

# Audit of National Institute of Standards and Technology Working Capital Fund For Fiscal Year Ended September 30, 2019

FINAL REPORT NO. OIG-21-024-A  
MAY 3, 2021



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



May 3, 2021

**MEMORANDUM FOR:** Dr. James K. Olthoff  
Performing the Non-Exclusive Functions and Duties of the Under  
Secretary of Commerce for Standards and Technology and  
Director, National Institute of Standards and Technology  
National Institute of Standards and Technology

A handwritten signature in black ink, appearing to be "RB", with a long horizontal line extending to the right.

**FROM:** Richard Bachman  
Assistant Inspector General for Audit and Evaluation

**SUBJECT:** *Audit of National Institute of Standards and Technology Working  
Capital Fund For Fiscal Year Ended September 30, 2019*  
Final Report No. OIG-21-024-A

Attached for your review is the final report on the audit of the National Institute of Standards and Technology (NIST) working capital fund (“fund”) for the fiscal year ended September 30, 2019. The audit objective was to determine whether budgetary controls over the fund were adequate. Specifically, the audit focused on determining whether the fund was (1) recovering the full cost of reimbursable services; (2) appropriately accounting for advances and carryover balances; and (3) maintaining a reasonable fund balance, in accordance with applicable laws, regulations, and policies.

We contracted with Ollie Green & Company, CPAs, LLC (OG&C)—an independent public accounting firm—to perform this audit in accordance with *Government Auditing Standards*. Our office oversaw the progress of this audit; however, OG&C is solely responsible for the attached report and the conclusions expressed in it. We do not express any conclusions about the adequacy of the fund’s budgetary controls, including its recovery of the full cost of reimbursable services, accounting for advances and carryover balances, and reasonableness of the fund balance in accordance with applicable laws, regulations, and policies.

In its audit of the fund, OG&C identified the following:

1. Internal control procedures that ensure the timely closing of expired reimbursable agreement orders needed improvement.
2. Requirements of the Economy Act of 1932, as amended, (31 U.S.C. § 1535) were not always being followed.
3. The system of internal controls for monitoring advances and other funding sources needed improvement.

In response to the draft report, NIST agreed with all of OG&C's recommendations and described actions it has taken, or will take, to address them. NIST's formal response is included within the final report as appendix A.

Pursuant to Department Administrative Order 213-5, please submit to us an action plan within 60 calendar days that addresses the recommendations in this report. This final report will be posted on OIG's website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M).

We appreciate the cooperation and courtesies extended to OG&C by your staff during this audit. If you have any questions or concerns about this report, please contact me at (202) 482-2877 or Patricia McBarnette, Audit Director, at (202) 482-3391.

Attachment

cc: George Jenkins, Chief Financial Officer, NIST  
Amy Egan, Audit Liaison, NIST  
Catherine Fletcher, Audit Liaison, NIST  
MaryAnn Mausser, Audit Liaison, Office of the Secretary

**Audit of  
National Institute of Standards and Technology  
Working Capital Fund  
For  
Fiscal Year Ended  
September 30, 2019**

**Prepared By  
Ollie Green, MBA, CPA  
Ollie Green & Company, CPA's, LLC  
Louisville, KY**

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## I. BACKGROUND

Established in 1901, National Institute of Standards and Technology (NIST) promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology. The NIST Working Capital Fund (WCF) was established in the Deficiency Appropriation Act of 1950 (64 Stat. 275, 279, Pub. L. No. 81-583), providing the agency a way to (a) fund the cost of providing services and information to other agencies and the public, (b) efficiently distribute costs that should be shared by all sources of support, and (c) invest in equipment and inventories.

The WCF is a revolving fund that finances all NIST indirect costs and is reimbursed from NIST appropriations and reimbursable sources. Through a detailed cost accounting system, the actual cost of work performed for each task is recorded and identified with the appropriate source of financing. In addition to its function as a revolving fund, the WCF permits the handling of annual leave on an accrued cost basis, the acquisition of equipment as an investment to be recovered through Invested Equipment loan repayments and the distribution of indirect costs.

