

NATIONAL CREDIT UNION ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

**Review of NCUA's
Official Personnel Folders**

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EXECUTIVE SUMMARY

Official Personnel Folders (OPFs) contain records that document an individual employee's Federal government employment history. The OPF follows an employee throughout his or her Federal career. The OPFs maintained in many federal agencies, including the National Credit Union Administration (NCUA), are hardcopy (paper) versions. In recent years, Congressional hearings have looked at OPF maintenance and the feasibility of agencies' converting from the current paper OPF system to an electronic system. Some federal agencies have already converted and many others are in the process of doing so. Agencies converting from paper to electronic OPFs can reduce paperwork, storage space, and staff hours to maintain the files. In addition, electronic OPFs may improve the accuracy of files, and provide better access to employees requesting to review their own records.

Due to the importance of OPFs, the current Federal emphasis on protecting Personally Identifiable Information (PII), and the attention to this issue by the Office of Management and Budget (OMB), as part of the President's Management Agenda, the Office of Inspector General (OIG) added this survey review to its 2007 Annual Performance Plan. Our objectives were to determine whether NCUA is accurately maintaining and storing OPFs, and to evaluate the agency's ability to migrate to an electronic OPF system. Our primary office of review was the NCUA Office of Human Resources (OHR).

We Reviewed OPM Requirements and Guidance as well as NCUA OHR Internal Controls

We concluded that the NCUA OHR is aware of OPM's regulatory requirements and guidance for compiling and maintaining OPFs. However, OHR reported that, with the exception of its Physical Security Plan (security plan) which addresses disaster recovery planning, it has no written internal control procedures, such as document checklists or management monitoring reports, to ensure that OHR staff members are fully complying with OPM requirements. We determined that OHR can, by developing its own internal control procedures, ensure that it is better adhering to OPM requirements and guidance and, consequently, ensure the accuracy and completeness of the OPFs it maintains.

We Reviewed NCUA's Maintenance of OPFs and Performed a Sample Review of 30 OPFs

We concluded that OHR could improve its maintenance of OPFs. Specifically, we observed that OHR needs to develop formal internal control procedures to ensure that OHR staff is maintaining OPF documentation in a complete and accurate manner. This is especially important as OHR considers transitioning in the future to an electronic OPF system. During our sample review, we observed that the documentation maintained in OPFs for the past five years was generally complete. However, in this same sample, we found that for the complete time frame of the OPF, over 50% of the OPFs were either incomplete or contained errors. Consequently, our report contains three recommendations for operational improvement.

We Reviewed NCUA Plans and Ability to Transition to Electronic OPF; eOPF; and Image Now
We concluded that NCUA does not now have electronic Official Personnel Folders (OPF) or the current ability to transition to an electronic OPF sanctioned by the Office of Personnel Management (OPM). We observed the OHR is interested in converting to electronic OPFs, and has taken steps to obtain information preparatory to selection of the eOPF system approved by and supported by OPM.

We also determined that NCUA does not have a completed electronic image of OPFs for the purpose of disaster recovery. Our report contains one recommendation for operational improvement in this area.

BACKGROUND

The Official Personnel Folder (OPF) is a file containing records that cover an individual's employment history. Federal agencies, including NCUA, maintain OPFs for federal employees in accordance with Title 5, Code of Federal Regulations, Part 293 as well as OPM's *Guide to Federal Recordkeeping* (Guide). The long-term records included in an OPF protect the legal and financial rights of the Government and the employee. OPFs are part of OPM's system of records under the Privacy Act of 1974, as amended (5 U.S.C. 552a) and OPM, therefore, owns the personnel folder and its contents, even though individual agencies maintain the files for their respective employees. Part 293, the Privacy Act, and OPM's Guide all contain rules for creating, maintaining, using, providing access to, and disposing of the OPF. According to the Guide, certain documents should be filed in an OPF on a permanent basis, some on a temporary basis, and some documents should never be filed in an OPF.

OPM regulations do not require agencies to maintain electronic OPFs. NCUA currently maintains OPFs in hardcopy (paper) form, although it has commenced electronic scanning of personnel action documents with the ImageNow system in the past few years. For the agency to transition to a comprehensive electronic OPF system, NCUA must receive prior approval from OPM of the system it intends to use. OHR is currently evaluating an OPM-approved electronic version, entitled eOPF, offered by OPM.

In addition to the guidance provided by OPM primarily in *The Guide to Personnel Recordkeeping*, the NCUA Office of Human Resources has implemented a Physical Security Plan that is reviewed and updated annually. The security plan names a security officer; and addresses standard operations procedures for the office, and OPF file security. Other guidance is addressed in the agenda and flow-chart for staff training for the Image Now system maintained by the Office of the Chief Information Officer (OCIO). The Image Now system is used by OHR to scan personnel action documents permanently maintained in the OPF. These scanned documents are stored as part of NCUA's disaster recovery backup of the hard copy OPFs.

