U.S. CENSUS BUREAU

The Census Working Capital Fund Lacks Transparency

FINAL REPORT NO. OIG-16-025-A

APRIL 18, 2016

U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation

FOR PUBLIC RELEASE

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

April 18, 2016

MEMORANDUM FOR: John H. Thompson
Director
U.S. Census Bureau

Carol N. Rice

FROM: Carol N. Rice
Assistant Inspector General for Economic and
Statistical Program Assessment

SUBJECT: *The Census Working Capital Fund Lacks Transparency*
Final Report No. OIG-16-025-A

Attached for your review is our final report on the evaluation of the budgetary controls over the Census Bureau's Working Capital Fund. Specifically, we assessed the controls for building overhead rates and distributing charges to projects, reviewed the appropriateness of the level of fund balances, and evaluated compliance with appropriations law.

We found that the Bureau

- could not provide support for its overhead rates;
- lacks monitoring procedures to ensure WCF transparency and compliance with statutes;
- may have used FY 2010 funds to improperly augment a survey sponsor's FY 2009 appropriation;
- has not prepared the required financial reports for the WCF; and
- lacks controls necessary to ensure that excess funds are returned to reimbursable survey sponsors promptly.

In accordance with Departmental Administrative Order 213-5, please submit to us—within 60 calendar days of the date of this memorandum—an action plan that responds to the recommendations of this report.

We appreciate the cooperation and courtesies extended to us by your staff during our audit. If you have any questions or concerns about this report, please contact me at (202) 482-6020 or Terry Storms, Supervisory Auditor, at (202) 482-0055.

Attachment

cc: Nancy A. Potok, Deputy Director and Chief Operating Officer, Census Bureau
Joanne Buenzli Crane, Chief Financial Officer, Census Bureau
Colleen T. Holzbach, Program Manager for Oversight Engagement, Census Bureau
Pamela Moulder, Senior Program Analyst, Economics and Statistics Administration

Report In Brief

APRIL 18, 2016

U.S. CENSUS BUREAU

The Census Working Capital Fund Lacks Transparency

OIG-16-025-A

Background

The Census Bureau's Working Capital Fund (WCF) was established through the Omnibus Consolidated Appropriations Act of 1997 (the Act), dated September 30, 1996 (P.L. 104-208). According to the Act, the WCF was established without fiscal year limitation, for expenses and equipment necessary for the maintenance and operation of such services and projects as the Director of the Bureau determines may be performed more advantageously when centralized. The Act calls for the preparation of a separate schedule of expenditures and reimbursements and a statement of the current assets and liabilities of the WCF each year. It also allows the WCF to be credited with advances and reimbursements from applicable appropriations of the Bureau and from funds of other agencies or entities.

According to the Bureau's *WCF Handbook*, the mission of the WCF is to support the Bureau by funding centralized services and projects, and equitably distributing costs to the beneficiaries of such services and projects, including internal stakeholders and reimbursable customers.

The WCF consists of four funds, each with a separate fund code in the Commerce Business System, the Department-wide financial management system used by the Bureau: (1) Cost Allocation, (2) Cost Collection, (3) Reimbursable, and (4) Fixed Fee. The fiscal year (FY) 2014 activity in the WCF totaled about $714 million.

Why We Did This Review

Per the language included in the Senate Appropriations Committee Report related to the Department's FY 2015 appropriations, our objective was to evaluate the budgetary controls over the Bureau's WCF. Specifically, we assessed the controls for building overhead rates and distributing charges to projects, reviewed the appropriateness of the level of fund balances, and evaluated compliance with appropriations laws.

WHAT WE FOUND

The Bureau could not provide support for its overhead rates. During the audit we attempted to validate the Bureau's overhead cost rates by examining the underlying support for rate calculations. The Bureau could not provide this documentation for FYs 2011–FY 2015, however, and was therefore unable to support the methodology used in developing the rates.

The Bureau lacks monitoring procedures to ensure WCF transparency and compliance with statutes. The Bureau does not monitor the period of availability of Improving Operational Efficiency (IOE) program funds that are advanced to the WCF because they believe that these funds, when earned, are available without fiscal year limitation. We found that the Bureau did not return unobligated balances to the originating appropriation. Additionally, although the Bureau was able to summarize the history of the IOE program and corporate unfunded requirements program during the audit, it was not able to provide documentation justifying or authorizing either program's creation within the scope of the WCF authorizing legislation. In addition, our review of projects funded by the IOE and corporate unfunded requirements programs indicates that the use of some of the funding may not fall within the scope of the legislation establishing the Bureau's WCF.

The Bureau may have used FY 2010 funds to improperly augment a survey sponsor's FY 2009 appropriation. Some transfers may have resulted in an improper augmentation of a survey sponsor's FY 2009 appropriation. The Bureau was able to process these transactions because the reimbursable agreement used the same project code for FY 2009 and FY 2010, and there is no control in place to ensure that current year funds are not used to adjust the budget authority for prior year reimbursable agreements.

Bureau personnel have not prepared the required financial reports for the WCF. Authorizing legislation requires that the Bureau prepare a separate schedule of expenditures and reimbursements and a statement of the current assets and liabilities of the WCF at the close of each fiscal year. Although the Bureau has been required to prepare these separate financial reports since the WCF was established in 1996, it has never produced them.

