BUREAU OF THE PUBLIC DEBT'S COMPLIANCE WITH THE GOVERNMENT PERFORMANCE AND RESULTS ACT

OIG-00-076 MARCH 27, 2000

Office of Inspector General

United States Department of the Treasury

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MAR 27 2000

MEMORANDUM FOR VAN ZECK, COMMISSIONER
BUREAU OF THE PUBLIC DEBT

FROM: Dennis S. Schindel
Assistant Inspector General for Audit

SUBJECT: Final Report on the Audit of the Bureau of the Public Debt's Compliance with the Government Performance and Results Act

This memorandum transmits the final report titled *Audit of the Bureau of the Public Debt's Compliance with the Government Performance and Results Act*. The audit results showed that the Bureau of the Public Debt's (BPD) executive management was diligent in establishing performance goals and measures that reflect an emphasis on customer service and program efficiency. Based on our review of selected performance measures, we found that BPD is meeting, and in many cases exceeding, its established performance measures. Management has established procedures and controls that help ensure the quality of the data used to report on the selected performance measures, nevertheless improvements can be made.

Specifically, we recommended and BPD management agreed to some improvements in the data verification and Results Act reporting aspects of the process. The details on those findings, recommendations, and BPD management's response can be found in the Audit Results section of the report.

We appreciate the courtesies and cooperation provided to our auditors during the review. If you wish to discuss this report, you may contact me at (202) 927-5400, or a member of your staff may contact Maria V. Carmona, Acting Director, Program Audits, at (202) 283-1591.

Attachment

TABLE OF CONTENTS

OVERVIEW 1

BACKGROUND 1

OBJECTIVE, SCOPE, AND METHODOLOGY 2

AUDIT RESULTS

BPD Does Not Coordinate or Monitor the Efforts of the Federal Reserve Banks to the Extent Needed to Ensure Confidence in the Reported Performance Information 4

Improvements Can Be Made in the Quality Review of Savings Bond Transactions to Ensure Data Reliability 5

Improvements Can Be Made in the Quality Review of *TreasuryDirect* Transactions to Ensure Data Reliability 7

Management Should Update the *TreasuryDirect* Payment Verification Procedures and Modify the Reports Used to Measure the Timeliness of Payments 9

APPENDICES

1. **BPD Mission, Goals, and Measures** 12
2. **BPD Organizational Chart** 13
3. **Abbreviations** 14
4. **Management Response** 15
5. **Major Contributors to This Report** 19
6. **Report Distribution** 20

Overview

The Bureau of the Public Debt (BPD) is to be commended for establishing performance goals and measures that reflect an emphasis on customer service and program efficiency. BPD worked diligently to create a Fiscal Year (FY) 1999 Performance Plan that represented the key business operations and their impact on the Nation's investors. Although all of the performance goals and related measures could be considered equal in importance, our audit primarily focused on the data used to measure progress towards achieving 5 of BPD's 10 performance measures. This included reviewing both the automated and manual systems, as well as the source documentation, used to report on the goals and measures mandated by the Government Performance and Results Act (Results Act).

Based on our review of selected performance measures, we found that BPD is meeting, and in some cases exceeding, its established performance measures. Management established procedures and controls that help ensure the quality of the data used to report on the performance measures reviewed. However, we recommended some improvements in the data verification and the Results Act reporting aspects of the process. For example, BPD could strengthen its quality control over the performance measure data it receives from the Federal Reserve Banks on volume sales of savings bonds. We recommended several options on how management can have more confidence in the reported information. We also found that while performance measures established for processing both savings bonds and *TreasuryDirect* transactions were exceeded, stronger quality control over case transaction processing is needed to ensure the correct data elements are reported accurately.

Finally, our audit tests showed that controls over *TreasuryDirect* interest and redemption payments are effective and ensure that payments are made accurately and timely. However, management should modify its reporting methodology to clearly show the results of the timeliness of these securities payments. The written procedures that guide BPD personnel in reconciling these payments should also be updated.

BPD management agreed with our recommendations and has implemented procedures and revised operational practices to address the reported findings. The full text of management's response appears in Appendix 4.

