

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



OFFICE OF THE SECRETARY

*Departmental Fund Management
Practices Need Improvement*

Final Inspection Report No. FSD-14271/September 2001

**PUBLIC
RELEASE**

Office of Audits and Financial Statements Audits Division



SEP 28 2001

MEMORANDUM FOR: Otto Wolff
Chief Financial Officer and
Assistant Secretary for Administration

FROM: Johnnie E. Frazier

SUBJECT: *Departmental Fund Management Practices Need Improvement*
Report No. FSD 14271-1-0001

This is our report on the audit survey of selected aspects of the Department's management practices of the Salaries and Expenses Fund (including the Advances and Reimbursements Program), the Working Capital Fund, and the Gifts and Bequests Fund. The report concludes that (1) the charges within those funds appeared to be consistent with each fund's stated purpose; (2) the recent increases to charges made through the funds seemed to be justified; and (3) the charges appeared to be appropriately applied to the Department's bureaus. However, we made several recommendations to address weaknesses identified in current fund management operations.

This report formalizes the April 27, 2001 briefing document we provided to the former Acting Chief Financial Officer on this subject. It also includes the results of follow-up procedures that we performed in May 2001. In addition, we received the action plan submitted to address the recommendations included in the briefing document and incorporated corrective actions taken or planned in this report.

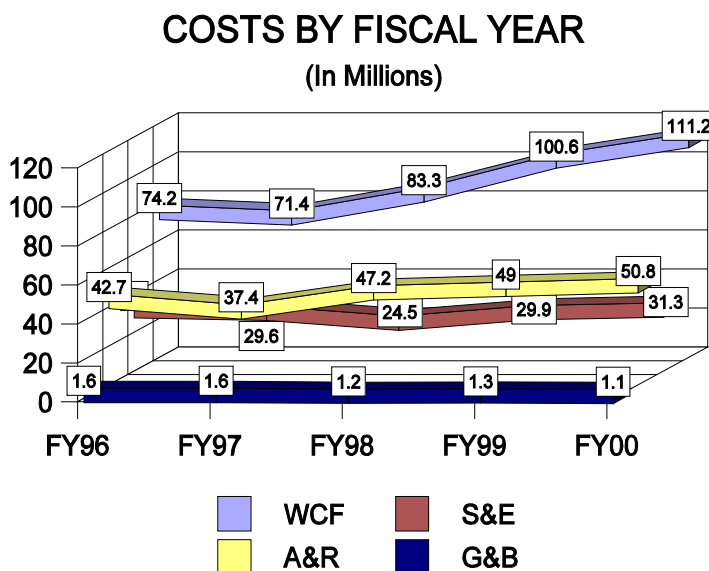
INTRODUCTION

This report presents the results of our audit survey of departmental fund management practices. A total of 21 separate offices (see Attachment A) and various activities are funded either in whole or in part from the following funds, which were the focus of our review: (1) Salaries and Expenses Fund (S&E); (2) the Advances and Reimbursements Program (A&R); (3) Working Capital Fund (WCF); and (4) Gifts and Bequests Fund (G&B).

This audit survey was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

BACKGROUND

The following chart depicts the total costs (in millions) of the funds reviewed from fiscal year 1996 through fiscal year 2000. It shows that the costs of the S&E, A&R, and G&B have remained fairly consistent over the past five years, while the costs of the WCF have increased by about 50 percent. Fluctuations during the latest 3-year period resulted in large part from an increased security program and financial systems costs.



In fiscal year 2000, costs incurred for these funds totaled approximately \$194 million, of which 57 percent was WCF, 26 percent was A&R, 16 percent was S&E, and less than 1 percent was G&B.

Salaries & Expenses Fund. The S&E is supported by a direct appropriation that is used primarily to fund the personnel costs of senior departmental officials and their key staff. It includes the salaries and expenses of the Immediate Office of the Secretary, senior staff in each of the major offices that directly support the Secretary, and policy staff within the organizations that provide centralized departmental services (e.g., Budget, Human Resources, Chief Information Office).

