



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

Final Evaluation Report

**Evaluation of the Merit System
Accountability and Compliance Office**

**Report Number 2021-OEI-001
December 12, 2022**

Executive Summary

Evaluation of the Merit System Accountability and Compliance Office

Report No. 2021-OEI-001

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Why Did We Conduct the Evaluation?

Many things were unknown about the U.S. Office of Personnel Management (OPM) statutory oversight responsibility, its current state, and future. As a result, we sought to determine whether OPM's Merit System Accountability and Compliance (MSAC) Office had controls in place to carry out its statutory oversight responsibility. Specifically, we assessed whether: (1) the annual planning surrounding the Human Capital Management Evaluations (HCMEs) and Delegated Examining (DE) reviews was functioning as prescribed; (2) the Agency Compliance and Evaluation (ACE) staff was complying with laws, regulations, and OPM standards; and (3) ACE was obtaining agencies internal audit and evaluation reports and self-assessments and following up on the corrective actions.

What Did We Find?

We determined that ACE staff generally complied with its *Evaluator Handbook*, and Federal agencies were submitting their independent audit program reports containing the analysis, results, and their corrective actions. ACE staff used those reports during its planning process and the agencies evaluations.

We also found that ACE had formally documented its processes and procedures in multiple documents: its *Evaluator Handbook*, OPM's *Delegated Examining Operations Handbook*, its *Annual Work Plan Standard Operating Procedures*, and its *Writing Style and Correspondence Guide*. However, ACE did not have its quality control measures and processes for its evaluations formally documented in any of these documents. During our evaluation, an ACE official explained the quality control measures and process.

By not documenting its quality control measures and process, ACE management could not be reasonably assured that quality control measures were understood and consistently executed by employees.

Agency Response:

We made one recommendation to formalize ACE's internal quality control measures and process for its evaluations work. ACE's management concurred with our finding and implemented corrective actions to address our concerns. Based on our analysis of the corrective actions taken we consider the recommendation closed.

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William W. Scott, Jr.
Chief, Office of Evaluations

Abbreviations

ACE	Agency Compliance and Evaluation
CFC	Combined Federal Campaign
CHCO	Chief Human Capital Officer
DE	Delegated Examining
FY	Fiscal Year
HCME	Human Capital Management Evaluations
MSAC	Merit System Accountability and Compliance
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management

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Introduction

This final evaluation report details the results from our evaluation of the Merit System Accountability and Compliance (MSAC) Office. This evaluation was conducted by the U.S. Office of Personnel Management (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

The MSAC Office has Government-wide oversight of the Combined Federal Campaign (CFC) and the Voting Rights programs. The mission of the CFC is to promote and support philanthropy through a program that is employee focused, cost-efficient, and effective in providing all Federal employees the opportunity to improve the quality of life for all. The Voting Rights Program deploys Federal observers to monitor polling sites (as determined by the Attorney General) and provides written reports to the Department of Justice. Further, the MSAC Office manages OPM's Office of Internal Oversight and Compliance, which drives the resolution of audit recommendations to strengthen OPM's risk management and operational performance.

MSAC is responsible for ensuring that Federal agency human resources programs are effective and efficient and comply with merit system principles and related civil service regulations. MSAC's Agency Compliance and Evaluation (ACE) staff evaluates agencies' programs through a combination of OPM-led evaluations and as participants in agency-led reviews. MSAC's evaluations may focus on all or some of the four systems of OPM's Human Capital Framework: (1) strategic planning and alignment of human resources to mission, (2) performance culture, (3) talent management, and (4) evaluation systems. MSAC reports may identify required corrective actions, which agencies must show evidence of implementing, as well as recommendations for agencies to improve their systems and procedures.