Background

The Results Act requires Federal agencies to more effectively plan, budget, execute, evaluate and account for their programs and activities. Under the Results Act, executive agencies are to prepare strategic plans,

covering a period of at least 5 years forward from the fiscal year in which the plan is submitted that set the general direction for their efforts. Agencies then are to prepare annual performance plans that establish the connections between the long-term goals outlined in the strategic plans and the day-to-day activities of program managers and staff. Finally, the Results Act requires that each agency report annually on the extent to which it is meeting its annual performance goals and on the actions needed to achieve or modify those goals that have not been met.

While the Results Act does not require a specific format for the annual performance plan, it specifies that an agency should:

- Establish performance goals to define the level of performance to be achieved by a program activity;
- Express such goals in an objective, quantifiable, and measurable form;
- Briefly describe the operational processes, skills, and technology, and the human, capital, information, or other resources required to meet the performance goals (commonly referred to as "means and strategies");
- Establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
- Provide a basis for comparing actual program results with the established performance goals; and
- Describe the means to be used to verify and validate measured values.

The Results Act requires each agency to prepare annual reports on program performance for the previous fiscal year. The performance reports are to be issued by March 31 each year, with the first (for FY 1999) to be provided to Congress and to the President by March 31, 2000.

Objective, Scope, and Methodology

The audit assessed the reliability and validity of the data used to determine whether BPD met its performance measures. Specifically, our audit objective was to evaluate whether BPD's information systems regarding performance measures produce data that is reliable and valid.

Initially, we conducted an audit survey of all of BPD's FY 1999 performance goals and related measures. The 3 performance goals and 10 related performance measures are listed in Appendix 1. The survey work involved interviewing and conducting conference calls with the Assistant or Deputy Assistant Commissioners and their staffs in the Offices of Financing, Public Debt Accounting, Savings Bond Operations, and Securities and Accounting Services. We also obtained documentation from these Offices related to the data collection procedures, workflow processes, and reporting mechanisms as they pertained to the data used for the performance measures.

We then reviewed prior audit work and management reviews conducted by our own office, by the General Accounting Office, and by BPD's Program Review Branch to identify any known problem areas and control weaknesses. We also spoke with members of the Treasury Department's Office of Strategic Planning and the Project Leader for Government-wide Results Act Policy at the Office of Management and Budget (OMB). Finally, we solicited input from the Commissioner and Deputy Commissioner with reference to the performance measures.

At the conclusion of the survey phase, we selected five performance measures (# 1, 2, 5, 6, and 7, See Appendix 1) for in-depth audit. The survey and audit phases were conducted between March and August 1999, and included work in BPD's Parkersburg, West Virginia, and headquarters offices. We conducted our fieldwork in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and included such tests as were deemed necessary.

Audit Results

Our review showed that BPD is meeting, and in some cases exceeding, its established performance measures. We found a number of internal controls in place that help ensure the validity and reliability of the data used to evaluate success in achieving the performance measures. However, our audit results indicated that there are some conditions that warrant management's attention. The following section provides the specific details on those conditions and our recommendations to improve the affected operations.

Performance Measure #1: Issue 95 percent of over-the-counter savings bonds in 3 weeks.

Finding 1 BPD Does Not Coordinate or Monitor the Efforts of the Federal Reserve Banks to the Extent Needed to Ensure Confidence in the Reported Performance Information.

The public can purchase savings bonds directly from more than 40,000 financial institution locations throughout the country. As fiscal agents of the United States, the Federal Reserve Banks function as the Federal Government's bank and perform the service of issuing, servicing, and redeeming tens of millions of U.S. savings bonds each year on behalf of the Treasury Department. Five Federal Reserve Bank Savings Bond Processing Sites (Buffalo, Kansas City, Minneapolis, Pittsburgh, and Richmond) track and monitor the purchase, printing, and mailing of Series EE and Series I savings bonds.

The Federal Reserve Banks' objective is to guarantee receipt of over-the-counter savings bonds within 15 business days from the date the purchase order is presented to a financial institution. The banks use automated systems to track the number of business days between the date a customer submits a purchase order and the date the bond is printed and mailed. Each bank submits a monthly report to BPD, where the Office of Savings Bond Operations prepares a summary report to gauge progress against the Results Act performance measure.