Advances & Reimbursements Program. The A&R program is a set of accounts used to record funding for projects whose expenses, although initially borne by the S&E, are eventually reimbursed by either the Commerce bureaus or other federal agencies. Approximately 70 percent of the amount reimbursed is directly related to rent for the Herbert C. Hoover building and telecommunications. These costs are paid through the S&E appropriation and charged back to the bureaus generally based on their number of full-time equivalent positions or the amount of space occupied.

Costs associated with projects that are deemed to be of indirect benefit to the Department as a whole are also paid for through A&R and recovered through pro-rated charges to bureau appropriations. For example, salaries and expenses associated with such initiatives as the Human Resources Management Executive Resources Board, the Office of Budget's GPRA efforts, the Acquisition Management Commerce Information Technology Solutions program, and the Hispanic American Colleges & Universities Intern Program are charged to and recovered through this fund. In addition, reimbursements from other federal agencies under the Economy Act, such as those for the General Counsel's U.S. Agency for International Development Commercial Law Development Program, are also recorded under A&R.

Obligations charged to A&R are effectively obligations against the S&E appropriation; therefore, in order to avoid exceeding the appropriation, all A&R expenditures must be recovered in the fiscal year in which they were incurred.

Working Capital Fund. The legislation (15 U.S.C. 1521) establishing the WCF authorizes its use to support services that can be performed more advantageously as central services. Created by statute in 1944 expressly to provide central duplicating and photostatic services, the authorizing legislation also permits the WCF to be used as a mechanism to account for the costs of a broad range of other services, such as Security, Human Resources, and Legal Counsel, that departmental management believes can be most efficiently provided by a centrally managed and funded organization. Algorithms are used to allocate the costs of such common services to the bureaus. Some costs, such as costs for security services that are acquired by the central organizations for the benefit of only one bureau, are also financed through the WCF but charged to the organization receiving the services. The authorizing legislation initially capitalized the fund at \$100,000 without fiscal year limitation.

The WCF is an intra-governmental services fund similar to those established in a number of other federal agencies, including the General Services Administration (GSA), Department of Labor, and Department of Justice. Typically within this type of fund, property, plant, and equipment can be capitalized and depreciated over their useful lives. Financing of service activities, such as centralized printing and reproduction operations, that require significant capital investments in property and operating equipment through a WCF is logical because the portion of the operating costs associated with capital expenditures can be allocated to the appropriate fiscal years, thus resulting in more accurate cost allocations and more accurate cost recoveries. With some exceptions, the Department's WCF activities do not require significant investments in capital assets. Most incur only salary and other direct annual expenses. Thus, the WCF tends to complicate accounting for many services because the process of allocating costs, including the indirect costs of managing the fund itself, is cumbersome and labor intensive.

Gifts & Bequests Fund. The Department receives donations in the form of gifts and bequests that can be used in carrying out the work of the Department. They are to be used in accordance with the terms provided by the donor or, if an unconditional gift or bequest, used for purposes of

official entertainment and representation, program support, official travel, or other authorized activity deemed a mission-related necessity.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit survey objectives were to determine whether: (1) charges made to the funds are consistent with the funds' stated purposes, (2) recent increased charges to the bureaus appear justified, and (3) algorithms used for charging bureaus appear reasonable and properly applied. Our audit survey focused on selected aspects of the fund management practices of S&E, A&R, WCF, and G&B in fiscal year 2000.

The scope of our audit survey included gaining an understanding of management's controls to the extent necessary to achieve the objectives specified above. Weaknesses noted in management's controls and related recommendations are discussed in the "Findings and Recommendations" section below. Since the overall focus of our audit survey was to perform an assessment of the Department's fund management practices, we did not rely on computer-processed data to achieve the audit survey objectives. As such, no procedures were performed to determine the reliability of computer-processed data. In addition, other than our procedures related to the review of the WCF's authorizing legislation discussed in "Charges within the S&E, A&R, and WCF Appear Consistent with Each Fund's Purpose" in the following section, we did not assess the Department's compliance with applicable laws and regulations.

