following steps for continued improvement over the security of confidential information:

- ▶ arrange a security walkthrough with the Division of Administration (DOA), Security Management Section;
- ▶ issue periodic reminders to employees about maintaining confidentiality of information during the application process;
- ▶ establish written procedures to address handling applications for which WPSS employees are eligible to apply;

Letter from the Director

- ▶ ensure that the Vacancy Announcement Tracking System (VATS) replacement has better controls over read, write, delete, and add capabilities;
- ▶ establish a process to ensure that an employee's access to VATS is terminated if he or she no longer requires access to the system; and
- ▶ periodically review the VATS access list to determine only those with a need to know have access to VATS.

The focus of our review was to provide WPSS with information it needs to enhance the confidentiality of information during the application process. Your positive response to our draft report is indicative of management's support and commitment to the implementation of internal controls. To that end, we hope that the above suggestions will assist in WPSS's continuing efforts to protect confidential information. We appreciate the cooperation of your staff throughout our review and look forward to you calling on us again to assist in making improvements to your branch's operations.

Stephen M. Beard
Director, Office of Congressional Relations and Evaluations
Office of Inspector General

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Introduction

Evaluation Request

- ▶ In May 1999, the Associate Director, Personnel Services Branch, Washington (PSB) requested the Office of Congressional Relations and Evaluations (OCRE) to provide assistance with internal controls in her office.
- ▶ On July 8, 1999, OCRE met with the Associate Director, PSB, and staff to discuss the objectives, scope and timeframe for the review.
- ▶ On July 19, 1999, PSB asked, and we agreed, to postpone the review until further notice.
- ▶ On September 27, 1999, we met with PSB to resume the review.

Evaluation Objectives

The objectives of our review were to:

- ▶ review and analyze internal controls over confidentiality of information in the application process; and
- ▶ recommend cost effective improvements to existing controls.

Scope

We met with PSB to discuss the scope of our work. We agreed to:

- ▶ limit our scope to the internal controls over confidential information collected and generated during the application process at Headquarters, and
- ▶ limit our review of the process to the point at which an application is received in the Job Information Center (JIC) through the point at which the application case file (case file) is closed.

Methodology

We performed the following tasks to accomplish our objectives:

- ▶ interviewed Division of Administration (DOA) management and staff, including the Chief of Physical Security;
- ▶ interviewed representatives from our Human Resources Branch and other federal agencies to determine:
 - ▶ how applications are processed, and

Introduction

Methodology continued

- ▶ the controls they had in place to safeguard confidential information.
- ▶ reviewed the DEU Handbook, and FDIC Circular 2110.2, *Merit Promotion Plan*;
- ▶ developed a flow chart of the application process and identified vulnerabilities to confidential information throughout the process and controls in place to safeguard such information and;
- ▶ discussed the Vacancy Announcement Tracking System (VATS) replacement system with PSB staff and performed a walk through of VATS.

We performed our evaluation work from September 1999 through January 2000 in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

Background

Personnel Services Branch and Washington Personnel Services Section

PSB is a branch within DOA, whose mission is to provide FDIC with expert human resource services. As professionals, PSB staff work with employees and management to attract and retain a high quality and diverse work force, maximize work force contributions to achieve business goals, and make FDIC an employer of choice.

WPSS is a section within PSB. WPSS's responsibilities include:

- ▶ providing personnel management services to all Headquarters employees in the areas of staffing, classification, benefits and payroll personnel operations. WPSS also provides these same personnel services to Office of Diversity and Economic Opportunity and Executive Level employees nationwide;
- ▶ administering the Washington Delegated Examining Unit; and
- ▶ administering the JIC, which provides general information and receives and processes employment applications and payroll/personnel forms.

Application Process

One of the primary functions of WPSS is the administration of the application process. The process begins when an FDIC division or office identifies the need to fill a position and ends when the hiring division or office makes a selection and WPSS closes the case file. As discussed earlier, for this review, our scope was limited to the point at which an application is received in the JIC to the point where the case file is closed.

We developed a detailed flow chart of the process based on our interviews with DOA personnel to identify and analyze the internal controls used to protect the confidentiality of information. After we documented the process, a copy of the flow chart was provided to WPSS for its review and comment.

The following is a brief overview of the process we reviewed:

- ▶ The JIC receives job applications.
- ▶ A Personnel Clerk inputs application information such as the applicant's name, social security number and application receipt date, into VATS for tracking the progress of the application.