At issue with this performance measure is the fact that the entire operational process, and any related success toward achieving the desired performance measure, is performed by the financial institutions and the five Federal Reserve Banks, and not by BPD. From the receipt of a customer's purchase order, to final mailing of the bond to the customer, to the capture of the data that measures the number of days, all stages in this process are entirely outside of the BPD work environment. The only role that BPD plays in this process is in the roll-up of data reported by the five Federal Reserve Banks. That data is then used to measure progress against the Results Act performance measure. BPD does not perform any independent verification, or corroborate the accuracy and completeness of the data sent to it by the Federal Reserve Banks, yet BPD's FY 1999 Performance Plan categorizes the savings bond data as having "reasonable accuracy." BPD relies on whatever controls over data accuracy may exist at the financial institutions or at the Federal Reserve Banks.

OMB Circular A-11, *Preparation and Submission of Budget Estimates,* Part 2, *Preparation and Submission of Strategic Plans and Annual Performance Plans,* does not require agencies to develop an independent

capacity for verifying or validating performance data received from, or based on, sources outside the agency. However, it does stipulate that available information from an outside source regarding the accuracy and reliability of its data should be collected.

We were informed by management within the Office of Savings Bond Operations that it was not their intent to institute a process that would create an additional resource burden resulting from verifying the savings bond data.

Recommendation 1

BPD should incorporate its own verification process to ensure the quality of reported data it receives from the Federal Reserve Banks. Or, in lieu of conducting its own independent verification, BPD should consider requiring submitting entities, in this case the Federal Reserve Banks, to certify as to the accuracy and completeness of data. If neither of these options are established, BPD should consider eliminating or redefining this performance measure. In real terms, this process is a Federal Reserve Bank operation; thus, any success or failure in achieving the performance measure is dependent upon an external entity and not the efforts of BPD.

Management Response

Management agreed with the recommendation. The Savings Bond Functional Group, which is comprised of officials from BPD and the Federal Reserve Banks, meets quarterly to address policy and operational concerns, review program performance, and explore ways of improving efficiency and controlling costs. The BPD will provide instructions to the Federal Reserve Banks to certify the accuracy of their monthly service level performance reports.

Performance Measure #2: Complete 90 percent of customer service transactions in 4 weeks.

Finding 2 Improvements Can Be Made in the Quality Review of Savings Bond Transactions to Ensure Data Reliability.

Savings bonds have been sold for more than 50 years, and the records are maintained in a variety of forms by BPD. Accordingly, a multitude of servicing transactions is necessary to effect changes to, or resolve problems with, bond holder accounts. For example, individuals who need to have savings bonds reissued to reflect new ownership or to replace bonds that have been stolen submit their requests to BPD.

These transactions are processed by BPD's Office of Savings Bond Operations in Parkersburg. The Office is organized into four Divisions: Transactions and Rulings, Accounts and Reconcilements, Data Services, and Staff Services.

One or more of these Divisions can handle the bond holder's request or inquiry. Each Division has separate time frames for completing the various types of transactions, depending upon the nature and complexity of the transaction. However, collectively, the Office of Savings Bond Operations' performance measure is to complete 90 percent of the transactions in 4 weeks, or the equivalent of 20 business days.

To determine if the transaction data relating to receipt and closure dates was being captured accurately, we selected a statistical sample of 213 cases of a total of 3,867 cases closed by the Division of Transactions and Rulings during the week of May 10, 1999. We chose cases closed by this Division because they represented the widest breadth and complexity of customer transactions.

Our review of the sampled case files indicated that the standard for meeting the performance measure was actually exceeded for the 5-day period selected. Our sample data showed that 92 percent of the transactions were completed within 4 weeks. The Transactions and Rulings Division managers have several controls in place to ensure the quality of case processing. First, the Division has classroom, on-the-job, and remedial training for its examiners. New examiners are assigned supervisors and coaches, who ensure that each completed case is reviewed and that feedback is provided. The coaching period continues for 1 year. Coaches remain assigned to examiners as they progress to more difficult transactions, and work with them until a certain level of proficiency is reached.

However, one condition we found concerning the data relating to customer service transaction processing could be improved. Our sample data showed mismatches between the dates noted on source documents in the case transaction files and the dates entered on the Case File Control System. The Case File Control System produces the data that is used to calculate the customer service transaction processing time frames for this performance measure. A review of the file source documents showed that 45 percent of the customer transactions reviewed had variances with either the receipt date, the closure date, or both. The discrepancies resulted in processing time frames that were either shorter or longer than what the Case File Control System identified. While the mismatches do affect consistency and comparability, the mismatched receipt/closure dates did not negatively impact the Office's meeting the performance measure.