The methodology for our audit survey included interviews with Department and bureau representatives and review of pertinent documents such as WCF authorizing legislation, the Department of Commerce chapter of the FY 2001 Budget of the U.S. Appendix, the FY 2000 WCF Handbook, the FY 2000 A&R Projects Description Handbook, prior year audit reports, and selected project folders for each fund. During the audit survey and at its conclusion, we discussed our findings with the Director of the Office of Executive Budgeting (OEB). Our fieldwork was conducted at Commerce headquarters in Washington, D.C., during April and May 2001.

FINDINGS AND RECOMMENDATIONS

I. Charges within the S&E, A&R, and WCF Appear Consistent with Each Fund's Purpose

We interviewed departmental and bureau personnel in order to gain an understanding of the purposes, uses, and activities of the funds, as well as the operations of the OEB, which provides the financial stewardship and management of the funds, and reviewed pertinent documents, such as the WCF authorizing legislation, the Department's FY 2001 budget, and WCF and A&R handbooks. Each handbook provides a description of the projects within the fund, as well as a summary of the methodology used to charge costs to the bureaus (i.e., the basis of charge). We also reviewed billing reports to determine whether projects charged to the bureaus are covered within the handbook.

Generally, the Department has used the various funds as follows:

- **S&E.** Funds the Departmental policy-setting management and related key staff – including both departmental policy on national or governmental issues and internal departmental issues.
- **A&R.** Acts as a centralized collection source for the cost of special activities or programmatic events and their billing to users.
- **WCF.** Provides, on a reimbursable basis, Department-wide administrative services that are more efficiently and economically performed on a centralized basis.

Based on these practices, other relevant information obtained, and documents reviewed, the Department appears to have a reasonable basis for segregating costs among the funds. Our review of costs associated with a sample of projects did not identify any instances where projects included within the funds had charges that were inconsistent with the stated purposes of the funds.

However, we did find that OEB, among other things, is responsible for formulating and reviewing the operating budget estimates for the WCF, S&E, A&R, and G&B, but lacks clear, written operating policies and procedures for administering the funds. In addition, at the time of our audit survey fieldwork, the FY 2001 handbooks had not yet been completed and distributed to the bureaus. We also noted instances where the handbooks' description of the basis of charge did not accurately state the method used to allocate costs.

Recommendations

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

1. The Office of Executive Budgeting clearly documents its operating policies and procedures.
2. The annual version of the handbooks are completed in a timely manner and that they provide a clearer and more accurate description of the bases for charges.

Management's Planned Actions

OEB is currently documenting its policies and procedures and plans to produce a policies and procedures manual. In addition, handbooks for the WCF and A&R activities will be produced within three months after the operating budget is finalized.

II. Increased Charges to the Bureaus Appear Justified

For review purposes, we focused on 6 of the 21 offices of Departmental Management. These 6 offices represent approximately 73 percent of the aggregate Departmental Fund Management (S&E, A&R, WCF) FY 2001 operating estimate (excluding central charges for rent and digital department costs), and were selected for review because they represented more than 10 percent of the total FY 2001 estimate or they were the subject of cost increases and other concerns expressed by departmental/bureau management. The offices selected for review were:

- Immediate Office of the Secretary
- General Counsel
- Security
- Financial Management
- Human Resources Management
- Administrative Services

Among other things, we compared total billings by project for a 3-year period (FY 1998 - FY 2000), and then we inquired about any significant fluctuations noted and assessed the explanations provided. We found that the explanations for the more significant recent increases appeared logical. Most notably, the Office of Security billings increased significantly due to a revamping of the Department's security program whereby bureau security staffs were centralized within the Department and funded through the WCF. We also compared operating estimates to actual total charges for projects within selected offices. While we did not include any tests of specific costs (within a project) charged to the bureaus, we found no instances of unexplained costs charged to the bureaus.