PURPOSE AND OBJECTIVES

The OIG performed this OPF review because of the importance of the following: (1) the privacy interests inherent in OPFs; (2) the significance of the service performed by OHR in maintaining the OPFs and making them available for viewing by NCUA employees; and (3) OHR's consideration to migrate to a comprehensive electronic OPF system.

Our survey objective was to determine how NCUA is maintaining and storing accurate Official Personnel Files and their ability to migrate to an electronic system. The primary office for the review was OHR.

SCOPE AND METHODOLOGY

We conducted our review of OPFs in June and July 2007. We looked at the requirements for maintaining OPFs and OHR's compliance with those requirements. In this regard, we performed a sampling of individual OPFs and evaluated what we found there. We also looked at the agency's plans for and current progress toward migrating to an electronic OPF system.

To meet our survey objectives we:

1. Identified and performed a limited review of OPM and other legal requirements affecting OPFs;
2. Identified and reviewed OPM and OHR guidance for maintaining OPFs;
3. Interviewed NCUA OHR and OCIO staff members; and
4. Identified and selected for review a random sample of 30 of NCUA's 949 OPFs for completeness and accuracy of information.

This survey work was performed preparatory to performing an audit in this area.

This survey was performed in accordance with Generally Accepted Government Auditing Standards.

RESULTS

OPF Requirements and NCUA Internal Controls

We concluded that while the NCUA OHR is aware of OPM's requirements and guidelines for preparing and maintaining OPFs, it needs to improve its adherence to those requirements. In particular, we found that OHR should ensure that OPF document development, maintenance, safeguarding, and access principles comply with OPM regulations, the Guide, and Privacy Act regulations.

Moreover, we found that OHR needs to develop its own internal control procedures for OPFs that conform to the OPM regulations and the Guide. As reported above, we found that OHR does not have its own internal OPF control procedures, such as document checklists or management monitoring reports. Rather, OHR management informed us that "Requests for Personnel Actions" (SF 52) are reviewed at the time of the action, along with an informal review of the OPF. OHR supervisors informed us that they plan to formalize a more comprehensive OPF review procedure.

With regard to the issue of employee access to his or her OPF, we found that OHR's practice is to: (1) permit the employee to view the original OPF at the OHR offices in the Central Office; or (2) photocopy and send the reproduced OPF to the employee by Federal Express service. We concluded that OHR should ensure that when it develops its internal control procedures, they should address compliance with OPM and Privacy Act requirements governing employee access and privacy

OHR Maintenance of OPFs

We randomly selected for review 30 OPFs from the current directory listing of 949 NCUA employees. The purpose of our sample review was to determine whether the OPFs were complete and accurate with reference to items identified by OPM on their OPF Review checklist. We modified our sample checklist from the OPM-supplied checklist to emphasize the following permanent documents: (1) Notification of Personnel Action forms (SF 50); (2) health insurance, life insurance, and Thrift Savings Plan election forms; and (3) certain other documents. During our sample review, we also looked the status of documents filed in the OPF (permanent versus temporary), and whether the OPF contained prohibited documentation that should not have been filed in the OPF. We observed that in general, the documentation filed within the most recent five year period appeared to be complete.

However, when we looked at documents filed in the sample OPFs for the complete time frame of the OPFs reviewed, we observed that over 50 percent were either incomplete and/or had errors. Incompletions and inaccuracies included missing Standard Form (SF) 50's; SF 50's that were not signed by an appropriate official; documents misfiled or out of chronological order; and OPFs that contained prohibited documents. Specifically, we observed the following: (1) thirty seven percent of the folders contained documents that showed corrections (such as crossed out

information) or that needed corrections; (2) thirty percent of the folders appeared to be lacking at least one SF 50, primarily for pay adjustment actions; (3) twenty seven percent of the folders contained SF 50s not signed by the approving official; (4) twenty three percent of the folders contained documents not properly filed in the folder; and (5) seventeen percent of the folders contained documents not filed in chronological order.

Based upon our sample review and discussions with OHR staff, we made three recommendations.

Recommendation 1

OHR should develop formal OPF internal control procedures. The procedures should address the OHR's compliance with OPM's requirements and guidance for accuracy and completeness of the OPFs.

Management Response

OHR's Division of Staffing, Classification and Pay is drafting various standard operating procedures (SOPs) relating to the maintenance (i.e., accuracy and completeness) of OPFs. In OHR's 2008 budget submission, it has requested \$100,000 for OPF review and clean-up, and evaluation of processing methods.

OIG Response

We agree with the planned corrective action.

Recommendation 2

The internal control procedures should require development of management reports and checklists as needed to monitor OPF activity in the department and to ensure consistency and timeliness in the procedures' application.