ACE staff also conducts special cross-cutting studies to assess the use of human resource authorities and flexibilities across the Government. ACE reviews and renders decisions on agencies' requests to appoint political appointees to career Senior Executive Service, competitive or non-political excepted service positions to verify that such appointments are free of political influence. On an annual basis (and quarterly in the last year of a presidential term), OPM provides Congress with a report of all requested appointments and their final disposition. ACE also adjudicates position classification appeals, job grading appeals, Fair Labor Standards Act claims, compensation and leave claims, and declination of reasonable offer appeals [where the grade or pay is equal to or greater than the retained grade or pay (Title 5 Code of Federal Regulations 536.402)], all of which provides Federal employees with administrative procedural rights to challenge compensation and related agency decisions without having to resort to seeking redress in Federal courts.

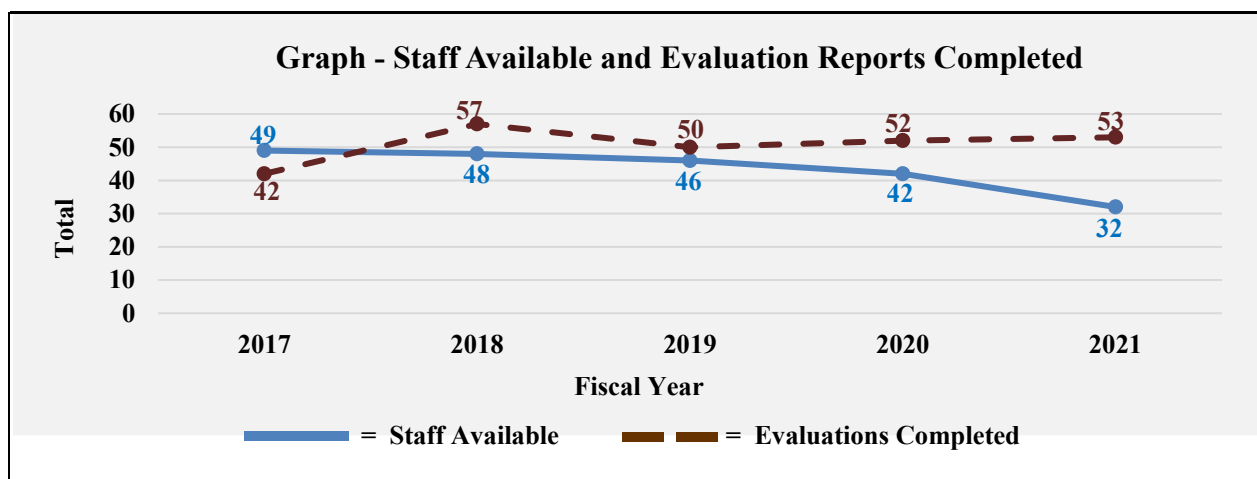
We focused our evaluation on ACE and its workload surrounding the Human Capital Management Evaluations (HCME), Delegated Examining (DE) reviews, and new annual planning process. ACE staff conducts HCME at agencies and agency components when it determines that the agency or component has an ineffective evaluation system, significant leadership or program change and/or major deficiencies exist in other Human Capital Framework systems based on concerns identified during the agency’s independent audit process, evaluation system assessment process, and other sources. ACE staff conducts periodic HCMEs at agencies with strong evaluation systems to identify best practices and to spot check agency human capital management practices. ACE staff also evaluates all DE Units Government-wide on a periodic basis in conjunction with agency-led reviews or OPM-led independent evaluations.

The table below shows the number of OPM-led evaluations as well as ACE staff participation in agency-led reviews completed for fiscal years (FY) 2017 through 2021.

Table - Fiscal Year Breakdown of Evaluations Completed			
Fiscal Year	OPM-led Evaluations	Agency-led Reviews	Total Evaluations
2017	22	20	42
2018	36	21	57
2019	27	23	50
2020	46	6	52
2021	37	16	53

Source: OIG Analysis of ACE OPM-led Evaluations and participation in Agency-led Reviews.

ACE staffing levels have continued to decrease over the last five years. ACE staff available to complete evaluations has declined from a high of 49 employees to a low of 32 employees. During the same period, the number of evaluations completed has fluctuated between a low of 42 to a high of 57, with 53 evaluations being completed in FY 2021. The graph below shows the staff available, and evaluations completed from FY 2017 to 2021. The total evaluations completed includes OPM-led evaluations plus ACE staff participation in agency-led reviews.