The Bureau lacks controls necessary to ensure that excess funds are returned to reimbursable survey sponsors promptly. At the end of interagency agreements' period of performance, excess funds should be promptly returned to reimbursable survey sponsors. However, we found that the timing of these refunds was inconsistent—because the Bureau does not have a policy identifying the maximum amount of time, after the period of performance ends, to issue refunds to customers.

WHAT WE RECOMMEND

We recommend that the Director of the Census Bureau

1. develop policies and procedures to ensure that the methodology used to develop overhead rates is documented and retained;
2. obtain an opinion from the Department of Commerce Office of General Counsel to determine whether funds from the IOE program, carried over in FY 2010 and FY 2011, are considered earned revenue and were carried over in compliance with appropriations law;
3. determine whether the projects funded through the IOE and corporate unfunded requirements programs are within the scope of the legislation authorizing the WCF;
4. develop controls related to reimbursable agreements to ensure that deficits are not created and appropriations of sponsoring agencies are not potentially improperly augmented;
5. identify the officials responsible for reviewing the schedule of expenditures and reimbursements, and the statement of current assets and liabilities of the WCF, and either (a) prepare the required annual financial reports or (b) seek to revise the requirement in the WCF's authorizing legislation; and
6. develop policies and procedures that designate a time frame for refunds to be provided to reimbursable sponsors after the end of the agreement's period of performance.

Contents

COVER: Detail of fisheries pediment, U.S. Department of Commerce headquarters, by sculptor James Earle Fraser, 1934

Introduction

The Census Bureau's Working Capital Fund (WCF) was established through the Omnibus Consolidated Appropriations Act of 1997 (the Act), dated September 30, 1996 (P.L. 104-208). According to the Act, the WCF was established without fiscal year limitation, for expenses and equipment necessary for the maintenance and operation of such services and projects as the Director of the Bureau determines may be performed more advantageously when centralized. The Act calls for the preparation of a separate schedule of expenditures and reimbursements and a statement of the current assets and liabilities of the WCF each year. It also allows the WCF to be credited with advances and reimbursements from applicable appropriations of the Bureau and from funds of other agencies or entities. According to the Bureau's *WCF Handbook*, the mission of the WCF is to support the Bureau by funding centralized services and projects, and equitably distributing costs to the beneficiaries of such services and projects, including internal stakeholders and reimbursable customers.

The Commerce Business System (CBS) is the Department-wide financial management system used by the Bureau. The WCF consists of four funds, each with a separate fund code in CBS.

- **Cost allocation system** (fund code 21)—The cost allocation system is the component of the WCF with the most annual activity and the primary mechanism for carrying out the WCF mission. It is used to collect costs for many shared Bureau-wide expenses and common services (indirect costs) that cannot be accurately, efficiently, or economically charged to specific appropriated and reimbursable accounts. These costs include a wide range of administrative and infrastructure services such as accounting, human resources, and information technology.

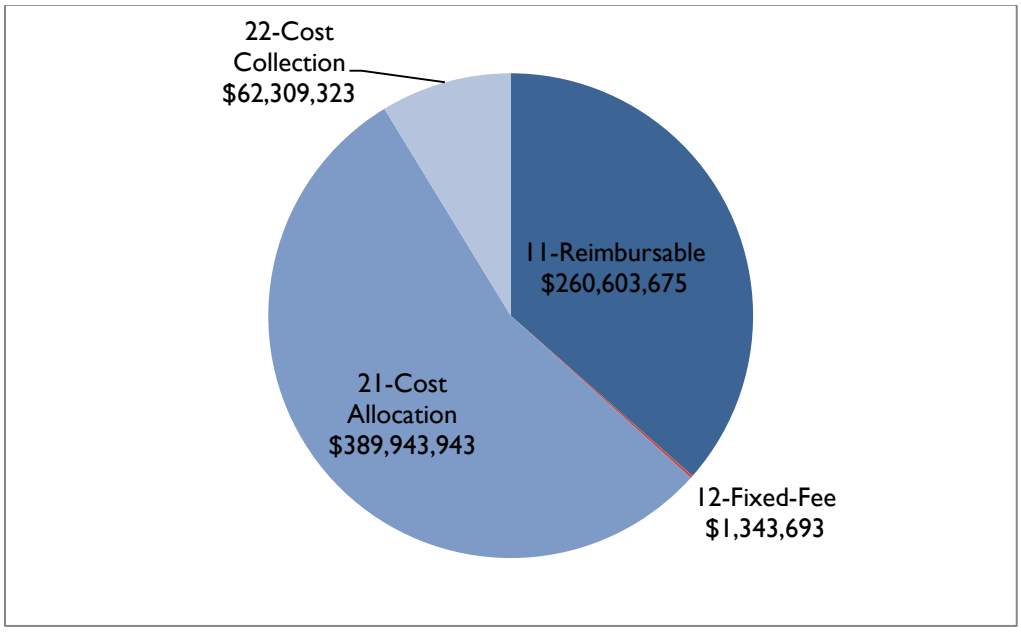
- **Cost collection system** (fund code 22)—The cost collection fund allows parties receiving benefits from a single activity to share in the cost, resulting in a lower administrative burden. It is a mechanism for charging common costs associated with certain surveys or work activities to a central project. Those costs are then distributed to the appropriated or reimbursable projects that are funding these activities.