III. Algorithms Used to Allocate Costs Appear Reasonable and Properly Applied

For each project described in the WCF Handbook and the A&R Project Descriptions Handbook, there is an explanation of how the costs associated with that project will be allocated among the Department's bureaus. Once the basis for allocating a project's costs is determined, an algorithm is used to perform the allocation.

As part of our review, we assessed the basis of charge and the algorithms used for the projects we examined. Our focus was to evaluate the reasonableness of the basis of charge, not to determine whether it represented the best method of allocation. We discussed the basis of charge and algorithms used with OEB personnel and reviewed OEB documentation supporting the allocation of costs.

We did not note any specific instances where the algorithm used to allocate costs appeared to unfairly burden or benefit any bureau. In addition, we did not identify any instances where the algorithms appeared to have been improperly applied. We did note, however, that some of the

project folders maintained by OEB did not contain all of the relevant documentation supporting the allocation of costs. For example, in some instances the justification for selecting the project's basis of charge, source documents for amounts used in algorithms, and explanations for variances in departmental office budgets – current year to prior year – were missing from the project folders. However, we obtained this information from OEB personnel or the departmental offices.

Recommendation

We recommend that the Chief Financial Officer and Assistant Secretary for Administration ensure that more detailed documentation is included in the individual project folders to support the allocation of costs.

Management's Planned Action

OEB believes that overall the folders contain sufficient documentation but will enhance its documentation by standardizing the data to be contained within each folder.

IV. Bureau Concerns, Cost Containment Efforts, and the Role of the WCF Advisory Committee Require Management's Attention

Bureaus Cite Problems with Departmental Fund Management Operations

We interviewed bureau representatives and other persons knowledgeable about Departmental Fund Management operations to identify their primary concerns. We also had follow-up discussions with OEB and determined that they are aware of the problems. However, presently, there is no formal mechanism to track and ensure that all bureau concerns are addressed. The most frequently cited concerns are summarized as follows:

- ***Lack of timely information necessary for bureaus to manage their funds.*** The bureaus are very concerned that they do not always receive the annual operating budgets and monthly billing reports in a timely manner. This hinders their ability to effectively plan and manage their financial operations.
- ***Continual increases in the WCF operating budgets.*** As noted, the costs of the WCF have increased by about 50 percent over the past 5 years (while costs of the other departmental management funds have remained fairly steady). Bureau representatives perceive these increases to be excessive and expressed concern that they are not informed about the increases in a timely manner and have little, if any, option but to fund them. In particular, there is widespread concern about whether incentives and necessary controls exist to ensure proper cost containment.

However, during our review, we looked at increased cost over the past three years of the WCF taken as a whole. Management's explanations for significant fluctuations appeared logical and reasonable. See "Increased Charges to the Bureaus Appear Justified" on page 6.

- ***Lack of bureau input over the departmental office budgets.*** The bureaus are not provided with an opportunity to review departmental office budgets and comment on the impact of the allocation of their costs on bureau programs.

Cost Containment Measures for WCF Should Be Strengthened

Our review did not reveal any effective internal control measures to contain costs. As previously discussed, the WCF has increased by 50 percent over the past five years, rising from \$74.2 million in fiscal year 1996 to \$111.2 million in fiscal year 2000. While the increase for that period appears to be justified based upon a sample of selected projects, there is no apparent incentive for managers of the fund to contain cost increases to the absolute minimum. Instead, WCF managers appear to have the ability to "tax" bureaus to fund increases in the WCF with little or no input from the bureaus or scrutiny from congressional oversight committees through reprogramming procedures. As a result, there is concern that certain controversial or unfavorable program initiatives can be funded through the WCF without a thorough review of the cost.

