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Signed by: Office of the Secretary

Approved for Release
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Date

DEPARTMENT OF COMMERCE
OFFICE OF HUMAN RESOURCES MANAGEMENT

HUMAN RESOURCES (HR) BULLETIN #226, FY20

SUBJECT: Department of Commerce Human Capital Independent Audit Program

EFFECTIVE DATE: Upon release of this HR Bulletin

EXPIRATION DATE: Effective until canceled or superseded

SUPERSEDES: Human Resources (HR) Bulletin # 226, FY18, "Department of Commerce Human Capital Independent Audit Program," dated September 20, 2019

PURPOSE: The purpose of this bulletin is to update the Department of Commerce (Department) Human Capital Independent Audit Program (HCIAP), which supports centralized evaluation of the overall efficiency, effectiveness, and legal and regulatory compliance of human capital activities in the Department.

BACKGROUND: Title 5, Code of Federal Regulations (CFR), Part 250, Subpart B – Strategic Human Capital Management (effective April 11, 2017) requires agencies to establish an independent audit program.

COVERAGE: The centralized independent audit program will assess human capital activities carried out by these Departmental offices and Servicing Human Resources Offices (SHRO):

- Office of the Secretary, Chief Financial Officer and Assistant Secretary for Administration, Office of Human Resources Management (OHRM)
- Office of the Secretary, Enterprise Services (ES)
- Office of Inspector General (OIG)
- Bureau of the Census (Census) Headquarters
- Census, National Processing Center
- OHRM, Office of Human Capital Client Services (HCCS)

- National Institute of Standards and Technology (NIST)
- National Oceanic and Atmospheric Administration (NOAA)
- First Responder Network Authority (FirstNet)
- U.S. Patent and Trademark Office (USPTO)

Nothing in this bulletin shall affect the independence of the Office of Inspector General under the Inspector General Act of 1978, as amended (5 U.S.C. App.), including the Inspector General's ability to select, appoint, and employ such officers and employees as necessary to carry out its duties.

Note: Most of the Department's human capital management programs are administered in accordance with Title 5, CFR; however, coverage also extends to non-Title 5 programs such as the Commerce Alternative Personnel System and the Alternative Personnel Management System at NIST.

HUMAN CAPITAL INDEPENDENT AUDIT PROGRAM: This program contributes to the Department's performance through independent, results-driven audits of human capital management systems as well as select transactions to ensure efficiency, effectiveness, and legal and regulatory compliance.

RESPONSIBILITIES: The responsibilities for key stakeholders are as follows:

1. Deputy Assistant Secretary for Administration:
 - a. Uses the results of the Department's human capital evaluation system, including the HCIAP, to
 - i. Inform the Department's strategic goals and priorities, as applicable;
 - ii. Communicate informational overviews and status of key human capital programs to senior non-HR Departmental leadership; and
 - iii. Advise OHRM Director and Chief Human Capital Officer of Department-wide strategic issues impacting the human capital evaluation system.
2. OHRM Director and Chief Human Capital Officer:
 - a. Engages Department leaders (e.g., Performance Improvement Officer (PIO), Chief Information Officer (CIO), Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), Deputy Assistant Secretary for Administration (DASA)) on human capital evaluation programs, including the HCIAP, and obtains their support for the programs;
 - b. Leads the HCIAP in collaboration with SHRO managers;
 - c. Ensures sufficient resources are assigned to the HCIAP and requires SHRO managers to nominate HR Specialists to serve as auditors;
 - d. Provides direction for implementing and maintaining the HCIAP; and
 - e. Oversees the review of Departmental human capital policies and procedures consistent with audit results, and provides direction for necessary modifications to update or improve those policies and procedures.

3. Director, Human Resources Services, Enterprise Services:
 - a. Supports the HCIAP by responding to data requests for client SHROs undergoing an audit;
 - b. Supports client SHROs by collaborating on responses to audit findings and corrective actions, as needed;
 - c. Oversees implementation of procedures to ensure ES actions are in compliance with applicable guidelines and requirements; and
 - d. Shares ES HR operations self-assessments, as applicable, with senior HR Departmental leadership for potential examination in future audits.