Source: OIG Analysis of ACE Staff Available and OPM-led Evaluations and participation in Agency-led Reviews.

Evaluation Results

This section details the results of our evaluation of the MSAC Office. We determined that ACE staff generally complied with its *Evaluator Handbook*, and Federal agencies were submitting their independent audit program reports containing the analysis, results, and their corrective actions. ACE staff used those reports during its planning process and the agencies evaluations. Below, we discuss an area in which ACE can improve.

1. ACE Quality Control Measures and Process Needs to be Formally Documented

During our evaluation, an ACE official explained the quality control measures and processes. We found that ACE did not have its quality control measures and processes for its evaluations formally documented, such as management's review and approval of each evaluation plan. ACE had formally documented several of its other processes in the *Evaluator Handbook*. In addition to its *Evaluator Handbook*, other formal documents consist of its performance goals, OPM's *Delegated Examining Operations Handbook*, and its *Annual Work Planning Standard Operating Procedures*. The peer review process, which is applied to their evaluation reports, is captured in its *Writing Style and Correspondence Guide*, Appendix A.

Standards for Internal Control in the Federal Government, September 2014, known as the Green Book, sets internal control standards for Federal entities. Internal control is a process used by management to help an entity achieve its objectives. Internal control helps an entity:

- Run its operations efficiently and effectively;
- Report reliable information about its operations; and
- Comply with applicable laws and regulations.

Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system. The Green Book includes minimum documentation requirements as follows:

- If management determines that a principle is not relevant, management supports that determination with documentation that includes the rationale of how, in the absence of that principle, the associated component could be designed, implemented, and operated effectively. (paragraph OV2.06)

- Management develops and maintains documentation of its internal control system. (paragraph 3.09)
- Management documents in policies the internal control responsibilities of the organization. (paragraph 12.02)
- Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. (paragraph 16.09)
- Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis. (paragraph 17.05)
- Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. (paragraph 17.06)

Management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations. Formal documents should be internally communicated to all staff.

Taking the time to document and communicate ACE quality control measures and process will save time and reduce the risk of errors. By documenting its quality control measures and process, management provides reasonable assurance that quality control is understood and consistently executed by employees. Documentation allows everyone following the processes to perform at their best and be clear about expectations. The absence of documentation could result in regulatory non-compliance and significant costs to the organization in terms of resources to rectify issues and impact the office's reputation.

Recommendation:

We recommended that MSAC management document ACE quality control measures and process for its evaluations and internally communicate the necessary document to all ACE staff.

Management Response:

ACE management concurred with the finding. Management provided evidence to show that the ACE internal quality control process was formally documented on September 15, 2022 and distributed to all staff on September 16, 2022.

OIG Comments:

The actions taken to document and distributed the ACE internal quality control process to all staff satisfy the intent of the recommendation and we consider the recommendation closed.

Appendix A: Scope and Methodology

We conducted this evaluation in accordance with the *Quality Standards for Inspection and Evaluation*, January 2012, approved by the Council of the Inspectors General on Integrity and Efficiency.

The objectives of this evaluation were to determine whether OPM's Merit System Accountability and Compliance Office has controls in place to carry out its statutory oversight responsibility. Specifically, we assessed whether: (1) the annual planning surrounding the HCMEs and DE reviews was functioning as prescribed; (2) ACE staff was complying with laws, regulations, and OPM standards; and (3) ACE was obtaining agencies internal audit and evaluation reports and self-assessments and following up on the corrective actions.

We conducted our fieldwork from September 2021 to August 2022 through MSAC headquarters located at the Theodore Roosevelt Federal Building in Washington, D.C. and we obtained information from ACE's three field group locations – Eastern (Atlanta, Georgia), Western (San Francisco, California), and Central (Chicago, Illinois). Our evaluation primarily included information and statistics for FY 2021. Other periods of time were used as we deemed necessary to address the evaluation objectives.