Indeed, some senior departmental financial managers acknowledge that cost control measures for the WCF should be strengthened. Moreover, the Department's congressional oversight committee is concerned about the growth of the WCF. Hence, we believe that it is critical for the Chief Financial Officer and Assistant Secretary for Administration to establish such financial management controls in the WCF to best ensure WCF costs are controlled as appropriate. We are aware that the Department is in the process of convening a task force to study this concern, in addition to studying other WCF issues.

The WCF Advisory Committee Can Be More Effective

The WCF Advisory Committee was established in March 2000 primarily to discuss the WCF's budget for the next fiscal year and changes in the billing process, as well as to obtain bureau input. The committee has two subcommittees: an Algorithm Subcommittee and a PTO Subcommittee. The committee, which is composed of representatives from OEB and each of the Department's bureaus, is viewed as a vehicle to communicate and disseminate WCF information to the bureaus, as well as to obtain bureau input about certain matters.

During our review, we found that the committee lacks a formal charter and its authority, mission, objectives, responsibilities, and procedural guidelines are not appropriately documented or understood by all participants. It is also unclear what the committee's role is to be in (1) setting fund direction or policy and (2) assisting in the fund's cost containment efforts. Finally, we are concerned that the committee does not appear to track and address specific bureau concerns or

examine departmental office budgets and provide feedback/recommendations based on the impact of budgets on the bureau program funding.

Recommendations

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

1. An annual report is prepared that specifically identifies the Departmental Fund Management financial activities, which is then provided to the bureaus, the OIG, and appropriators. This report should, at a minimum, include total costs and billings by project and office for each fund; explanations for significant variances between budget and actual costs, as well as between current year and prior year costs; and a rationale for establishing new projects or changing the basis of charge in projects.
2. A plan is developed that tracks and addresses bureau concerns, including the need for bureaus to be provided with timely information on all funds (e.g., operating budgets and reports).
3. The role of the WCF Advisory Committee is clearly defined and, as appropriate, its membership, authority, mission, and objectives are established. Among other tasks, the committee could function as an advisory-oversight body to the WCF and help it address such matters as:
 - Ensuring that the WCF operations are transparent and accountable to its bureau customers;
 - Ensuring that adequate financial management controls (especially cost containment) are established for the WCF;
 - Reviewing annual budgets for the WCF and providing feedback;
 - Requiring timely information and frequent communication with bureau customers;
 - Reviewing new or changed projects and algorithms; and
 - Addressing problems cited by the bureaus.

Management's Planned Actions

OEB will implement annual reporting to bureaus, the OIG, and appropriators in March each year. The Department plans on replacing the WCF Advisory Committee with a WCF Executive Board, which it envisions as a decision-making body. A charter being developed for the board will be forwarded to the Secretary after bureau input is received. The new WCF Executive Board will develop an action plan to address bureau concerns.

* * * * *

We believe that the actions planned or taken as described in OEB's audit action plan and summarized above, if properly implemented, will meet the intent of our recommendations. Accordingly, pursuant to Department Administrative Order 213-5, we regard this audit report as resolved. Consistent with *Government Auditing Standards*, during our audit of the Department's fiscal year 2001 consolidated financial statements, we plan to verify that the actions planned or reported as taken have been effectively implemented.

We appreciate the cooperation and courtesies extended to us by your staff during our review.

Attachment

cc: Robert Kugelman, Director, Office of Executive Budget and Assistance Management

ATTACHMENT A

Offices Funded Under Departmental Management

Departmental Services

- Security
- Chief Information Office
- Small and Disadvantaged Business Utilization
- Budget
- Management and Organization
- Executive Assistance Management
- Financial Management
- Human Resources Management
- Civil Rights
- Administrative Services
- Acquisition Management

Executive Direction

- Immediate Office of the Secretary
- Chief of Staff
- Executive Secretariat
- Deputy Secretary
- Business Liaison
- Policy and Strategic Planning
- Public Affairs
- General Counsel
- Legislative and Intergovernmental Affairs
- Chief Financial Officer