- **Reimbursable** (fund code 11)—The Bureau conducts reimbursable surveys and provides other statistical services, particularly for other agencies of the federal government, that are consistent with its mission and that aid the operational efficiency of the government. Advances based on cost estimates and actual reimbursements cover the actual cost of performing the work or service, including all direct costs such as salaries and travel, and indirect costs that are assessed by the WCF through the cost-allocation system.

- **Fixed fee** (fund code 12)—This is a special type of reimbursable activity in which orders are placed by outside customers for products and services provided by the Bureau, for example, age searches, map sales, and special compilations of data. The prices are determined in advance, with cost estimates that include all costs applicable to the Bureau activities required to produce the requested products or services.

The fiscal year (FY) 2014 activity in the WCF totaled about $714 million (see figure 1).

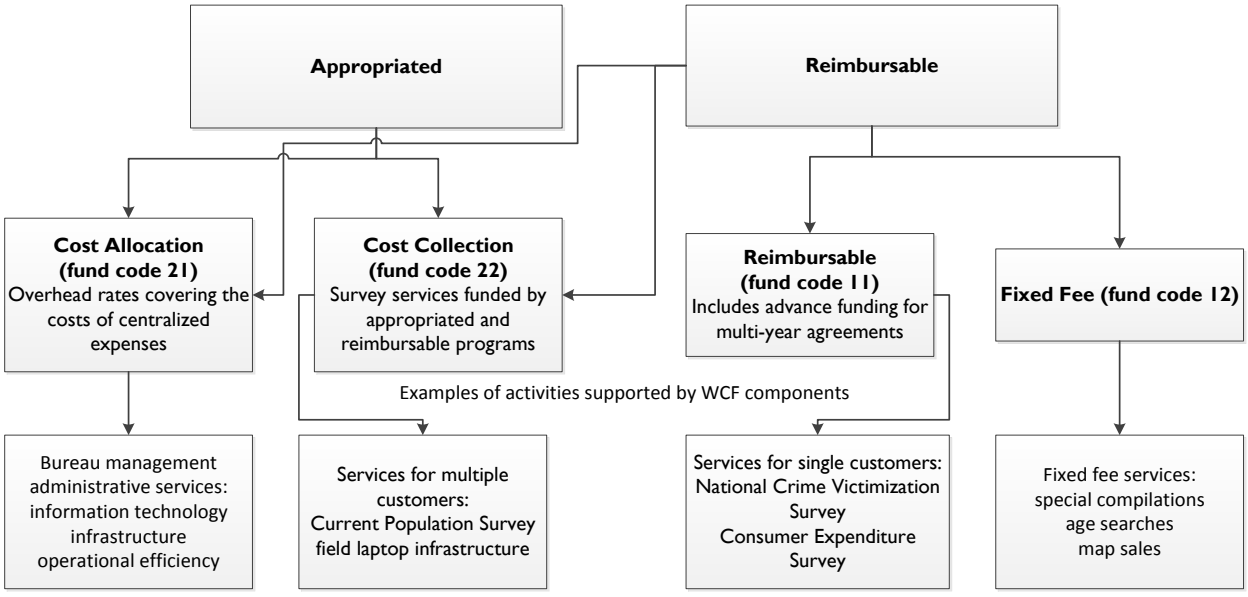
Figure 1. FY 2014 WCF Annual Activity



Source: CBS

The WCF is divided into reimbursable and appropriated components (see figure 2). Fund codes 11 and 12 contain exclusively reimbursable funding. Fund codes 21 and 22 contain a combination of appropriated and reimbursable funding.

Figure 2. WCF Components



Source: OIG, adapted from other sources

Objectives, Findings, and Recommendations

Per the language included in the Senate Appropriations Committee Report related to the Department's FY 2015 appropriations, our objective was to evaluate the budgetary controls over the Bureau's Working Capital Fund.[1] Specifically, we assessed the controls for building overhead rates and distributing charges to projects, reviewed the appropriateness of the level of fund balances, and evaluated compliance with appropriations laws. For information regarding our scope and methodology, see appendix A.

We reviewed the Bureau's process for building overhead rates and distributing charges to projects. While we found the Bureau's process for distributing charges to projects to be reasonable, the Bureau could not provide documentation showing how overhead rates were calculated for FY 2011 through FY 2015. In addition, we found the program that the Bureau established in FY 2010, charging a 1percent fee to all appropriated funding, lacks transparency, and that the Bureau did not document that this program complies with the Working Capital Fund authorizing legislation.

We found that the Bureau may have improperly augmented a survey sponsor's FY 2009 appropriation by using FY 2010 funds to offset a reimbursable agreement deficit. We also found the Bureau had never produced separate financial reports for the WCF. We reviewed the WCF carryover balance and found the Bureau had significantly reduced the carryover balance of the appropriated component of the fund. However, the Bureau could not provide documentation showing how overhead rates were calculated for FY 2011 through FY 2015 to confirm that the reduction was appropriate. We also identified instances in which the Bureau did not return unused customer funds promptly.

