



# Report in Brief

May 8, 2018

## Background

The Department of Commerce working capital fund (WCF) was established in 1944 by statute that is currently codified at 15 U.S.C. § 1521. It is one of three WCFs operating within the Department. Each fund functions independently and has unique internal control and budget processes. The WCF is a revolving fund that does not receive a direct annual appropriation from Congress. Its mission is to provide services that may be delivered more advantageously as central services to its customers.

The Senate Appropriations Committee proposed that OIG audit the Department's budgetary controls over WCFs—and pay particular attention to the funding needed to support the Department's Office of the General Counsel (OGC).

Departmental operating units—such as OGC and Office of the Chief Information Officer (OCIO)—act as the providers of services delivered under the WCF. These services include information technology, human resources, security, and legal services, among others. For each of these projects, Department customers reimburse the appropriate operating unit for services through the WCF.

## Why We Did This Review

The objective of our audit was to evaluate controls over the WCF in fiscal year 2016. Specifically, we sought to determine whether (1) there were effective controls over the billing and algorithm development processes, (2) relationships of reimbursements and billings to services provided were reasonable, (3) projects utilized performance metrics as management tools to assess project performance, (4) projects' funding levels were adequately supported, and (5) Office of the Secretary Office of Financial Management Directorate (OSFM) had effective controls over retaining or returning advances received in excess of obligations.

## OFFICE OF THE SECRETARY

### Department of Commerce Working Capital Fund Billing Practices and Transparency Need Improvement

OIG-18-020-A

## WHAT WE FOUND

With respect to our audit procedures, we found that relationships of reimbursements and billings to services provided were generally reasonable and that projects utilized performance metrics.

However, we noted inconsistent application of controls over the billing allocation method and algorithm development processes due to a lack of adherence to established WCF billing requirements.

We also found that both support for project funding levels and controls over retaining or returning advances need improvement. Specifically, we found a lack of adequate supporting documentation for several aspects of the final operating budget for the projects reviewed.

In addition, we identified a need for increased transparency relating to the calculation and communication of excess advances collected above obligations incurred and to the description of the billing allocation method for WCF projects.

## WHAT WE RECOMMEND

We recommend that the Chief Financial Officer and Assistant Secretary for Administration do the following:

1. Update the carryover policy and procedures to ensure that both sufficiently describe the carryover process, including key terms and requirements for determining whether excess funds are earned.
2. Institute policy and procedures for documenting OSFM's periodic review and evaluation of each project's carryover, which reviews and evaluations will consider input of service providers and customers.
3. Develop and implement a communication mechanism that allows key WCF stakeholders to be apprised of the detailed annual carryover results in a timely manner.
4. Enhance the *Working Capital Fund Advances and Reimbursements Final Handbook* update process to ensure that it includes a detailed description of the billing allocation method for each project and the levels of services provided for each project.
5. Enhance the algorithm preparation and review process for the WCF to ensure that (a) billing allocation supporting data are accurate, complete, current, and sufficient, and (b) algorithm calculations are free from error.
6. Enhance the process for maintaining documentation that supports the formulation of each project's final operating budgets in the WCF.