4. OHRM, Office of Accountability (OA) Director:
 - a. Serves as the focal point for HCIAP coordination between OHRM staff and the SHRO managers;
 - b. Coordinates the fiscal year schedule of audit activities, and communicates the schedule to all applicable parties;
 - c. Establishes and maintains a communication schedule and standard operating procedures for the HCIAP;
 - d. Directs the HCIAP, including Human Capital Management Evaluations, Delegated Examining (DE), Delegated Examining Plus, and ad hoc audits;
 - e. Monitors the HCIAP, and makes improvements as needed;
 - f. Coordinates with SHRO managers to communicate audit results to appropriate staff in non-HR organizations; and
 - g. Serves as the Department's Accountability Program Manager and liaison with OPM's Office of Merit System Accountability and Compliance staff.

5. SHRO Manager:
 - a. Supports the HCIAP by participating in audit activities and provides support staff, as needed;
 - b. Nominates HR Specialists to serve as auditors;
 - c. Rectifies issues identified by an audit, when required;
 - d. Provides periodic updates, reports, and data as requested to OHRM about activities related to human capital;
 - e. Conducts internal self-assessments, as needed, to ensure practices are consistent with Merit System Principles, Department policies, and legal and regulatory requirements;
 - f. Uses audit data to improve human capital operations and modify procedures;
 - g. Requests the OA conduct an ad hoc audit, as needed;
 - h. Educates hiring managers about their mutual accountability for Merit System Principles and human capital management; and
 - i. Shares systemic audit issues with managers, as appropriate.

6. Hiring Manager:
 - a. Supports the HCIAP by participating in audit activities (e.g., focus groups);
 - b. Acts, when required, to rectify identified audit issues; and
 - c. Makes data-driven human capital decisions that are compliant with Merit System Principles, legal and regulatory requirements, and Department policies.

7. HR Specialist (Department-wide):

- a. Supports the HCIAP by participating in audit activities, such as information gathering for an advance information request;
- b. Serves as a subject matter expert for an audit team, as applicable;
- c. Collaborates with other HR Specialists and HR leadership to identify solutions to audit issues;
- d. Provides responses to audit reports and findings, as appropriate; and
- e. Implements approved solutions to improve human capital program performance, and monitors effectiveness of solutions.

The HCIAP does not replace the SHRO manager or hiring manager's accountability in assuring that human capital activities are merit-based.

METHODOLOGY: HCIAP audits are conducted using systematic and documented processes and templates for obtaining evidence and evaluating it objectively. The OA, in collaboration with the audit team members, tracks and monitors audit activities. Human capital programs, activities, and practices are evaluated in accordance with Federal laws/regulations, and Department policy.

The HCIAP includes four types of audits: (1) Human Capital Management Evaluation (HCME), (2) Delegated Examining Only, (3) DE Plus, and (4) Ad hoc. **HCME audits** assess the OPM-defined Human Capital Framework systems: Strategic Planning and Alignment, Performance Culture, Talent Management, and Evaluation. **DE Only audits** assess recruitment and hiring actions advertised using delegated examining (DE). **DE Plus audits** assess recruitment and hiring actions advertised using DE and merit promotion, excepted service appointments, Senior Executive Service career appointments, non-competitive actions, and compensation flexibilities. **Ad hoc audits** typically assess an HR functional area with a defined scope (e.g., organization's awards practices). The HCME, DE, and DE Plus audits are scheduled on a rotational cycle covering a period of 3 fiscal years so that one of these types of audits is conducted each fiscal year. Ad hoc audits are non-recurring and are scheduled on an as-needed basis or when requested by Department leadership.

During a fiscal year, when neither the OA nor OPM conducts an HCME, DE, or DE Plus audit for an SHRO, the SHRO must conduct an audit of its DE activities as required by OPM Interagency Agreement DOC-1. Such audits must be conducted using DE-certified staff external to the SHRO or SHRO DE operations. The OA will provide instructions to the SHRO for these audits. The OIG may use a peer review to meet audit requirements if the review is conducted by DE-certified staff from a peer OIG and is in accordance with the Council of the Inspectors General on Integrity and Efficiency peer review process. The OIG office that conducts the peer review must send a full copy of the final peer review report to the OHRM Director.