I. The Bureau Could Not Provide Support for Its Overhead Rates

During the audit we attempted to validate the Bureau's overhead cost rates by examining the underlying support for rate calculations. The Bureau could not provide this documentation for FYs 2011–FY 2015, however, and was therefore unable to support the methodology used in developing the rates. The Bureau also explained that an $85 million reduction to the WCF carryover balance was due to reduced revenues, which included a reduction to overhead rates (see table 1). The Bureau was further unable to demonstrate that this reduction was based on a valid decrease in overhead costs. The Department of Commerce *Accounting Principles and Standards Handbook*, chapter 6, section 6.0, requires that all transactions, processing procedures, and systems of administrative controls, as well as other controls, are to be fully documented so that a clear audit trail is established. According to the Bureau, it was unable to locate the documentation due to staff turnover and a failure to retain the documentation in a standard location. As a result, the Bureau's WCF lacks transparency over management's rationale and methodology for charging overhead costs to projects.

[1] S. Rep. No. 113-181, at 53 (2014).

Table 1. WCF Reductions (FYs 2011–2014)

Reduction Method	Amount (in millions)
FY 2011 Rescission	$ 50
FY 2012 Transfer	55
FY 2013 Transfer	18
FYs 2011–2014 Realignment Transition Costs	25
FYs 2011–2014 Reduced Collections	85
Total	**$233**

Source: Congressional Budget Justifications, CBS data, and U.S. Census Bureau

II. The Bureau Lacks Monitoring Procedures to Ensure WCF Transparency and Compliance with Statutes

During FY 2010, the Bureau's former director established the Improving Operational Efficiency (IOE) program within the cost allocation fund (see figure 2), as a common service charge. However, the Bureau did not retain documentation supporting the decision to establish the IOE program, which is funded with an annual 1 percent surcharge to all Census Bureau appropriated funding. According to Bureau officials, the program was established to provide employees an outlet to suggest ideas that could improve efficiency across the Bureau. Each January the deputy director solicits project ideas from employees, which a Bureau operating committee then evaluates. The Bureau collected more than $64 million through the 1 percent IOE program surcharge between FY 2010 and FY 2015.

A. IOE Program Lacks Transparency to Ensure Compliance with Time Limitation of Funds

We found that the Bureau does not monitor the period of availability of IOE funds that are advanced to the WCF because it believes that these funds, when earned, are available without fiscal year limitation. Within the Census Working Capital Fund, the IOE program is solely funded by the 1 percent surcharge to internal appropriations, which have a maximum period of availability of 2 years. According to federal appropriations statutes, "[t]he balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability,"[2] and amounts advanced to a working capital fund are generally subject to the same limitations as the initial appropriation.[3] For example, if FY 2010 Bureau funds that were advanced under the IOE program retain their original time limitations, they would expire at the end of FY 2011, and as a result, any unobligated balances would be returned to the originating appropriations at that time.

[2] 31 U.S.C. § 1502.

[3] 31 U.S.C. § 1532.

We found that the Bureau did not return any funds to the originating appropriations. For example, in FY 2010, the Bureau advanced more than $13.6 million to the WCF through the IOE program surcharge; the original appropriations of this advance had a maximum period of availability of 2 years. According to Bureau records, the program had obligated about $10.2 million during FYs 2010 and 2011, leaving more than $3.3 million that should have been returned to the original appropriations if the funds retain their original time limitations. Rather than returning the funds, the Bureau retained the use of the $3.3 million for future obligations. This occurred because the Bureau does not monitor or track the period of availability of unspent IOE funds; rather, it is Bureau policy to consider the $3.3 million in unspent IOE funds as earned and available with no fiscal year limitation. Bureau officials indicated that, due to limitations in CBS, they could not monitor the period of availability of funds advanced to the IOE program. Thus, all available amounts were rolled forward. Because the Bureau is funded using two appropriations per year, obligation monitoring could have been accomplished outside of the CBS system. If FY 2010 IOE funds retain their original time limitations, the lack of monitoring put the Bureau at risk of violating appropriations statutes by incurring obligations against expired or closed appropriations.

B. Some IOE and Corporate Unfunded Requirements Projects May Not Fall Within the Scope of the WCF Authorizing Legislation

In FY 2014, the Bureau began using unspent funds within the IOE program to cover costs from other WCF components, including Bureau overhead costs. Under this "corporate unfunded requirements" program, offices funded by the WCF are given the opportunity to submit requests for items not provided in their initial allocations. These requests are reviewed by the WCF Governance Board Executive Oversight Committee and the Bureau Operating Committee, with approved projects receiving funding through the corporate unfunded requirements program. Unlike projects under the IOE program, which are assigned unique project codes, all corporate unfunded requirements projects are charged to one of two project codes.