Public Law 81-583 (64 STAT. 275) which established the Working Capital Fund authorized NIST to use the Fund for expenses and operations and to collect reimbursements from applicable appropriations and other agencies for facilities and services provided.

15 USC 278b authorized NIST to credit the Fund with advances and reimbursements, including receipts from non-federal sources. Public Law 99-73 in 1985 authorized the WCF to retain earnings to ensure the availability of funds to replace equipment and inventories. NIST is required to recover full costs for services it provides.

The WCF is broken down into two (2) primary Fund Codes as shown below:

- Other Agency (Fund Code 08)
- Other Components (Fund Code 98)
  - Institutional Support – Overhead (Indirect costs)
  - Leave and Benefits
  - Invested Equipment
  - Fee Programs
  - Interdivision Services
  - Laboratory and Division Overhead (Indirect costs)
  - Storeroom & Misc. Other

Resources in the WCF include:

- Amounts collected under agreements with government and non-federal sources;
- Direct appropriations from Congress; and
- Fees charged for calibrations and tests, standard reference materials, and miscellaneous services.

The WCF cannot be increased or decreased without Congressional approval.

## II. OBJECTIVES, SCOPE AND METHODOLOGY

The objective of the audit was to determine whether budgetary controls over the WCF were adequate. Specifically, our objectives were to determine whether the NIST WCF was: (1) recovering the full cost of reimbursable services; (2) appropriately accounting for advances and carryover balances and; (3) maintaining a reasonable fund balance, in accordance with applicable laws, regulations, and policies. The scope of the audit comprised the functions and activities of the NIST WCF in fiscal year 2019 (October 1, 2018 to September 30, 2019), and included transactional level testing of NIST WCF purchases and expenses.

To accomplish our audit objectives, we

- Obtained, reviewed and conducted a risk assessment on the laws, regulations and policies related to the WCF including 15 U.S.C. § 278b, 31 U.S.C. § 1341 and NIST PR 4100.01 “Working Capital Fund.”
- Interviewed the Chief Financial Officer and other staff in the NIST Finance and Budget Divisions to gain an understanding of their oversight and monitoring policies and procedures.
- Determined whether the services provided and accounted for in the NIST WCF were within the scope of the enabling legislation.
- Prepared a 5-year trend analysis of the NIST WCF carryover balance.
- Identified, reviewed and gained an understanding of each of the NIST WCF components.
- Tested a sample of 45 Fund Code-08 (Reimbursable Agreement) orders to: (1) determine whether the Carryover Balance in the NIST WCF was valid and supported; (2) determine whether the funds received in advance on reimbursable agreements were legally available when earned; and (3) determine whether NIST was appropriately accounting for advances and carryover balances in accordance with applicable laws, regulations and policies.
- Tested a sample of 45 Fund Code-98 (Other Funding Sources) transactions to: (1) determine whether the Carryover Balance in the NIST WCF was valid and supported; (2) determine whether the funds received in advance on orders were legally available when earned; and (3) determine whether NIST was appropriately accounting for advances and carryover balances in accordance with applicable laws, regulations and policies.
- Tested a sample of 45 purchase and expense transactions to determine whether: (1) purchases and expenses recorded represent economic events that actually occurred; (2) all valid transactions were recorded; (3) internal control policies and procedures were operating effectively; (4) the NIST WCF complied with applicable laws, regulations and policies; and (5) expenses and purchases incurred in the current period reflect proper cut-offs and were measured properly.
- Identified 4 orders in our sample of 45 reimbursable agreements with indirect cost allocations and verified that: (1) rates used were consistent with rates developed in the cost allocation plan; (2) rates were based on current information and were periodically reviewed and adjusted; (3) the indirect cost base resulted in an equitable distribution; (4) the base included all activities that are benefiting from the allocated costs; (5) data included in the base (e.g. square footage,

number of employees, studies, etc.) were current; and (6) the full cost of reimbursable services were being recovered.