AUDIT TEAM MEMBERS: Generally, audits will be planned and led by the Director, Office of Accountability. Staff from the OPM Office of Merit System Accountability and Compliance may also lead audits, as applicable. For each OA-led audit, team members will include subject matter HR experts from OA, OHRM, and/or SHROs. Occasionally, OPM staff will also participate in OA-led audits. Auditors reviewing DE cases must have current OPM DE certification. No audit team members will participate in audits of his or her organization.

SHROs are not required to provide HR experts to serve as team members for ad hoc audits. However, based on the nature of the ad hoc audit, SHRO staff may be invited to participate.

PHASES: In general, audits are structured around three phases: pre-audit, audit, and post-audit.

1. The pre-audit phase is characterized by gathering and reviewing information and data. Sources of information and data include, but are not limited to: documentation submitted in response to a formal advance information request, prior audit final reports, bureau-level policies, workforce plans, National Finance Center data, HRStat data, Monster Government Solutions staffing analyses and analytics, eOPF records, Federal Employee Viewpoint Survey (FEVS) results, OPM Federal Employment reports, Applicant and Hiring Manager Survey results, and the Department's Human Capital Operating Plan (HCOP).
2. The audit phase is characterized by case review and on-site data collection. Sources for on-site data collection include interviews, focus groups, and case files. Using standard templates, individual record/case reviews are conducted, and the process for answering record/case-specific questions is completed.
3. The post-audit phase is characterized by reporting findings, identifying corrective actions, and communicating results. Findings typically result in required and recommended actions based on OPM checklists, guidance, regulations, and Department or SHRO policies. A corrective action plan outlines how each required and recommended action will be addressed. Review of the corrective action plan is used to support development of a formal final report documenting the state of the audited areas. The OA coordinates with SHRO staff to communicate audit results to the appropriate managers and liaisons in non-HR organizations.

TIMELINES: The audit schedule identifies the week in which audit activities will be conducted at each SHRO. For each audit, the OA prepares a detailed activities timeline for each phase. Typically, the total number of days per phase are as follows: pre-audit 90 days; audit 5 days; and post-audit 90 days. SHRO workloads, emerging priorities, and other factors often influence the audit schedule and timelines.

REPORTING REQUIREMENTS: For each audit, a formal audit report is issued from the Chief Human Capital Officer to the appropriate official in the audited SHRO. The report includes a description of the audit scope and methodology, and communicates the results that document the state of the audited areas. Copies of the report must be provided to the SHRO Manager; Deputy Assistant Secretary for Administration; Chief, Employment and Labor Law Division, Office of General Counsel; Inspector General, Office of Inspector General; and OPM Evaluator, Merit System Accountability and Compliance. In addition, the report is provided to appropriate DOC employees (such as Director, Office of Human Capital Strategy; Chief Learning Officer; Director, Office of Policy and Programs; Director, Office of Executive Resources; and Enterprise Services Director for HR Services) for analysis and possible changes to policy or procedures. All audit reports addressing delegated examining must include the delegated examining evaluation report, including the 26 expected results of delegated examining activities. Coverage of results for non-DE audit areas are typically addressed in narrative form.

ANNUAL REVIEW: At the beginning of each fiscal year, an annual review of audit findings from the previous fiscal year will be conducted by the OA. The review will summarize key issues and trends, and serve to facilitate:

1. Improving human capital operations by correcting or updating procedures;
2. Developing new or revised training to address systemic issues or repeat violations; and
3. Informing other Department evaluation programs (e.g., HRStat, FEVS, and HCOP) of issues that could potentially have a programmatic impact.

Results of the annual review will be provided to the Department’s HR community and posted to the OA Commerce Connection webpage.

EVALUATION: Through annual Human Capital Reviews, OPM will provide feedback on the overall effectiveness of the DOC HCIAP. If OPM staff participates in OA-led audits, the staff will provide timely feedback on the DOC audit processes and procedures.

REFERENCES: Title 5, CFR § 250.204; HR Bulletin #221, FY18, “Delegated Examining Operations;” OPM Evaluation System Standards, October 2017; and OPM Interagency Agreement DOC-1.

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