According to the WCF authorizing legislation, the Bureau's WCF was established "without fiscal year limitation, for expenses and equipment necessary for the maintenance and operation of such services and projects as the Director of the Census Bureau determines may be performed more advantageously when centralized." Although the Bureau was able to summarize the history of the IOE program and corporate unfunded requirements program during the audit, it was not able to provide documentation justifying or authorizing either program's creation within the scope of the WCF authorizing legislation. In addition, our review of projects funded by the IOE and corporate unfunded requirements programs indicates that the use of some of the funding may not fall within the scope of the legislation establishing the Bureau's WCF. For example,

- $220,041, through the IOE program, to provide clerk coders access to the Employer Name List;

- $129,840, through the corporate unfunded requirements program, for an intern program designed to build a pipeline for mission critical occupations;
- $75,000, through the corporate unfunded requirements program, for the construction of a wheelchair ramp and building modifications; and
- $119,763, through the corporate unfunded requirements program, to produce a weekly video series designed to inform employees about the agency's strategic plans.

Authorizing legislation requires that WCF funds be used for expenses and equipment necessary for the maintenance and operations of services and projects that maybe performed more advantageously when centralized. However, when the projects described above were presented to the operating committee, no advantages of centralization were documented. It is unclear whether all the projects covered under these programs fall within the scope of the legislation establishing the Bureau's WCF.

III. The Bureau May Have Used FY 2010 Funds to Improperly Augment a Survey Sponsor's FY 2009 Appropriation

As noted previously, "[t]he balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability."[4]

During our review of reimbursable agreements included in the WCF, we found a reimbursable agreement with the notation "moved $10,713.36 to FY 09 to cover deficit from FY 10." Additional review of documentation included with the agreement indicates that, in FYs 2009 and 2010, the Bureau entered into a $146,000 reimbursable agreement with the survey sponsor. Per the agreement, the survey sponsor would provide the following funding to the Bureau:

- FY 2009: $68,000
- FY 2010: $78,000

During FY 2010, the Bureau determined that actual obligations for this agreement in FY 2009 were $78,713.36, which exceeded the agreement by $10,713.36. To remedy this deficit, the Bureau requested that the survey sponsor enter into a modified agreement in FY 2010, including funds to cover the deficit from FY 2009. The survey sponsor agreed with the change. The Bureau then used $10,713 of FY 2010 funds, provided by the survey sponsor, to increase their FY 2009 reimbursable budget authority and adjust the FY 2009 obligation. A reciprocal decrease in the FY 2010 Census reimbursable authority was recorded in order to keep the overall agreement amount the same. These transfers may

[4] 31 U.S.C. § 1502.

have resulted in an improper augmentation of the survey sponsor's FY 2009 appropriation. The Bureau was able to process these transactions because the reimbursable agreement used the same project code for FY 2009 and FY 2010, and there is no control in place to ensure that current year funds are not used to adjust the budget authority for prior year reimbursable agreements.

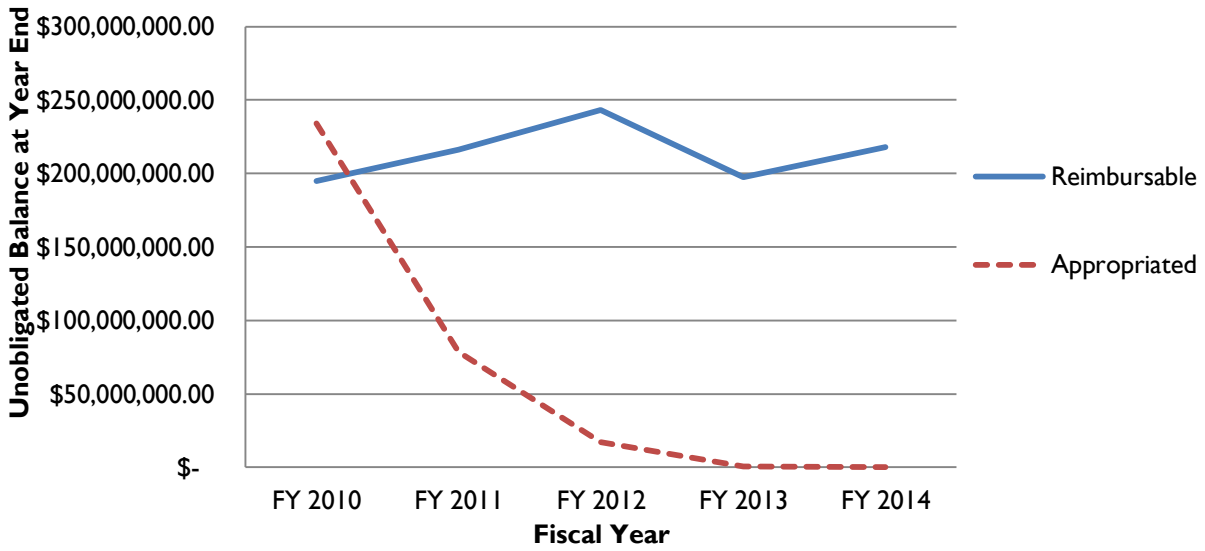
IV. Bureau Personnel Have Not Prepared the Required Financial Reports for the WCF

The WCF authorizing legislation requires that the Bureau prepare a separate schedule of expenditures and reimbursements and a statement of the current assets and liabilities of the WCF at the close of each fiscal year. Although the Bureau has been required to prepare these separate financial reports since the WCF was established in 1996, it has never produced them. Bureau management stated they did not prepare the reports because WCF information is included, at a higher level, as part of the Bureau's Congressional budget requests. While the information provided as part of the budget request does summarize the prior year activity of the WCF, it does not provide the same level of detail as a separate schedule of expenditures and reimbursements and does not include a statement of current WCF assets and liabilities. As a result, the Bureau did not comply with the authorizing legislation and detailed financial information is not available to the stakeholders (e.g., reimbursable sponsors and internal Bureau divisions) of the WCF.