- Analyzed profits and losses for each NIST WCF component to determine whether significant profits and/or losses were being addressed in accordance with applicable laws, regulations and policies.
- Reviewed the NIST WCF fund balance to determine whether NIST was maintaining a fund balance that was compliant with applicable laws, regulations and policies.
- Conducted inquiries of the NIST WCF management and others within the agency about the risks of fraud.

As part of our audit of NIST WCF's controls to ensure that the methodology underlying overhead rates and surcharges were reasonable, we performed tests to verify that:

- rates were based on current information and periodically reviewed and adjusted;
- a logical relationship between the costs and activities supported the rates;
- the indirect cost base was resulting in an equitable distribution of indirect cost;
- the base included all activities which are benefiting from the allocated costs; and
- collections from rates and surcharges were likely to recover the costs that NIST incurs to provide goods and services.

We conducted this audit from November 2019 through May 8, 2020, at the Office of Ollie Green & Company, CPA's, LLC (Contractor), Louisville, Kentucky. The audit was conducted under the authority of the Inspector General Act of 1978, as amended, (5 U.S.C. App.).

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

Our audit was not a statistical sample of all NIST WCF components. Therefore, the results should not be used as conclusive evidence of the controls in place for areas of the Fund not included in our audit.

No specific instances of fraud, illegal acts, significant violations, or abuse were identified in our audit.

To assess the information system controls, we used the work of the Department of Commerce's external auditors. To conduct our work, we followed GAGAS (Yellow Book) procedures and standards set forth in chapter 8. As a result of our work conducted, we believe that the information we obtained is sufficiently reliable for this report.



### III. RESULTS AND CONCLUSIONS

As indicated in Table 1 below, our audit found that carryover balances continue to remain a significant percentage of the WCF total budgetary resources. We found that the carryover balance has averaged about 43 percent of total budgetary resources over the past 5-years. Carryover balances for the WCF generally consist of both unliquidated obligations and unobligated funds. Unliquidated obligations are those that have been recorded but involve funds that have not yet been fully disbursed. Unobligated balances represent funds that NIST has accepted, but amounts are uncommitted due to the absence of a legal obligation.

**Table 1. 5-YEAR – CARRYOVER BALANCE AS A SIGNIFICANT PERCENTAGE Of WCF BUDGETARY RESOURCES**

Fiscal Year	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>WCF Carryover Balance By Year</b>	<b>\$105,118,505</b>	<b>\$90,168,154</b>	<b>\$117,090,223</b>	<b>\$133,547,732</b>	<b>\$154,950,749</b>
<b>WCF Budgetary Resources By Year</b>	<b>\$260,668,440</b>	<b>\$260,950,923</b>	<b>\$244,127,495</b>	<b>\$297,176,195</b>	<b>\$318,016,842</b>
<b>WCF Carryover Percentage By Year</b>	<b>40%</b>	<b>35%</b>	<b>48%</b>	<b>45%</b>	<b>49%</b>

As part of our review of Fund Code 08 (reimbursable agreement) orders, we selected a sample of 45 reimbursable agreements and tested orders for compliance with laws, regulations and policies and to determine whether the carryover balance was valid and supported. We found that 18 of the 45 (40%) of the reimbursable agreement orders reviewed were expired with unused advance balances totaling \$1,904,706. These unused advances were included in the carryover balance as unliquidated obligations. An analysis of this condition is discussed in Finding No. 1.

Our further review of Fund Code 08 (reimbursable agreement) orders found that the NIST WCF did not always follow the requirements of the Economy Act. The Economy Act<sup>1</sup> was the transfer authority for 13 of the 45 agreements orders reviewed during our testing reimbursable agreements. Three (3) of the 13 agreement orders reviewed had expired prior to September 30, 2019 and the appropriation that funded the agreement orders had expired as well. We determined that \$81,788 of advanced agreement order balances for expired agreements should have been refunded to the agency and deobligated under the legal requirements of the Economy Act. An analysis of this conditions is discussed in Finding No. 2.

In our review of Fund Code 98 (other funding sources) activity, we found that the system of internal controls for monitoring advances and other funding sources needed improvement. Our audit found no formal policies and procedures that documented roles and responsibilities by component for the process of tracking and billing costs, recording advances, the carryover process and tracking and monitoring the period of performance on an order, when applicable. An analysis of this condition is discussed in Finding No. 3.

