



# Report In Brief

MAY 15, 2014

## Background

The U.S. Department of Commerce Working Capital Fund (WCF) was established in 1944. It operates as a revolving fund approved by Congress, set up to provide centralized services to the Department as efficiently and economically as possible. In fiscal year (FY) 2013, the WCF collected nearly \$150 million for 62 projects managed by 12 service providers within the Department. Services provided include information technology, human resources, security, and legal services.

The Office of the Secretary Financial Management Directorate (OSFM), located in the Office of Financial Management, provides the financial stewardship and management of the fund, while the service providers deliver and financially manage the goods and services. The National Institute of Standards and Technology's Financial Operations Division provides accounting services for the WCF using information provided by OSFM.

## Why We Did This Review

The objective of our audit was to evaluate controls over the WCF in FY 2013. Specifically, we sought to determine whether (1) estimated total project costs were reasonable, (2) data used to establish billing rates were current, (3) customers were charged in accordance with the *WCF Handbook*, (4) the service provider had supporting documentation for amounts charged to customers, and (5) the services provided were necessary. We also reviewed the application of the WCF's prior-year carryover in FY 2013.

## OFFICE OF THE SECRETARY

### Office of the Secretary's Working Capital Fund Billing Control Issues Resulted in Incorrect Charges

OIG-14-020-A

## WHAT WE FOUND

We reviewed 34 projects managed by 9 service providers, which provide services to 13 customers. For 10 of the projects reviewed, we found that OSFM did not use current billing rates and the service providers did not have accurate supporting documentation for the amounts they charged to the customers. Consequently, the customers receiving services were not billed in accordance with the Department's *Working Capital Fund & Advances and Reimbursements Handbook*. Specifically, we found that

- *OSFM relied on inconsistent project information and incorrect bases of charge.* In 10 instances for 8 separate projects, OSFM either (a) relied on inaccurate information from service providers and/or (b) used incorrect bases to calculate charges. Based on the projects' operating budgets and auditor-calculated percentages, we concluded that customers were either over- or undercharged for these services. For five of the instances, the documentation provided by the service providers did not agree with the information provided by OSFM used to calculate WCF charges. For the other five instances, OSFM used incorrect population counts to support its charges to customers.
- *OSFM did not use current billing information.* For four projects, we found that OSFM used prior-year billing information. In two of these instances the service providers did not provide up-to-date information needed to calculate accurate charges. In the other two instances we could not determine whether the provider furnished current billing information necessary to calculate correct charges.

## WHAT WE RECOMMEND

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

1. Update processes for calculating the correct bases of charge and obtain the most current documentation from the service providers, in order to ensure that customers are charged for their appropriate share of project costs.
2. Require a validation and certification process for Office of General Counsel (OGC) and other WCF service providers to capture and retain supporting documentation that accurately reflects the level of services provided to customers.
3. Make a determination on whether FY 2013 charges should be reviewed and recalculated accordingly, and whether adjustments should be considered in calculating charges for FY 2014.

We recommend that the General Counsel

4. Develop an automated process to track attorney time, by customer and services provided, to ensure that customers are accurately charged for the OGC projects within the WCF.