V. The Bureau Lacks Controls Necessary to Ensure That Excess Funds Are Returned to Reimbursable Survey Sponsors Promptly

At the end of FY 2010 the carryover balance of the WCF had grown to about $429 million, of which about $234 million was attributed to appropriated funding. The Bureau has significantly reduced the appropriated carryover balance from more than $234 million to less than $1 million (see figure 3).

Figure 3. Unobligated Fund Balances at Year End



Source: CBS

The appropriated carryover balance has been reduced through a combination of (1) Congressional rescissions and transfers, (2) realignment transition costs, and (3) reduced collections in the WCF (as shown in table 1, under finding I). The carryover balance of the reimbursable component of the WCF has fluctuated between about $200 million and $250 million between FYs 2010 and 2014. The carryover balance of the reimbursable portion of the WCF is an expected result of prepaid multi-year agreements with survey sponsors because reimbursable customers frequently pay for multi-year agreements in advance and funds remain unobligated until the year the work is performed.

Reimbursable surveys are detailed in interagency agreements that include an estimated cost and a period of performance for the work to be completed. At the end of the agreement's period of performance, excess funds should be promptly returned to survey sponsors.[5] In order to determine if excess funds were returned to reimbursable sponsors promptly, we queried FY 2014 CBS data and chose a judgmental sample of 13 reimbursable refunds with a total value of about $1.5 million. We compared the dates of these refunds with the periods of performance from the corresponding interagency agreements (see table 2).

[5] U.S. Government Accountability Office, *Policy and Procedures Manual for Guidance of Federal Agencies*, Title 7–Fiscal Guidance, states that when the performing agency is required to recover actual costs for the items or services provided—and advances by the requesting agency exceed the actual costs of performance—the excess should be refunded promptly upon completion of performance.

Table 2. Refund Dates Compared to Interagency Agreement Period of Performance

CBS Data			Interagency Agreement Documentation	
Refund Date	Amount	Project	Period of Performance	Refund Delay[6](Days)
6/12/2014	$290,060	7217012	9/1/2012–1/31/2014	132
7/10/2014	275,000	7689000	1/1/2009–12/31/2013	191
2/27/2014	250,820	7497000	4/1/2005–9/30/2013	150
6/3/2014	221,454	7562001	1/1/2012–12/31/2013	154
4/10/2104	100,000	7470014	7/23/2013–9/30/2014	0
6/10/2014	87,961	7317000	9/1/2011–9/30/2013	253
1/31/2014	75,000	7278001	9/1/2011–9/1/2013	152
7/10/2014	68,324	7238001	2/10/2013–9/30/2013	283
2/27/2014	65,457	7497000	4/1/2005–9/30/2013	150
7/8/2014	61,678	7238001	2/10/2013–9/30/2013	281
7/8/2014	8,492	7286001	5/7/2009–9/30/2011	1,012
3/6/2014	3,046	7142000	2/19/2009–9/22/2011	896
3/6/2014	602	7142000	2/19/2009–9/22/2011	896
Total	**$1,507,894**			

Source: OIG analysis of CBS data

We found that the timing of these refunds was inconsistent (see table 3). Refunds were not issued consistently because the Bureau does not have a policy identifying the maximum amount of time, after the period of performance ends, to issue refunds to customers.

Table 3. Refund Aging Schedule

Refund Delay (Days)	Number of Refunds	Amount
0–100	1	$100,000
100–200	6	$1,177,790
200–300	3	$217,963
300+	3	$12,141

Source: OIG analysis of CBS data

[6] Refund delay is the difference between the end of the agreement's period of performance and the refund date.

Recommendations

We recommend that the Director of the Census Bureau

1. develop policies and procedures to ensure that the methodology used to develop overhead rates is documented and retained;

2. obtain an opinion from the Department of Commerce Office of General Counsel to determine whether funds from the IOE program, carried over in FY 2010 and FY 2011, are considered earned revenue and were carried over in compliance with appropriations law (and, in addition, notify the Department's Chief Financial Officer and Assistant Secretary for Administration of the results—and, if noncompliance is noted, develop controls to track the original period of availability of IOE program funds);

3. determine whether the projects funded through the IOE and corporate unfunded requirements programs are within the scope of the legislation authorizing the WCF;

4. develop controls related to reimbursable agreements to ensure that deficits are not created and appropriations of sponsoring agencies are not potentially improperly augmented;

5. identify the officials responsible for reviewing the schedule of expenditures and reimbursements, and the statement of current assets and liabilities of the WCF, and either (a) prepare the required annual financial reports or (b) seek to revise the requirement in the WCF's authorizing legislation; and

6. develop policies and procedures that designate a time frame for refunds to be provided to reimbursable sponsors after the end of the agreement's period of performance.

Summary of Agency Response and OIG Comments

OIG received the Census Bureau's response to the draft report, which we included as appendix B of this report. Bureau management concurred with all 6 recommendations—detailing steps it has already taken to address the issues, as well as what next steps it plans to take.