<sup>1</sup> 31 U.S.C Section 1535

During our review of purchases and expenses, we tested 45 transactions for compliance with the Federal Acquisition Regulation and other applicable laws, regulations and policies. Based on our review, we found that the NIST WCF had implemented effective internal controls designed to ensure that purchases and expenses incurred were compliant with laws, regulations and policies and that transactions recorded by the NIST WCF represented economic events that actually occurred. We had no findings for this segment of our work.

Our review for fund balance compliance entailed obtaining and reviewing significant laws, regulations and policies related to fund balance requirements. We determined through review of the NIST SF-133 and discussion with NIST WCF Management that there were two fund balance accounts (Fund Balance with Treasury/Fund Balance with Treasury Payroll) used. We found through our review that the Financial Statement Group accountants reconcile the general ledger accounts including the two (2) WCF fund balance accounts to the government wide accounting statement balances at least quarterly. Based on our review, we found that NIST WCF had effective controls in place to ensure fund balance compliance with applicable laws, regulations and policies. We had no findings for this segment of our work.

To determine whether the NIST WCF was recovering the full cost for reimbursable services, we requested and received a copy of the indirect cost allocation plan. We also requested and received a copy of the support documentation used for indirect rate development. We reviewed NIST's methodology for developing indirect rates and surcharges. We identified and tested 4 reimbursable agreement orders included in our sample of 45 that allocated indirect costs to the agreement order. We found that indirect costs were accurately and equitably allocated to reimbursable agreement orders and NIST was recovering the full cost for reimbursable services. Based on the results of our testing, we found that effective internal controls were in place and working. We had no findings for this segment of our work.

## IV. FINDINGS

### A. DEFICIENCIES IN INTERNAL CONTROLS

#### Finding: (1) Improvement Needed For Internal Controls Over Expired Agreement Orders

##### Condition:

Our audit found that internal control procedures that ensure the timely closing of expired reimbursable agreement orders need improvement. The Management Report for expired agreements is the primary tool used by NIST to ensure the timely monitoring and review of expired agreement orders for compliance with laws, regulations and policies. Our review of 45 reimbursable agreement orders found that expired agreement orders were not being consistently closed out on a timely basis. We found that agreement orders with delayed expiration closeout in our sample ranged from 365 to 1,856 days. See Tables 2 and 3 below. Furthermore, we found that unused advance balances associated with these expired agreement orders were not being returned to the Agency/Customer/Treasury, timely as appropriate. We found that 18 of the 45 (40%) of the reimbursable agreements orders reviewed had unused advance balances totaling \$1,904,705 (Table-(2) - \$1,337,660 / Table-(3) - \$567,045). These unused advances were included in the carryover balance as unliquidated obligations.

The aforementioned expired agreement orders fit into one of two general categories on the Management Report for Expired Agreements. One category was labeled by the RA<sup>2</sup> as “Cannot Close due to UDO<sup>3</sup> and/or Unmatched Costs.” The second category was labeled by the RA as “OK to Close or Appears Clean and Eligible for Closeout.” See Tables 2 and 3 below:

**Table 2. Cannot Close Due to UDO and/or Unmatched Costs**

Agreement/Order Number	Unused Advance	UDO Amount	Expiration Date	No. of Days Expired	Federal or Non-Federal
944772	\$143,830	\$(231)	08/31/14	1,856	Federal
HSHQPM-13--00079 <sup>4</sup>	\$346,375	\$0.00	05/08/15	1,606	Federal
0944772-B	\$156,648	\$0.00	03/31/16	1,278	Federal
F3KTK75177G001 AMEND #3	\$21,981	\$0.00	09/30/16	1,095	Federal
125216	\$143,395	\$0.00	01/31/17	972	Non-Federal
DJF-16-1200-0000246	\$483,704	\$798	07/22/17	800	Federal
155686	\$41,727	\$413	10/30/17	700	Federal
Total	\$1,337,660	\$980			

As indicated in Table 2 above, 7 of the 18 agreement orders with unused advance balances totaling \$1,337,660 were listed on the Management Report for Expired Agreements as of 11/30/19. These orders were labeled by the RA as “Cannot Close due to UDO and/or Unmatched Costs.” Expiration dates for these agreement order ranged from 700 to 1,856 days as of 9/30/19. The outstanding UDOs associated with these agreement orders totaled \$980. These expired agreement orders were not closed timely and are included in the carryover balance as unliquidated obligation as of 9/30/19.