Management Response

OHR will develop checklists, in accordance with the guidance outlined in the "*Guide to Personnel Recordkeeping*," which will address managerial oversight and control of the OPF maintenance SOPs referenced above.

OIG Response

We agree with the planned corrective action.

Recommendation 3

OHR should review all NCUA OPFs and make appropriate corrections to ensure that all documentation in every OPF is currently accurate, up-to-date, and ready for migration to an electronic OPF system.

Management Response

OHR plans to perform OPF clean up in compliance with the "*Guide to Personnel Recordkeeping*" as well as for the migration to the electronic OPF format in the next few years.

OIG Response

We agree with the planned corrective action.

NCUA Ability to Transition to Electronic Official Personnel Folders

Based upon our review of OPM requirements and discussions with OHR and OCIO staff, we concluded that NCUA has not yet migrated to an electronic OPF system; nor is it currently able to transition to an electronic system that would meet with OPM's approval. We found that in its tentative exploration of electronic OPF systems, OHR has expressed particular interest in the e-OPF system approved and offered by OPM through an OPM contractor.

As stated previously in this report, OPM does not presently require that agencies maintain, store, and provide access to OPFs electronically. NCUA currently maintains OPFs in paper form. However, consonant with the Federal Government's e-Gov initiatives which advocate a paperless environment, OPM has accepted leadership for five initiatives that fall within the human resources line of business. Under the Enterprise Human Resources Integration (EHRI) initiative, a primary goal is for all agencies to transition from paper to electronic OPFs. The Federal Government believes the elimination of paper OPFs will benefit agencies by achieving significant cost savings due to the reduction/elimination of paper (filing, printing, copying, and mailing), while simultaneously improving accuracy of and accessibility to the folders. This, in turn, would improve the efficiency of agency human resources departments.

Agencies that want to create and maintain electronic versions of the OPF must seek approval from the sponsoring agency. OPM is the sponsoring agency for most of the forms in the OPF. As the sponsoring agency, OPM has established procedures for approving electronic OPF systems.

The eOPF System

The eOPF is an electronic version of hard copy OPFs approved by OPM. The OPM eOPF system houses Federal employees' digitized paper OPFs. In FY 2006, eleven agencies moved to an eOPF module. OPM has developed performance metrics to increase the number of personnel records converted and to increase the number of agencies using eOPF. The metrics are contingent on the agencies' ability to provide funding for their conversions.

In January 2007, OHR began to give serious consideration to e-OPF system. Recently, OHR recommended that NCUA should convert to the eOPF system because it is currently the only OPM-certified system. In addition, NCUA uses the same personnel information collection system as OPM. In reviewing OPM's Strategic and Operational Plan for 2006-2010, OHR identified OPM's goal that, by October 1, 2010, 90 percent of all paper OPFs would be converted to an electronic format. OHR hosted an initial OPM presentation of the eOPF system in May, 2007, and a follow-up presentation in July, 2007. At the July presentation, attendees included representatives from OHR, the Office of the Executive Director (OED), OCIO, and OIG. At that presentation, OPM indicated that 28 agencies or component offices/bureaus of agencies already have or are in the process of transitioning to the eOPF system.

ImageNow

In February 2003, the OHR determined NCUA should have a process in place to image copy certain critical OPF documents to maintain a backup to the OPF in the event of a disaster at NCUA headquarters. The OHR focus in using the imaging was to meet disaster recovery needs. The OCIO researched options for an image-based document management system. A contract was awarded for the ImageNow software system in October 2003. Training on the system was performed in December 2003. System implementation began in January 2004. Initial scanning of documents filed on the right hand side of the OPF (permanent records) was completed for all OPFs in May 2004.

Since May 2004, when OHR first completed electronic imaging of permanent records in the OPFs with the ImageNow system, consistency in scanning documents has fallen off, and electronic versions of some documents—essential for disaster recovery purposes—have not been maintained or are otherwise missing documents. OHR informed us that they are currently scanning documents again, but it still needs to go back and determine the earlier work that was not scanned. Because OHR does not maintain logs or have a formal process in place to determine scanning progress and/or completion, we were unable to determine the extent of missing documents. OHR explained that imaging is not up-to-date because the system was down from January 2005 through April 2005, and those documents that should have been imaged during that time period were not.

OCIO provides trouble-shooting and servicing to OHR for the ImageNow system. Moreover, NCUA recently approved Share Point as an intranet application with an ImageNow plug for implementation in 2007. Other departments and OHR will be able to use the Share Point / ImageNow applications at no cost to them. OCIO indicated it would be possible for OHR to transition from ImageNow to Share Point and ultimately, to transition to an electronic OPF system.