Appendix A: Objectives, Scope, and Methodology

The objective of this audit was to evaluate the budgetary controls over the Bureau's WCF. Specifically, we assessed the controls for building overhead rates and distributing charges to projects, reviewed the appropriateness of the level of fund balance, and evaluated compliance with appropriations law.

To accomplish our objectives we

- reviewed internal controls over the implementation of overhead rates, testing for segregation of duties between staff responsible for reviewing and approving overhead rates and staff responsible for updated overhead rates in the financial system;
- confirmed the WCF balances reported to Congress with information in the CBS;
- reviewed financial reports prepared for the WCF to test for compliance with appropriations law; and
- compared a judgmental sample of reimbursable refund transactions from the CBS with corresponding interagency agreement documentation to test the timeliness of refund transactions.

The following laws and guidance were reviewed:

- United States Code, Title 13
- Public Law 104-208-September 30, 1996
- Government Accountability Office, *Policy and Procedures Manual for Guidance of Federal Agencies*, Title 7-Fiscal Guidance
- Census Bureau, *Policy and Procedures Manual*, Chapter D-5, Interagency and Other Special Agreements
- Census Bureau, *Working Capital Fund Handbook*

Further, we gained an understanding of the internal controls significant within the context of the audit objective by interviewing officials at the Bureau and reviewing documentation for evidence of internal controls. Based on our review, we identified internal control weaknesses associated with development of overhead rates. As a result, we are unable to confirm whether part of the reduction in the WCF balance was the result of appropriate changes to overhead policies. In addition, we noted several other internal control weaknesses related to WCF operations that are included in this report. We did not rely on computer processed data to complete this audit.

We conducted this audit from April through August, 2015. The audit was conducted under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated April 26, 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B: Agency Response

UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. Census Bureau
Washington, DC 20233-0001

MEMORANDUM FOR Carol N. Rice
Assistant Inspector General for Economic and
Statistical Program Assessment

From: Joanne Buenzli Crane
Chief Financial Officer and Associate Director for Administration

Subject: *The Census Working Capital Fund Lacks Transparency* Report

The following comments are in response to your audit report, *The Census Working Capital Fund Lacks Transparency*. The U.S. Census Bureau appreciates the comments and recommendations developed by the Office of the Assistant Inspector General for Economic and Statistical Program Assessment.

II. The Bureau Lacks Monitoring Procedures to Ensure WCF Transparency and Compliance with Statutes

The establishment of the Improving Operational Efficiencies program is justified and supported by the WCF authority, which authorizes the Director to use the WCF for services and projects that the Director determines may be performed more advantageously when centralized. Then Director, Dr. Robert Groves, determined that an efficiency program was best funded and performed centrally. His proposal was vetted through Department of Commerce's Chief Financial Officer and Assistant Secretary for Administration and with the Office of General Counsel (OGC) prior to implementation. The characteristics of the projects funded by the IOE program are similar to the characteristics of WCF funded research and methodology projects. That is the projects are conducted by teams from across the bureau to achieve goals that benefit multiple or all mission areas. Further, the FY 2013 – 2017 Census Bureau Strategic Plan, Goal 3 Objective 3.2, outlines the purpose of the IOE program and how it aids the Census Bureau in achieving its mission. It states, "The Census Bureau implemented the Improving Operational Efficiency program (IOE) in 2010 to engage employees in identifying opportunities to increase efficiency and reduce cost in Census Bureau operations. This has been a highly successful program that we want to channel towards high-impact enterprise priorities."

IIA. IOE Program Lacks Transparency to Ensure Compliance with Time Limitation of Funds.

The report states that the amounts advanced are generally subject to the same limitations as the initial appropriation. In this case, the statute cited reads, "Except as specifically provided by law..." The WCF legislation gives the Director the authority to set rates that will return an amount necessary to maintain a reasonable operating reserve, and it was established without fiscal year limitation. The report states that the decision to carry over the excess funds from the IOE program may have led to a violation of

appropriations law if funds were obligated after their original period of availability. We will seek an opinion from the Office of General Counsel regarding the period of availability of earned vs. unearned revenue.

IIB. Some IOE and Corporate Unfunded Requirements Projects May Not Fall Within the Scope of the WCF Authorizing Legislation

The report identifies four examples of projects funded by the IOE program and the Corporate Unfunded Requirements (UFR) program that may not fall within the scope of the WCF authorizing legislation.

The report does not identify why either the IOE program or the Corporate UFR program cannot fund these four projects. The four projects identified in the report are performing centralized services or building maintenance not readily attributable to a single program. Each submission for funding by the IOE and Corporate UFR programs are approved by the Census Bureau's Operating Committee, which includes the Census Bureau Director, Deputy Director and each Associate Director. This approval includes a review to determine whether the need qualifies as a centralized service of the WCF. Further, all IOE project requests are approved by the Operating Committee.