<sup>2</sup> RA – Reimbursable Agreement Accountant

<sup>3</sup> UDO – Undelivered Order

<sup>4</sup> Agreement Order has two (2) statuses based upon the task and is allocated to each category.

In addition, as indicated Table 3 below, 12 of the 18 agreement orders with unused advance balances totaling \$567,045 were listed on the Management Report for Expired Agreements as of 11/30/19. These agreement orders were labeled by the RA as “OK to Close or Appears Clean and Eligible for Closeout.” Expiration dates for these agreement orders ranged from 365 to 1,606 days as of 9/30/19. These expired agreement orders were not closed timely and are included in the carryover balance as unliquidated obligations as of 9/30/19.

**Table 3. OK to Close or Appears Clean and Eligible for Closeout**

Agreement/Order Number	Unused Advance	UDO Amount	Expiration Date	No. of Days Expired	Federal or Non-Federal
HSHQPM-13-X-00079*	\$ 57,542	\$0.00	05/08/15	1,606	Federal
DNI-145429	\$ 24,705	\$0.00	11/06/15	1,424	Federal
DE-NE0000582-A	\$ 59,369	\$0.00	09/07/17	753	Federal
F3KTK76172GV01	\$ 17,361	\$0.00	09/30/17	730	Federal
NNG16PT181	\$ 18,326	\$0.00	09/30/17	730	Federal
16-BAMD-0007-D	\$ 25,805	\$0.00	09/30/18	365	Federal
D2017-1706230005	\$ 61,623	\$0.00	09/30/18	365	Federal
F151043-BSD-2018	\$ 53,361	\$0.00	09/30/18	365	Federal
M151083-E	\$138,826	\$0.00	09/30/18	365	Federal
M151083-K	\$ 21,625	\$0.00	09/30/18	365	Federal
M161095-B	\$ 57,284	\$0.00	09/30/18	365	Federal
NISTACQ2016-01-B	\$ 31,218	\$0.00	09/30/18	365	Federal
Total	\$567,045	\$0.00			

The NIST Revenue Cycle Memo states that reimbursable agreement orders can be closed by the RA Accountant once authorized by AO<sup>5</sup>, approved by the RA Group Manager and supported by adequate documentation. Agreement Orders can be closed once they have been expired more than 60 days, and have no open UDO balances, unreleased costs and unpaid bills and that unmatched costs are cleared.

**Criteria:**

- (1) FY19 NIST Revenue Cycle Memo Section Reimbursable Agreements, Sub-Section RA-Agreement Closeout procedures document the final close-out review required for expired agreements to ensure the close-out process is complete.
- (2) Office of Management and Budget (OMB) Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, requires management to be responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

<sup>5</sup> AO – Cost Owners

**Cause:**

- (1) The current procedures for closing out reimbursable agreements do not include a designated period of time for the resolution of UDOs and unmatched costs by the division performing the services.
- (2) The Management Report on Expired Agreements Procedure – July 2015 is a draft document that is internally dated April 2015. This procedure does not specify explicitly how often the Management Report on Expired Agreements should be created by the Reimbursable Group and submitted to the Organizational Unit for review, evaluation and approval.

**Effect:**

The unobligated balance for Fund Code 08 would be overstated. Furthermore, refunds of unused advances and deobligation of unused advances on expired agreements would not be issued on a timely basis. Finally, there is lack of compliance with applicable laws and regulations that govern the transfer authority of funds.