The Division conducts a biannual physical inventory of work-in-process and compares the count to the Case File Control System (i.e., the Results Act performance measurement system). If there is a mismatch of 3 percent or less, the Division will accept the count in its Case File Control System as accurate. If there is a disagreement of more than 3 percent, the Division will review the system to identify the discrepancies. However, this inventory control does not verify the accuracy of the receipt and closure date entries.

Although the discrepancies in the dates between the source documents and the Case File Control System in this 1-week sample did not affect the overall performance measurement figures, they do affect data consistency and comparability.

Recommendation 2

The quality review of customer service transaction case files should include a check to ensure that the receipt/closure dates reflected in the case file documentation are accurately recorded in the system that produces Results Act performance data.

Management Response

Management agreed with the recommendation. The Division of Transactions and Rulings in the Savings Bond Operations Office has added a step to their semiannual review to validate the accuracy of the dates used to measure performance.

Performance Measure #5: Complete 90 percent of TreasuryDirect customer service transactions within 3 weeks.

Finding 3 Improvements Can Be Made in the Quality Review of *TreasuryDirect* Transactions to Ensure Data Reliability.

TreasuryDirect is BPD's book-entry system whereby customers buy Treasury securities directly from the Government and hold them in their names, electronically, on Treasury's records. Individual investors can establish a single *TreasuryDirect* account for all marketable Treasury securities with the same ownership and hold all their bills, notes, or bonds in their *TreasuryDirect* account. *TreasuryDirect* provides a centralized database that can be accessed through BPD or from any Federal Reserve Bank.

BPD is responsible for servicing approximately 800,000 *TreasuryDirect* investors. The customer requests can vary from straightforward account changes to complex changes in ownership. BPD's performance measure is to complete 90 percent of *TreasuryDirect* customer service transactions within 3 weeks, or the equivalent of 15 business days. Data used for this measure is captured by the Customer Service Case Tracking System, which tracks transactions from receipt date to the date a response is sent to the investor.

To determine if the transaction data relating to receipt and closure dates was being captured accurately, we reviewed a statistical sample of 120 closed transaction files of the 7,434 transactions that were serviced and closed in April 1999 by the Division of Customer Service within the Office of Securities and Accounting Services. A comparison of the source documents in the sampled files against the receipt and closure dates recorded in the Customer Service Case Tracking System showed mismatches with either the receipt date, the closure date, or both, in 58 percent of the sample cases reviewed. The discrepancies resulted in processing time frames that were either shorter or longer than what the Customer Service Case Tracking System identified.

The tracking system automatically advances to the next business day if a date is key-entered after 2:00 p.m. Allowing for this program date change may drop the mismatch percentage to as low as 43 percent. The exact percentage cannot be determined because the system does not distinguish between cases input after 2:00 p.m. on one day and cases input prior to 2:00 p.m. of the following day. This disparity may have contributed to the discrepancy between the percentage of *TreasuryDirect* account transactions completed within 15 days per the system-generated data versus the source documentation that we analyzed.

The April 1999 Management Information Report, which is produced from the data stored in the computerized tracking system, showed that 99 percent of the *TreasuryDirect* transactions for that month were completed within 15 business days. However, our sample results showed that 91 percent were completed within the performance measure time frame. Although our sample results showed that the Division exceeded the performance standard of completing 90 percent of customer service transactions within 3 weeks, the discrepancies in both the receipt/closure dates and the month-end processed percentage do affect data consistency and comparability.

We were informed that the Division's team leaders perform a quality review of approximately 70 percent of the closed transaction files, but this

does not include a comparison of the source document data against the information recorded in the Customer Service Case Tracking System.

Recommendation 3

The quality review of *TreasuryDirect* customer service transaction case files should include a check to ensure that the receipt/closure dates reflected in the case file documentation are accurately recorded in the system that produces Results Act performance measurement data.

Management Response

Management agreed with the recommendation. The Division of Customer Service has implemented a procedure to randomly review *TreasuryDirect* customer service transaction case files to ensure that the receipt/closure dates reflected in the case file documentation are appropriately recorded in the tracking system according to established procedures.

Performance Measure #6: Make 100 percent of TreasuryDirect interest and redemption payments timely.