OPM has not certified ImageNow for use as an electronic OPF system. As explained above, NCUA used the ImageNow system to scan permanent records filed in the OPFs (SF 50's) as part of the agency's disaster recovery plan. While the imaged documents are stored electronically on the NCUA computer system, they do not constitute an electronic OPF system.

Recommendation 4

If NCUA plans to continue to use OPF documents scanned into the ImageNow system for disaster recovery purposes, then the OHR should determine what required documents have not been scanned and correct any backlog as soon as possible.

Management Response

ImageNow was experiencing problems from April 2005 through December 2006 and again April 2007 to June 2007. Based on those dates OHR can determine what documents in the OPF that still needs to be scanned and will ensure that these documents are scanned. However, those missing imaged documents would not prevent OHR from reconstructing an OPF. OHR does not solely depend on ImageNow as a source of OPF reconstruction. According to the "Guide to Personnel Recordkeeping" a transcript of service, which is a summary of all personnel actions

processed, serves as the official documentation for OPF reconstruction. OPM maintains these transcripts and provides them to agencies upon request.

OIG Response

We agree with the proposed action to ensure all documents are scanned. We did not question in the report that OPM is the source for reconstruction of OPFs. However, NCUA is utilizing ImageNow for OPFs for its use in disaster recovery. If the images are not up to date then NCUA does not have an adequate system for its COOP. We agree that the action taken to scan the remaining documents will provide the agency with OPF back up for disaster recovery purposes.

APPENDIX A – MANAGEMENT COMMENTS

TO: William DeSarno, Inspector General
Office of the Inspector General

FROM: J. Leonard Skiles, Executive Director /S/

SUBJ: Comment on Draft Report of NCUA’s Official Personnel Folders

DATE: September 21, 2007

This is in response to the draft report entitled “Review of NCUA’s Official Personnel Folders” conducted by your staff in August. The report included recommendations based on a sample review of 30 official personnel folders (OPFs). The Office of Human Resources (OHR) maintains 946 OPFs. The following comments are in response to the recommendations in that report.

Recommendation #1 – *OHR should develop formal OPF control procedures. The procedures should address the OHR’s compliance with OPM’s requirements and guidance for accuracy and completeness of the Off’s.*

OHR’s Division of Staffing, Classification and Pay is drafting various standard operating procedures (SOPs) relating to the maintenance (i.e., accuracy and completeness) of OPFs. In OHR’s 2008 budget submission, it has requested \$100,000 for OPF review and clean-up, and evaluation of processing methods.

Recommendation #2 – *The internal control procedures should require development of management reports and checklists as needed to monitor OPF activity in the department and to ensure consistent and timeliness in the procedures’ application.*

OHR will develop checklists, in accordance with the guidance outlined in the “*Guide to Personnel Recordkeeping*,” which will address managerial oversight and control of the OPF maintenance SOPs referenced above.

Recommendation #3 – *OHR should review all NCUA OPFs and make appropriate corrections to ensure that all documentation in every OPF is currently accurate, up-to-date, and ready for migration to an electronic OPF system.*

OHR plans to perform OPF clean up in compliance with the “*Guide to Personnel Recordkeeping*” as well as for the migration to the electronic OPF format in the next few years.

Recommendation #4 – *If NCUA plans to continue to use OPF documents scanned into the ImageNow system for disaster recovery purposes, then the OHR should determine what required documents have not been scanned and correct any backlog as soon as possible.*

ImageNow was experiencing problems from April 2005 through December 2006 and again April 2007 to June 2007. Based on those dates OHR can determine what documents in the OPF that still needs to be scanned and will ensure that these documents are scanned. However, those missing imaged documents would not prevent OHR from reconstructing an OPF. OHR does not solely depend on ImageNow as a source of OPF reconstruction. According to the “Guide to Personnel Recordkeeping” a transcript of service, which is a summary of all personnel actions processed, serves as the official documentation for OPF reconstruction. OPM maintains these transcripts and provides them to agencies upon request.

OHR staff also reviewed the survey sample. Based on that review OHR found 13, of the 30 OPFs reviewed, not in compliance with the *Guide to Personnel Recordkeeping* and the *Guide to Processing Personnel Actions.* Within the 13 OPFs the following discrepancies were found:

- 1 SF-50 missing
- 8 Prohibited documentation in 2 OPFs
- 11 Misfiled documents in 8 OPFs
- 9 Documents not in chronological order in 3 OPFs
- 3 Unexplained erasures in 3 OPFs
- All personnel actions requiring a signature were signed (Pay adjustments do not require a signature)

Attached is a spreadsheet of those findings based on OHR’s review of the OPFs in the survey. Thank you for the opportunity to comment on your report.

Note: The OIG did not include the spreadsheet in the appendix because it contains personally identifiable information. However, NCUA summarizes the results of the spreadsheet in the bullets above.