**Finding: (2) NIST WCF Did Not Always Follow the Requirements of the Economy Act**

**Condition:**

Our audit found that the NIST WCF did not always follow the requirements of the Economy Act. The Economy Act 31 U.S.C Section 1535 was the transfer authority for 13 of the 45 agreements orders reviewed during our testing of Fund Code 08 (Reimbursable Agreements). Three (3) of the 13 agreement/orders reviewed had expired prior to September 30, 2019 and the appropriation that funded the agreement orders had expired as well. Because of this condition we conducted an additional review to determine compliance with the deobligation requirement mandated under the Economy Act.

As indicated in Table 4 below, we determined that \$81,728.11 of advanced agreement order balances for expired agreements should have been refunded to the agency and deobligated under the legal requirements of the Economy Act. Although it is the responsibility of the requesting agency to deobligate funds transferred under the authority of the Economy Act, NIST would need to work collaboratively with this agency because obligations may still be open against the appropriation after it has expired and this communication will ensure the funds are deobligated timely.

**Table 4**

Agreement No.	Agreement Order Amount	Unused Advance	Period of Performance End Date	Appropriation Period of Availability Expiration Date
16-BAMD-0007-D	\$ 77,157.00	\$25,804.99	09/30/18	09/30/18
DNI – 145429	\$3,000,000.00	\$24,705.46	11/06/15	09/30/15
NISTACQ2016-01-B	\$ 176,689.00	\$31,217.66	09/30/18	09/30/18
Total	\$3,253,846.00	\$81,728.11		

### **Criteria:**

- (1) OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, requires management to be responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.
- (2) The Economy Act 31 U.S.C. Section 1535 authorizes Federal agencies to purchase goods and services from other Federal agencies or major organizational units within the same agency when a more specific authority does not exist. This law requires that obligated funds that have not been earned to be deobligated when the appropriation that is funding the agreement or order expires.

### **Cause:**

The Management Report on Expired agreements is the tool used by NIST to efficiently and effectively monitor expired agreement orders and the appropriation's period of availability. However, this report does not identify whether the agreement order's transfer authority is the Economy Act and subject to the deobligation requirements of the law when the appropriation's period of availability expires.

In addition, existing Department of Commerce/NIST procedures do not clearly identify how, when, and by whom NIST (who is monitoring the funds period of availability) informs the requesting agency (who must deobligate the funds) that the period of availability has expired on an agreement order whose transfer authority is the Economy Act.

### **Effect:**

The unobligated balance as of 9/30/19 for Fund Code 08 would be overstated. Furthermore, refunds of unused advances and deobligation of unused advances on expired agreements would not be issued on a timely basis.

## **Finding: (3) Improvement of Internal Controls Needed for Monitoring Advances and Other Funding Sources**

### **Condition:**

The system of internal controls for monitoring advances and other funding sources needs improvement. Our audit found that there are no formal policies and procedures that document roles and responsibilities by component for the process of tracking and billing costs, recording advances, the carryover process and tracking and monitoring the period of performance on an order, when applicable.

Each of the components of Fund Code 98 (Other Funding Sources) are very unique. We were provided various piecemeal procedures through power point presentations, walkthroughs and email responses to the audit inquiry. There are no documented procedures for monitoring the period of performance for orders placed through Fund Code 98, when applicable.

**Criteria:**

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires management to be responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

**Cause:**

Each Fund Code 98 component is very unique with varying degrees of complexity. The Division or Operating Unit responsible for the orders have informal procedures for tracking and billing costs, recording advances and tracking and monitoring the period of performance. However, policies and procedures that formally describe roles and responsibilities have not been documented and approved by NIST.

**Effect:**

Piecemeal or non-existent internal control procedures to document roles and responsibilities by component for advances and carryover balances for Fund Code 98 (All Other Fund) diminishes NIST's ability to achieve effective and efficient operations.

## **B – RECOMMENDATIONS**

### **Recommendation Related to Finding No. 1**

**We recommend NIST perform the following:**

- (1) Revise and finalize the Management Report on Expired Agreements Procedure. The revised procedure should specify how often the Management Report on Expired Agreements should be created by the Reimbursable Group (e.g., quarterly) and submitted to the Organizational Unit for review, evaluation and approval. Designate a specific period of time for the resolution of UDOs and unmatched costs.
- (2) Revise the Revenue Cycle Memo to concisely document the current process for the close out of Expired Reimbursable Agreement Orders.