Performance Measure #7: Make 99.9 percent of TreasuryDirect interest and redemption payments accurately.

Finding 4 Management Should Update the *TreasuryDirect* Payment Verification Procedures and Modify the Reports Used to Measure the Timeliness of Payments.

These two performance measures address the performance goal to "Provide quality service to investors in Treasury marketable securities." As the custodian of *TreasuryDirect* customers' investments, it is BPD's responsibility to correctly calculate and deliver payments to them. Personnel from the Accounting Integrity Branch, within the Office of Securities and Accounting Services, employ several manual and automated controls to ensure that customers' investment payments are correctly calculated and delivered.

To test the sufficiency of these controls, and ascertain the reliability and validity of the data, we selected a judgmental sample of 20 interest and redemption payments (commonly referred to as CUSIPs – Committee on Uniform Security Identification Procedures). These performance measures are so interrelated that we used the same sample data to perform the audit tests on both measures.

These sampled payments represented a mix of Treasury bills, notes, and bonds whereby periodic interest was paid or the securities had matured. The payments were made in March, April, and May 1999. We reviewed the various system-generated reports that produce the dates and amounts for each of the sampled interest and redemption payments. We also reviewed the manual reconciliation process performed by Branch accountants that serve to verify the accuracy of the payment data being generated by the automated systems.

Our audit test of the 20 CUSIP interest/redemption payments showed that Branch accountants properly reconciled all payments between the *TreasuryDirect* Audit Report and the Public Debt Accounting and Reporting System (PARS). This manual verification process ensures that payments generated by the *TreasuryDirect* system agree with amounts in the general ledger (PARS).

A review of the *TreasuryDirect* Access Book Entry System indicated that all payments had been properly categorized and disbursed. We also noted that there was evidence of supervisory review of the accountants' interest formulas and mathematical calculations.

In conclusion, we found that there are sufficient automated and manual controls in place to ensure that *TreasuryDirect* interest and redemption payments are disbursed accurately and timely. However, there are two conditions that need management's attention. First, the written procedures used by the accountants to verify the timeliness and accuracy of payments are dated. The written procedures that were in use during our onsite audit tests were developed in August 1995 and November 1997. They were also being used to train new accountants. Branch management agreed that the procedures were in need of updating because of the many changes made in the payment process since the procedures were developed. Although the written procedures were comprehensive, various ad hoc supplements were used to reflect the current workflow environment. Branch management assured us that revising the existing procedures has been given top priority.

The second issue warranting management's attention is that there is unclear reporting of Results Act information relating to Performance Measure #6 – *Make 100 percent of TreasuryDirect interest and redemption payments timely*. Currently, a Monthly Information Report is prepared for BPD's senior management. Although this report provides details on the accuracy of the percentage of interest/redemption payments made in a given month, the report language used to describe the timeliness performance measure is misleading.

Management agreed that the report heading, *Report Percent Due During Reporting Month*, is ambiguous in regards to the timeliness issue and a modification will be made to clearly report the percentage of timely payments made in a given month. Aside from the Results Act reporting issue, we found that there are internal processing schedules used by the Accounting Integrity Branch personnel to ensure payment dates are not missed.

Recommendation 4

Management should revise existing written procedures to incorporate changes in the interest/redemption payment verification process.

Recommendation 5

Management should modify the existing Results Act Monthly Information Report to clarify information on the percentage of timely interest and redemption payments made to *TreasuryDirect* customers.

Management Response

Management agreed with both of the recommendations. Procedures related to the verification of the timeliness and accuracy of interest and redemption payments have been updated and are pending final review. Management expects to implement the revised procedures by February 11, 2000. In addition, the Monthly Information Report has been revised to clarify the reporting of timeliness of interest and redemption payments.

BPD MISSION, GOALS, AND MEASURES

Mission Statement

The mission of Public Debt is to borrow the money needed to operate the Federal Government and to account for the resulting debt.

Performance Goals and Measures for FY 1999

Performance Goal: Provide quality service to purchasers of savings bonds.

Performance Measures:

1. *Issue 95 percent of over-the-counter savings bonds in 3 weeks.*
2. *Complete 90 percent of customer service transactions in 4 weeks.*

Performance Goal: Meet the borrowing needs of the Federal Government.