- The $220,041 for clerk coders access to the Employer Name List identified in the report is to reinstate use of an Employer Name List (ENL) Reference for Industry and Occupation at the National Processing Center (NPC). This project was implemented by a multi-directorate Team and affected multi-directorates in the Census Bureau, hence meeting the basic criteria for an IOE funded project.
- The $129,840 for an intern program designed to build a pipeline for mission critical occupations. This intern program is managed by the Human Resources Division, which is funded by the WCF, and the interns are hired for multiple directorates.
- $75,000 for the construction of a wheelchair ramp and building modification. This building modification benefits all programs of the Census Bureau.
- $119,763 to produce a weekly video series designed to inform employees about the agency's strategic plans. This video series is a tool to educate all Census Bureau employees about the vision of the Census Bureau and improve employee engagement.

III. The Bureau May Have Used FY 2010 Funds to Improperly Augment a Survey Sponsor's FY 2009 Appropriation

The FY 2009 overrun on this agreement was not identified until FY 2010. The overrun did not appear on Reimbursable Project Management Reports (RPM) that were run during the FY 2009 report process. Finance Division staff discovered the deficit during the year-end report run process that took place in October 2009. Finance Division staff were not able to address the deficit in FY 2009 because it did not exist until the last month of the FY 2009. During a conference call on July 23, 2010, between the sponsor and the Census Bureau's Population Division, it was mutually decided to include the FY 2009 overrun in the FY 2010 modification agreement. Current year funds are able to be used to cover costs that occurred in prior periods, but are not discovered until after the fiscal year has been closed. The Census Bureau

received and recorded the FY 2010 modification and the transfer to cover the FY 2009 overrun in August 2010.

IV. Bureau Personnel Have Not Prepared the Required Financial Statements for the WCF

The report states that the Census Bureau did not comply with authorizing legislation to prepare required financial reports. The financial data required by the legislation is contained in the consolidated financial statements of the Department of Commerce. The WCF data was not extracted from the consolidated financial statements, but that does not equate to it not being available. The Census Bureau WCF financial data is available upon request. In addition, the legislation does not specify distribution of the financial data.

OIG RECOMMENDATIONS/RESPONSES

1. **Recommendation:** Develop policies and procedures to ensure that the methodology used to develop overhead rates is documented and retained.

   Response: The Census Bureau concurs with this recommendation. The Census Bureau has already implemented corrective action by establishing and fully documenting a methodology for developing overhead rates, which was used for developing FY 2016 and FY 2017 rates, and is retained in the Budget Division shared drive.

2. **Recommendation** - Obtain an opinion from the Department of Commerce, Office of General Counsel, to determine if funds from the Operational Efficiency program, carried over in FY 2010 and FY 2011, are considered earned revenue and were carried over in compliance with appropriations law. In addition, notify the Department's Chief Financial Officer and Assistant Secretary for Administration of the results and, if non-compliance is noted, develop controls to track the original period of availability of Operational Efficiency program funds.

   Response: The Census Bureau concurs with this recommendation and will seek an opinion from the Office of General Counsel regarding the period of availability of funds that have been earned (vs. unearned. The Census Bureau will then undertake a review of the IOE balance and notify the Department's Chief Financial Officer and Assistant Secretary for Administration of the outcome.

3. **Recommendation** - Determine whether the projects funded through the IOE and corporate needs programs are within the scope of the legislation authorizing the WCF.

   Response: The Census Bureau concurs with this recommendation and have completed our review as documented in this response.The projects mentioned in the report are activities that are within scope and are traditionally performed within the WCF. Facilities management is within the scope of the WCF and has traditionally been performed by an organization largely funded by the WCF. Human Resources functions, including Human Capital Management activities, have traditionally been performed in the WCF. The strategic planning process is a process that is part of the executive direction of an organization and generally involves strategic mission decisions that are the province of those at the highest level of the organization. The executive direction of the agency is funded out of the WCF, including traditionally, all of the salaries of the Associate Directors and the Deputy

Director and Director, who make these kinds of decisions. These projects are performing centralized services or maintenance that are not readily attributable to a single program.

4. **Recommendation** – Develop controls related to reimbursable agreements to ensure that deficits are not created and appropriations of sponsoring agencies are not potentially improperly augmented.

   Response: The Census Bureau concurs with this recommendation; however, CBS allows obligations for no-match documents, e.g., payroll, to be recorded without checking for funds availability. The Census Bureaus will perform manual controls through stringent monthly reviews and will aggressively research and resolve deficits.

5. **Recommendation** – Identify the officials responsible for reviewing the schedule of expenditures and reimbursements, and the statement of current assets and liabilities of the WCF and either (1) prepare the required annual financial statements or (2) seek to revise the requirement in the WCF's authorizing legislation.

   Response: The Census Bureau concurs with this recommendation. The Budget Officer and Finance Officer review the consolidated reports prior to distributing them outside of the Census Bureau; however, they have not reviewed these reports at the WCF level. The Census Bureau has since produced this information and it is readily available to stakeholders.

6. **Recommendation** – Develop policies and procedures that designate a time frame for refunds to be provided to reimbursable sponsors after the end of the agreement's period of performance.

   Response: The Census Bureau concurs with this recommendation. Policies and procedures will be established to designate a time frame for refunding reimbursable customers after the end of the agreement's period of performance. In doing so, the time frame will take into consideration any corrections, adjustment periods, and periods for de-obligations of undelivered orders. The Finance Division will be developing the policy this quarter.

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