Background

Application Process continued

- ▶ The vacancy announcement, the application, and all of the documentation necessary to process the announcement are filed in a case file.
- ▶ After the announcement is closed, a Personnel Specialist, with the assistance of a Personnel Assistant, processes the application. This includes:
 - ▶ reviewing the application for basic qualifications,
 - ▶ paneling qualified applicants (if necessary),
 - ▶ preparing a referral package (documentation necessary for the division or office to make a selection, i.e., the announcement, applications and certifications) for the hiring division or office,
 - ▶ reviewing the hiring division's selection to ensure it meets the proper selection criteria, and
 - ▶ processing personnel actions after the selection is made.
- ▶ Once the personnel action is processed, the Personnel Clerk updates VATS and closes out the case file. A closed case file will include: applications, Request for Personnel Action (Form SF-52), position description, job analysis form, vacancy announcement, panel documentation, correspondence, referral package and other miscellaneous documents.
- ▶ The process is generally the same for WPSS positions. However, after the announcement is closed, a Team Leader, who will not have supervisory responsibility for the successful applicant, is responsible for completing the remaining steps in the application process. If, for example, the position was for a team leader or a level above team leader, an individual in another section of PSB will process the application.

Results

Overview

Internal controls are the processes designed to help achieve an organization's goals and objectives. Controls may take the form of policies, procedures, administrative practices, monitoring activities or organizational structure. Without internal controls, an organization may be exposed to adverse consequences.

Our review identified control techniques in place and being implemented in WPSS that provide reasonable assurance that the confidentiality of information is maintained during the application process. The control techniques were assessed and where it appeared to be feasible or cost effective, we made suggestions to enhance them. The results of our review are presented in two parts: (1) a presentation of relevant internal controls and, (2) a discussion of our contacts with other agencies. In the first part, we present the internal control techniques identified and possible situations that could have an adverse impact on WPSS's ability to keep information confidential. The second part summarizes the suggestions provided to us by agency officials for maintaining confidentiality of information during the application process.

Physical Controls

We identified the following control techniques in place when we began our review:

- ▶ Applications are received by the JIC and placed in open boxes (one box for each team) located behind the JIC reception desk to prevent unauthorized access.
- ▶ A Personnel Clerk from each team picks up applications from the JIC several times a day. Any applications in the JIC that have not been picked up by close of business are locked in a file cabinet at night.
- ▶ WPSS workspace is located in a secure area. Card readers, cipher locks and a security post secure the area.
- ▶ Team members are located close to each other and the team file cabinets are located close to the team members. This reduces the need for people and files to travel between floors or buildings, and enables individuals to observe staff or others in the area who could potentially obtain information to which they should not have access.
- ▶ Closed case files are stored in locked file cabinets in the PSB file room. Older case files are sent to Iron Mountain.

Results

Physical Controls continued

During our review, WPSS implemented the following control techniques:

- ▶ WPSS began to store information related to internal WPSS positions in the Team Leaders' offices instead of team file cabinets.
- ▶ WPSS installed locks on the Personnel Specialists' doors and locking file cabinets for Personnel Assistants and Personnel Clerks. Personnel Specialists, Assistants and Clerks are expected to lock confidential information at the end of each day.

We reviewed these physical control techniques and determined that the following potential situations could have an adverse impact on the ability to keep information confidential:

- ▶ Security devices such as card readers and door locks may not work as intended. (See Suggested Improvement #1, pg. 13)
- ▶ Case files, file cabinets and office doors may not be locked while unattended. (See Suggested Improvement #2, pg. 13)

Management and Process Controls

We identified the following control techniques in place when we began our review:

- ▶ The referral package that is sent to the hiring division includes a memo that reminds the selecting official that all lists of eligible candidates and other attachments are to be properly secured.
- ▶ A limited number of people need access to a case file. WPSS is divided into three teams. Each team is responsible for processing applications from assigned divisions. One Personnel Specialist is assigned to a case and is responsible for processing it from beginning to end. There may be exceptions for leave or other workload issues.
- ▶ Guidance for processing applications is provided by the DEU Handbook and the Merit Promotion Plan.