Performance Measures:

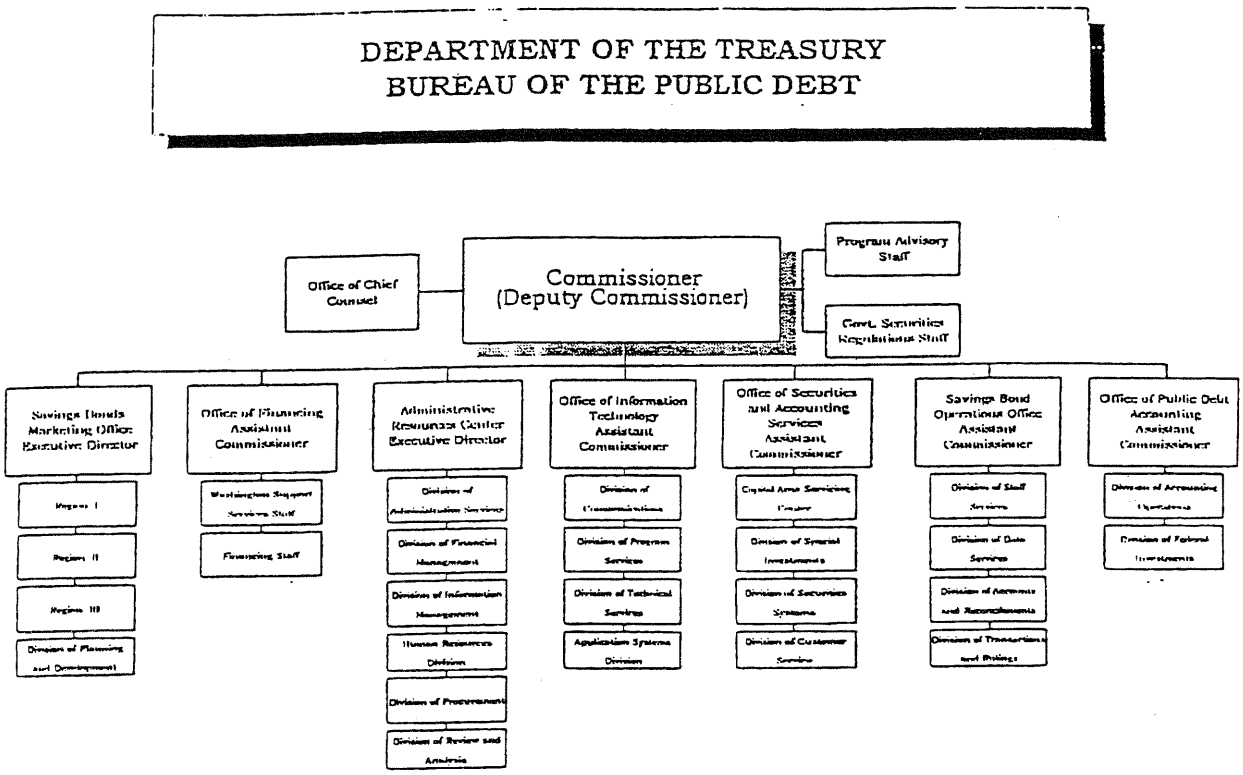
3. *Conduct 100 percent of marketable securities auctions without error.*
4. *Announce auction results within 1 hour 95 percent of the time.*

Performance Goal: Provide quality service to investors in Treasury marketable securities.

Performance Measures:

5. *Complete 90 percent of TreasuryDirect customer service transactions within 3 weeks.*
6. *Make 100 percent of TreasuryDirect interest and redemption payments timely.*
7. *Make 99.9 percent of TreasuryDirect interest and redemption payments accurately.*
8. *Make 100 percent of Commercial Book Entry interest and redemption payments accurately and timely.*
9. *Process 100 percent of Government Securities Investment Program transactions timely.*
10. *Process 99.9 percent of Government Securities Investment Program transactions accurately.*

BPD ORGANIZATIONAL CHART



ABBREVIATIONS

BPD	Bureau of the Public Debt
CUSIPs	Committee on Uniform Security Identification Procedures
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PARS	Public Debt Accounting and Reporting System
Results Act	Government Performance and Results Act
U.S.	United States

MANAGEMENT RESPONSE

DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT
WASHINGTON, DC 20239-0001

January 21, 2000

Dennis S. Schindel
Assistant Inspector General for Audit
Office of the Inspector General
Department of the Treasury
Washington, DC 20220

Mr. Schindel:

Enclosed with this letter is our response to your draft report, "Bureau of the Public Debt's Compliance with the Government Performance and Results Act." We have verbally provided separate technical corrections to the report, including recommendations. We agree with the audit report's recommendations and have provided expected implementation dates as appropriate.