As part of the planning phase of this evaluation, we met with key officials responsible for the management and oversight of groups within the MSAC Office to gain an understanding of its current state, policies and procedures, activities, and systems used. We gathered information to verify operations and obtained information to identify oversight activities. We also reviewed laws, regulations, Federal standards, and guidelines as well as OPM policies and procedures relevant to its functions, activities, and operations. In addition, we examined prior reports, studies, and other documentation received to identify leads and areas of concern.

We limited the scope of our evaluations to focus on the annual planning process and workload surrounding HCME and DE reviews conducted by ACE. However, ACE's new annual planning process was being carried out for the first time during our evaluation. The planning steps for this evaluation work take approximately one year and the results would identify work to be executed the following year. Therefore, we were not able to observe or assess the process in its entirety to indicate whether the annual planning process was functioning as prescribed.

To address our objectives, we performed the following procedures:

- Conducted a walkthrough of ACE's new annual planning process and discussed documentation maintained by the ACE staff. We also compared it to OPM's MSAC policies, procedures, and relevant documents of the current process;

- Compared OPM-led evaluations and Agency-led reviews over the five-year period to determine if all 24 CHCO agencies were covered and compared evaluations completed information to staff available to accomplish these projects and analyze staff as projects changed; and
- Discussed objective, scope, methodology, phases, evaluation plan, and supporting documentation maintained for HCME and DE reviews.

For OPM-led evaluations, we will select a random sample of one out of the 31 HCMEs and one of the six DE evaluation completed during FY 2021 to determine if staff was complying with laws and regulations (policies and procedures), reporting complete and accurate data, and maintaining adequate support documentation. Our random sample selection provided each evaluation in the population an equal chance at being selected. The review of OPM-led evaluations included requirements in the *Standards for Internal Control in the Federal Government* and *ACE Evaluator Handbook* for

- quality control/supervision (throughout the evaluation),
- planning (pre-evaluation phase and throughout),
- follow-up (pre-evaluation phase and throughout),
- data collection and analysis (pre-evaluation phase and throughout),
- evidence supporting conclusions and required actions as well as recommendations (throughout), and
- reporting (post evaluation phase and MSAC reporting time standards)

For agency-led reviews, we will select a judgmental sample of five agencies from the 24 Chief Human Capital Officer (CHCO) agencies to determine whether the agencies were submitting annual reports, containing the analysis, results, and corrective actions from their independent audit programs and how were those reports used by ACE during the planning process and the actual evaluation. Our selection was based on agencies having the highest number of HCME performed and participation in Agency-led reviews. In addition, we included a couple of agencies with no OPM-led HCME or participation in OPM-led DE performed in the last five year. In all five cases, OPM participated in agency-led reviews.

We determined the data we used to support the finding, conclusions, and recommendations was reliable. The evidence obtained provides a reasonable basis for our findings and conclusions based upon our objective.

Appendix B: Management Comments



Merit System
Accountability and
Compliance

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

13 October 2022

Memorandum for William W. Scott, Jr.
Chief, Office of Evaluations
Office of Inspector General

From: for: Mark W. Lambert
Associate Director
Merit System Accountability and Compliance

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Subject: Draft Report on the Evaluation of Merit System
Accountability and Compliance Oversight
(Report Number 2021-OEI-001)

Thank you for providing the opportunity to respond to the Office of the Inspector General (OIG) draft report, Evaluation of Merit System Accountability and Compliance (MSAC) Oversight, 2021-OEI-001.

Response to your recommendation including the corrective action has been provided below.

Recommendation:

We recommend that MSAC management document Agency Compliance and Evaluation (ACE) quality control measures and process for its evaluations and internally communicate the necessary document to all ACE Staff.

Management Response:

We concur with OIG's finding. ACE management documented and distributed the ACE internal quality control process for evaluations to all ACE staff on September 16, 2022.

We appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact Michael V. Quinto, MSAC RMO, at 202-327-0994 or via email at michael.quinto@opm.gov.



Report Fraud, Waste, and Mismanagement

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