Results

Management and Process Controls continued

During our review, WPSS implemented the following control techniques:

- ▶ The Assistant Director-WPSS sent an electronic mail message to all WPSS staff which:
 - ▶ informed the staff of the installation of door locks and locking file cabinets,
 - ▶ emphasized that employees and applicants have a right to expect extraordinary measures to protect their privacy, and
 - ▶ emphasized to the employees that they are in positions of public trust.
- ▶ WPSS team leaders met with their individual teams to discuss confidentiality issues. Team Leaders will continue to meet with their teams to discuss confidentiality issues on a regular basis.
- ▶ The Associate Director was in the process of reviewing a "clean desk" memo, prepared by the administrative officer for PSB. The "clean desk" memo will define sensitive information and instruct employees on how to protect sensitive information during and after working hours.

We reviewed these management control techniques and determined that the following potential situations could have an adverse impact on the ability to keep information confidential:

- ▶ There is no formal program to emphasize the importance of confidentiality of information to staff. (See Suggested Improvement #2, pg. 13)
- ▶ There are no written procedures for processing applications for WPSS vacancies. (See Suggested Improvement #3, pg. 13)

Information Systems Controls

VATS consists of four modules:

- ▶ vacancy tracking
- ▶ applicant tracking
- ▶ reporting
- ▶ letter generation

Results

Information Systems Controls continued

DOA has met with vendors to discuss requirements of a potential replacement system. The new system is expected to have improved security features, such as enhancing the ability to limit an employee's read, write, add, and delete capabilities. Other controls PSB has requested include:

- ▶ on-line application capability,
- ▶ centralized database,
- ▶ increased letter generating capability, and
- ▶ increased data query capability.

We identified the following control techniques during our review:

- ▶ A password is required to access VATS.
- ▶ The Assistant Director must approve who has access to VATS.
- ▶ The Division of Information Resources Management provides access to VATS based on a request from PSB.
- ▶ DOA completed a review of individuals who have access to VATS in July 1999. Nine employees with access who no longer required it were removed from the access list.

We reviewed these information system control techniques and determined that the following potential situations could have an adverse impact on the ability to keep information confidential:

- ▶ Applicant information for WPSS vacancies is input into VATS while the vacancy is open. This procedure allows WPSS employees to view confidential information about their co-workers who may have applied for the position. (See Suggested Improvement #3, pg. 13)
- ▶ All employees with access to VATS can add, delete, read, and write information in VATS. (See Suggested Improvement #4, pg. 13)
- ▶ There are no formal requirements for an employee's access to VATS be terminated when they move to a different position which no longer requires them to have access to the system. (See Suggested Improvements #5 and #6, pg. 14)

Results

Federal Agency Survey Results

We meet with the following agencies to learn how they maintained the confidentiality of information collected and generated during the application process:

- ▶ Federal Railroad Administration
- ▶ Forest Service
- ▶ Department of Education
- ▶ Federal Highway Administration

The agencies provided information on their application process and we found that:

- ▶ the application process at FDIC was generally the same as the process at other agencies;
- ▶ some agencies are considering automating the job application process; and
- ▶ the agencies we interviewed did not have detailed procedures for processing applications, but use DEU and Merit Promotion Plans as guidance instead.

The agencies provided suggestions to improve the confidentiality of information in FDIC's application process. WPSS has implemented some of the suggestions and should take the others into consideration when taking further steps to improve internal controls over confidential information. The suggestions were to:

- ▶ provide training on the Privacy Act,
- ▶ establish policy for where documents should be stored, and on the importance of confidentiality of the application process,
- ▶ disseminate a message from top management that the improper use of documents will not be tolerated,
- ▶ include maintaining the confidentiality of information in employees' performance standards,
- ▶ avoid issuing policies that may hinder the efficiency of the application process,
- ▶ secure and limit access to case files, and
- ▶ remove staff with potential conflicts of interest from the selection process for vacancies in the personnel office.

Suggested Improvements

Maintaining confidentiality of information collected and generated during the application process and stored once the position has been filled, is a continuous process and should remain a priority. To that end, in addition to the steps WPSS has already taken, we suggested in our draft report that the Associate Director, PSB:

1. Arrange for a security walkthrough with DOA's Physical Security Section to determine whether the physical security measures taken, such as locked filing cabinets, office locks, card readers, and cipher locks, are working as planned.
2. Issue periodic reminders to employees about maintaining confidentiality of information collected and stored as a result of the application process. Some methods may include:
 - ▶ emphasizing document privacy and confidentiality to employees at the beginning, mid-year, and end of each performance plan cycle;
 - ▶ continuing to remind employees about confidentiality through e-mail, posters, team meetings, or training;
 - ▶ addressing confidentiality in WPSS customer service standards; and
 - ▶ reminding JIC staff not to: copy any applications, make lists of individuals who have applied for positions, or disclose any information about the applications to individuals who do not have a need to know.
3. Establish written procedures to address processing applications for which WPSS employees are eligible to apply. The procedures should include:
 - ▶ designating an individual at the appropriate grade level and with supervisory responsibility to process the application, ensuring that there will be no conflicts in processing the application;
 - ▶ having JIC staff take applications directly to the Team Leader or other individual responsible for processing the application;
 - ▶ locking the case file, including all applications, in a Team Leader's office or other designated individual's office responsible for processing the application;
 - ▶ delaying input of application information for WPSS positions into VATS until the announcement is closed; and
 - ▶ forwarding all telephone calls directly to the Team Leader or other designated individual processing the application.
4. Ensure the VATS replacement system has better controls over read, write, delete, and add capabilities.

Suggested Improvements

5. Establish a process to ensure that an employee's access to VATS is terminated if he or she take a different position that no longer requires access.
6. Periodically review the VATS access list to determine only those with a need to know have access to VATS.

Corporation Comments and OIG Evaluation

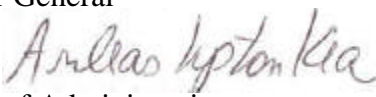
On March 23, 2000, the Director, DOA, provided the Corporation's written response to a draft of this report. DOA generally agreed with our conclusions and suggestions. Appendix I includes DOA's written response. The response indicated that DOA will: (1) schedule a security walkthrough, (2) develop and reinforce guidance on maintaining confidentiality of information, (3) include in an internal standard operating procedure, provisions to address processing internal applications, (4) include in the planned replacement for VATS more stringent user access security, (5) include VATS and its replacement in the quarterly access review process, and (6) establish a process to terminate access to VATS and its replacement. DOA did not believe that WPSS customer service standards were an appropriate place to reinforce to its employees the need for maintaining confidentiality of application information. We accept the basis for DOA's disagreement with our suggestion.

DOA's written response and actions already taken provided the requisites for management decisions on all six suggestions. Attachment II presents management responses to the suggestions in our report and the status of management decisions.

Appendix I: Corporation's Comments

March 23, 2000

MEMORANDUM TO: Stephen M. Beard
Director, Office of Congressional Relations and Evaluations
Office of Inspector General

FROM: Arleas Upton Kea 
Director, Division of Administration

SUBJECT: Management Response to Draft Report: *Internal Controls Over Confidential Information Collected and Generated During the Application Process*

The Division of Administration (DOA) has completed its review of the draft report issued by the Office of the Inspector General (OIG) entitled *Internal Controls Over Confidential Information Collected and Generated During the Application Process*. As noted in the draft report, DOA's Associate Director for Personnel Services requested that OIG review the application process as carried out by the Washington Personnel Services Section (WPSS). DOA appreciates the intensive study performed by the OIG.

We generally agree with the conclusions of the OIG study (exceptions are noted in the responses below) and will move promptly to implement the recommendations in the report. The report provides us with the necessary information to continue our efforts to perform cost effective improvements to existing controls.

Management Decision:

Recommendation 1:

Arrange for a security walkthrough with DOA's Physical Security Section (PSS) to determine whether the physical security measures taken, such as locked filing cabinets, office locks, card readers, and cipher locks, are working as planned.

Management Response 1:

DOA concurs with this recommendation. We will contact PSS to schedule a security walkthrough by April 15, 2000.

Recommendation 2:

Issue periodic reminders to employees about maintaining confidentiality of information collected and stored as a result of the application process. Some methods may include:

- ▶ emphasizing document privacy and confidentiality to employees at the beginning, mid-year, and end of each performance plan cycle;
- ▶ continuing to remind employees about confidentiality through e-mail, posters, team meetings, or training;
- ▶ addressing confidentiality in WPSS customer service standards; and
- ▶ reminding Job Information Center (JIC) staff not to: copy any applications, make lists of individuals who have applied for positions, or disclose any information about the applications to individuals who do not have a need to know.

Management Response 2:

DOA concurs with this recommendation except for the third bullet. Our Customer Service Standards address the efficient and effective delivery of services. We do not feel that this is an appropriate venue to include employee confidentiality.

WPSS will develop guidance incorporating the remaining suggestions by June 30, 2000. In addition, we will reinforce this guidance with employees at pivotal times during the year, including performance discussions.