We have also reviewed the draft from a disclosure perspective and have determined that it contains no information that warrants protection under the Freedom of Information Act.

If you have any questions regarding this matter, please do not hesitate to call me at (202) 691-3500.

Sincerely,

Van Zeck
Commissioner

Enclosure

www.publicdebt.treas.gov

MANAGEMENT RESPONSE

Response to the Report,
"Bureau of the Public Debt's Compliance with
the Government Performance and Results Act"

Recommendation 1

BPD should incorporate its own verification process to ensure the quality of reported data it receives from the Federal Reserve Banks. Or, in lieu of conducting its own independent verification, BPD should consider requiring submitting entities, in this case the Federal Reserve Banks, to certify as to the accuracy and completeness of data. If neither of these options are established, BPD should consider eliminating or redefining this performance measure. In real terms, this process is a Federal Reserve Bank operation; thus, any success or failure in achieving the performance measure is dependent upon an external entity and not the efforts of BPD.

Management Response:

Although Federal Reserve Bank processing sites have operational responsibility for issuing over-the-counter bonds, we are responsible for establishing Public Debt's performance goals and for ensuring that they are accurately measured and met. The Savings Bond Functional Group, which is comprised of officials from BPD and the FRBs, meets quarterly to address policy and operational concerns, review program performance, and explore ways of improving efficiency and controlling costs. Modification of Public Debt's automated systems to verify FRB turnaround times would be costly and is not warranted because of our confidence in Federal Reserve systems. At the same time, we are not prepared to eliminate this performance measure because timely issue of savings bonds is key to high quality customer service. We will, however, provide instructions to the FRBs to certify the accuracy of their monthly service level objective performance reports. We will provide these instructions by January 31, 2000.

Recommendation 2

The quality review of customer service transaction case files should include a check to ensure that the receipt/closure dates reflected in the case file documentation are accurately recorded in the system that produces Results Act performance data.

Management Response:

The Division of Transactions and Rulings in the Savings Bond Operations Office is committed to providing timely customer service and adequate internal controls. While we are confident that our case tracking system provides the internal controls necessary for us to accurately track the Results Act performance data, we have added a step to our semiannual review to validate the accuracy of the dates used to measure performance.

MANAGEMENT RESPONSE

Recommendation 3

The quality review of TreasuryDirect customer service transaction case files should include a check to ensure that the receipt/closure dates reflected in the case file documentation are accurately recorded in the system that produces Results Act performance measurement data.

Management Response:

The Office of Securities and Accounting Services has a policy of logging the receipt date of correspondence into the Division of Customer Service Case Tracking System (DCATS) based on when the case is received in that Division. In addition, the tracking system automatically advances to the next business day if a date is key-entered after 2:00 p.m. As a result, the date of receipt or completion may differ from the date on the source documents in the case file. However, the difference in dates would not be substantial, in most cases no more than a day.

For quite some time our Division team leaders have performed a quality review of closed transaction files, but this did not include a comparison of the source document data against the information recorded in DCATS. We have now implemented a procedure to randomly review TreasuryDirect customer service transaction case files to ensure that the receipt/closure dates reflected in the case file documentation are appropriately recorded in the tracking system according to established procedures.

Recommendation 4

Management should revise existing written procedures to incorporate changes in the interest/redemption payment verification process.

Management Response:

Listed below are the three procedures that directly relate to the timeliness and accuracy of interest and redemption payments:

1) Treasury Note and Bond Periodic Interest Payment
2) Treasury Note and Bond Final Interest
3) Treasury Bill Par Maturing

All three of these procedures have been updated and are pending final review. We expect to implement the revised procedures by February 11, 2000.

Recommendation 5

MANAGEMENT RESPONSE

Management should modify the existing Results Act Monthly Information Report to clarify information on the percentage of timely interest and redemption payments made to TreasuryDirect customers.

Management Response:

The Monthly Information Report has been revised to clarify the reporting of timeliness of interest and redemption payments.

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