### **Recommendations Related to Finding No. 2**

**We recommend NIST perform the following:**

- (1) Improve monitoring procedures, as needed, to ensure expiring Agreements and Orders whose transfer authority is the Economy Act are clearly identified and monitored.
- (2) Reevaluate procedures that document the process NIST uses to timely refund unused advances transferred under the authority of the Economy Act. Consider developing a process to inform the requesting agency that the period of availability has expired on an agreement or order whose transfer authority is the Economy Act.

### **Recommendation Related to Finding No. 3**

**We recommend NIST perform the following:**

Develop and document for Fund Code 98 formal policies and procedures that describe roles and responsibilities by component for the process of tracking and billing costs, recording advances, the carryover process and tracking and monitoring the period of performance on an order when applicable.



## **V. SUMMARY OF AGENCY RESPONSE**

On March 2, 2021, NIST's Under Secretary of Commerce for Standards and Technology & Director, National Institute of Standards and Technology provided a response to our draft report on behalf of the NIST Working Capital Fund. NIST's response agreed with our findings and recommendations and described actions they have taken, or will take to address the recommendations. The response is included within this report as appendix A.

# APPENDICES

## APPENDIX – A

### AGENCY RESPONSE TO AUDIT REPORT



**UNITED STATES DEPARTMENT OF COMMERCE**  
**National Institute of Standards and Technology**  
Gaithersburg, Maryland 20899-0001

MEMORANDUM FOR: Richard Bachman  
Assistant Inspector General for Audit and Evaluation

FROM: JAMES  
James K. Olthoff, Ph.D. OLTHOFF  
Performing the Non-Exclusive Functions and Duties of the  
Under Secretary of Commerce for Standards and Technology &  
Director, National Institute of Standards and Technology

SUBJECT: NIST Response to OIG's Draft Memorandum dated February 11,  
2021, *Audit of National Institute of Standards and Technology  
Working Capital Fund For Fiscal Year Ended September 30, 2019*

This memorandum provides the National Institute of Standards and Technology (NIST) response to the draft memorandum dated February 11, 2021 from the Office of the Inspector General (OIG) entitled, *Audit of National Institute of Standards and Technology Working Capital Fund For Fiscal Year Ended September 30, 2019*. The draft memorandum identified the following:

1. Internal control procedures that ensure the timely closing of expired reimbursable agreement orders needed improvement.
2. Requirements of the Economy Act of 1932, as amended, (31 U.S.C. § 1535) were not always being followed.
3. The system of internal controls for monitoring advances and other funding sources needed improvement.

The auditors made five recommendations to NIST in the report.

NIST concurs with the overall findings and recommendations outlined within the draft memorandum. In order to address the findings mentioned in the report, NIST has or will be performing the following activities:

- NIST has updated the Management Report procedures in order to provide further instruction to the operating units (OU). In addition, we will be implementing a specific time requirement for OUs to resolve Undelivered Orders (UDOs) and unmatched cost.
- The closeout process will also be included in our next revision of the Cycle Memo.
- We will continue to work with our NIST counterparts to ensure they are working with trading partners to identify expiring Economy Act Agreements.



- NIST management is working towards documenting procedures, including roles and responsibilities related to the various WCF components.

NIST will develop and submit a corrective action plan to adequately address the risks identified within the OIG's draft memorandum.

cc: Amy Egan, NIST OIG Liaison

## **APPENDIX – B**

### **LIST OF ACRONYMS AND SHORT REFERENCES**

<b>NIST</b> .....	<b>National Institute of Standards and Technology</b>
<b>WCF</b> .....	<b>Working Capital Fund</b>
<b>DOC</b> .....	<b>U.S. Department of Commerce</b>
<b>OIG</b> .....	<b>Office of Inspector General</b>
<b>OG&amp;C</b> .....	<b>Ollie Green &amp; Company, CPA’s, LLC</b>