Recommendation 3:

Establish written procedures to address processing applications for which WPSS employees are eligible to apply. The procedures should include:

- ▶ designating an individual at the appropriate grade level and with supervisory responsibility to process the application, ensuring that there will be no conflicts in processing the application;
- ▶ having JIC staff take applications directly to the Team Leader or other individual responsible for processing the application;
- ▶ locking the case file, including all applications, in a Team Leader's office or other designated individual's office responsible for processing the application;
- ▶ delaying input of application information for WPSS positions into VATS until the announcement is closed; and
- ▶ forwarding all telephone calls directly to the Team Leader or other designated individual processing the application.

Management Response 3:

DOA concurs with this recommendation. As part of the Personnel Services Branch Project Plan, WPSS has already identified the need to develop an internal standard operating procedure to address receipt and control over the application process. We will include provisions to address processing applications for which WPSS employees are eligible to apply. The SOP is scheduled to be complete by June 15, 2000.

Recommendation 4:

Ensure the VATS replacement system has better controls over read, write, delete, and add capabilities.

Management Response 4:

DOA concurs with this recommendation. The features of CERTS (the planned replacement for VATS) which address user access security are more stringent than those of VATS. With CERTS, there will be a much higher level of control over what users can see or act upon. Read, write, delete and add capabilities will be limited to Personnel Services Branch (PSB) users who need to add, modify, and delete records in the system. PSB users who need only to review data and generate reports will only have read access. CERTS is scheduled for implementation by July 31, 2000.

Recommendation 5:

Establish a process to ensure that an employee's access to VATS is terminated if he or she take a different position that no longer requires access.

Management Response 5:

DOA concurs with this recommendation. With CERTS, a PSB systems administrator will control granting access, modifying access privileges, and deleting access to the system. This function will be delegated to its lowest level: a team leader, supervisory personnel manager or another designated person will administer this function. We will also include procedures for the termination of access (to VATS/CERTS) in the SOP referenced in item #3., above.

Recommendation 6:

Periodically review the VATS access list to determine that only those with a need to know have access to VATS.

Management Response 6:

DOA PSB concurs with this recommendation. The Information Systems and Services Section (ISSS) in PSB has established a quarterly review process for PARS users that will be broadened to include VATS/CERTS. Under that process a list of authorized users is provided on a quarterly basis to all servicing personnel offices to review for accuracy. This process will be modified to include VATS/CERTS by April 30, 2000.

If you have any questions regarding the response, our point of contact for this matter is Andrew O. Nickle, Audit Liaison for the Division of Administration. Mr. Nickle can be reached at (202) 942-3190.

cc: Cindy Medlock
Mr. Deshpande

Appendix II: Management Response to Suggestions

This table presents management responses to suggestions in our report and the status of management decisions. Management's written response to our report provided the information for management decisions.

Sugg. Number	Corrective Action: Taken or Planned	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
1	DOA will contact PSS to schedule a security walkthrough.	April 15, 2000	DOA's 3/23/00 response to a draft of this report.	No	Yes
2	DOA will develop guidance for maintaining confidentiality of information. They will also reinforce this guidance with employees at pivotal times during the year, including performance discussions.	June 30, 2000	New Guidance	No	Yes
3	WPSS will include provisions to address processing applications for which WPSS employees are eligible to apply.	June 15, 2000	New SOP	No	Yes
4	With CERTS (the planned replacement for VATS) there will be a much higher level of control over what users can see or act upon. Read, write, delete and add capabilities will be limited to PSB users who need to add, modify, and delete records in the system. PSB users who need only to review	July 31, 2000	DOA's 3/23/00 response to a draft of this report.	No	Yes

Sugg. Number	Corrective Action: Taken or Planned	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
	data and generate reports will only have read access.				
5	With CERTS, a PSB systems administrator will control granting access, modifying access privileges, and deleting access to the system. This function will be delegated to its lowest level: a team leader, supervisory personnel manager or another designated person will administer this function. They will also include procedures for the termination of access (to VATS/CERTS) in the SOP referenced in corrective action number 3.	June 15, 2000	New Guidance	No	Yes
6	The Information Systems and Services Section (ISSS) in PSB has established a quarterly review process for PARS users that will be broadened to include VATS/CERTS. Under that process a list of authorized users is provided on a quarterly basis to all servicing personnel offices to review for accuracy.	April 30, 2000	DOA's 3/23/00 response to a draft of this report.	No	Yes