Report in Brief

June 12, 2017

Background

This report documents the results of our audit of the effectiveness of selected Commerce bureaus unliquidated obligation (ULO) review policies and procedures developed since our OIG audit report issued in June 2013 (OIG-13-026-A). In that report, we concluded that Department-wide controls over the management of ULOs needed strengthening. Further, effective management of outstanding obligation balances allows bureaus to review and deobligate unneeded funds, promoting a better use of federal resources.

An *obligation* is the formal reservation of agency funds to sufficiently cover all future payments. An *unliquidated obligation* is an amount of funds that has been designated for a specific purpose but has not been disbursed. Obligations must be liquidated within certain time limits. If obligated funds are not used for their original purpose within these time frames, the agency is required to release the funds for other allowable purposes or, depending on the restrictions placed by Congress, return the money to the U.S. Department of the Treasury.

Why We Did This Review

Our objective was to evaluate the effectiveness of each operating unit's obligation and deobligation review policies and procedures implemented since the 2013 audit report. For this audit, we reviewed the following bureaus: Bureau of Industry and Security, Economics and Statistics Administration (ESA), Bureau of Economic Analysis (BEA), International Trade Administration, Minority Business Development Agency (MBDA), National Technical Information Service, and Office of the Secretary.

OFFICE OF THE SECRETARY

Selected Commerce Bureaus Could Improve Review Procedures and Documentation Related to Unliquidated Obligations

OIG-17-026-A

WHAT WE FOUND

Overall, we concluded that the selected bureaus achieved the intended effect of our 2013 audit report recommendations by improving the management and close out of ULOs. Since our prior review of obligations, the selected bureaus reduced their cumulative ULO balances by $50 million (or 20 percent since June 2013). We also found that the selected bureaus generally complied with Departmental documentation standards for deobligations.

However, we found that the selected bureaus did not fully implement Departmental policy. Specifically, three of the seven bureaus tested (that is, BEA, ESA, and MBDA) did not develop any bureau-specific policies to conduct periodic obligation reviews.

In addition, we found that the management of ULOs could further be improved upon. For 11 percent of the sampled obligations tested, we found that respective bureaus could not provide acceptable explanations that the outstanding balances were needed.

We believe that these bureaus' ULO monitoring efforts could be improved. We found that some of the selected bureaus primarily utilized the Departmental ULO policy and had not developed detailed bureau-specific policies. From our review, we found that because these bureaus have significantly smaller obligation balances when compared to other Commerce bureaus, they did not place a high priority on adequately developing and implementing bureau-specific ULO review policies. We also found a majority of the selected bureaus did not continuously monitor and track status of open obligations in sufficient detail. We believe that the development and implementation of detailed bureau-specific policies along with focused ULO oversight approach—such as establishing ULO documentation standards, targeting outstanding ULOs, and smaller balances—would promote greater effectiveness in reducing outstanding obligation balances.

WHAT WE RECOMMEND

We recommend that the selected bureaus' Chief Financial Officers instruct their respective ULO oversight managers to do the following:

1. Develop or enhance detailed bureau-specific policies for monitoring obligations and encourage deobligation as outlined in the *Department of Commerce Policy for Undelivered Obligations*, including policies that require (a) maintaining adequate justifications for valid obligation balances; and (b) timely deobligation actions for balances no longer needed.
2. Follow up on the obligations specifically identified in this report and take appropriate action.