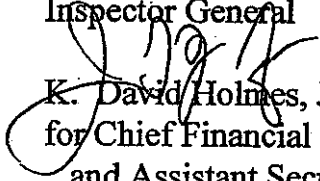
**MANAGEMENT'S CORRECTIVE ACTION PLAN
TO THE
OIG BRIEFING DOCUMENT ON
DEPARTMENTAL FUND MANAGEMENT**



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

MAY 18 2001

MEMORANDUM FOR Johnnie E. Frazier
Inspector General

FROM: 
K. David Holmes, Jr.
for Chief Financial Officer
and Assistant Secretary for Administration

SUBJECT: Office of the Inspector General (OIG) Briefing Document
on Departmental Fund Management

The attached is in response to your memo dated April 27, 2001, regarding the OIG Briefing Document on Departmental Fund Management. An explanation is provided on the rationale of the proposed responses. We have set forth a corrective action plan, with target dates, to address your recommendations. Upon your concurrence with the corrective actions, we will forward a copy of the plan to the House and Senate Appropriations Subcommittee staff.

If you have any questions about the matters in the attached document, please do not hesitate to contact me or Robert Kugelman, Director, Office of Executive Budget and Assistance Management, at (202) 482-4299.

Attachment

cc: Laurie Fenton, Chief of Staff
James Taylor, Director for Financial Management and Deputy Chief Financial Officer
Barbara A. Retzlaff, Director, Office of Budget

**Office of Executive Budgeting's Response to Office of Inspector General
Briefing Document dated 4/27/01
on Departmental Fund Management**

Audit Area: Annual Reporting

OIG Recommendation 1:

Ensure that an annual report is prepared which specifically identifies the Departmental Fund Management financial activities, which is then provided to the bureaus, Office of Inspector General (OIG) and appropriators.

OEB Response:

To satisfy this audit recommendation the Office of Executive Budgeting (OEB) will implement annual reporting to bureaus, OIG and appropriators. Such annual reporting will capture data for the *Working Capital Fund* (WCF) and for projects under *Advances and Reimbursements* (A&R) activity. Reporting will provide a brief description of the funds. Narrative, similar to the "Overview" which accompanies the General Administration financial statements, will be used to describe mission, purpose, composition and services of the funds. The annual reporting will also address total costs and billings by project and office for each fund; explanations for significant variances between budget and actual costs; as well as variances between current year and prior year budgets; and the rationale for establishing new projects or changing basis of charge in projects. A format similar to Attachment A will be enhanced. (See example document) Attachment A reflects cost data as provided in the WCF Budget Status: Summary by Project. It also reflects cost data as provided in A&R's FY Operating Budget.

As stated above, to fully comply with OIG Recommendation 1, OEB will provide an explanation for "significant variances" between costs. OEB Transmittal Memo No. 1 Subject: Guidance for Presenting Performance Data for General Administration's Management Overview dated 8/99, Section 8.02 Fluctuations prescribes the following:

"a significant fluctuation is defined as an increase or decrease of 10 percent from the program offices planned budget when compared to the actual budget."

OEB will expand this definition to footnote significant fluctuations between current and prior year budgets. With regard to providing annual reporting for the *Salaries and Expenses* (S&E) fund, do note that S&E is an appropriated fund. Hence, data pertinent to this fund is captured in the annual Department of Commerce Budget In Brief. Such data is also captured in the annual Department of Commerce Departmental Management's Congressional Budget Submission. Both documents are distributed to bureaus, OIG and appropriators.

Target Date: Annual reporting will occur in March of each year after the issuance of the Departmental Management financial statement audit report.

Audit Area: Bureau Concerns

OIG Recommendation 2:

Develop a plan that traces and addresses Bureau concerns, including the need for bureaus to be provided with timely information on all funds (e.g., operating budgets and reports).

OEB Response:

OIG Recommendation 2, as it relates to the WCF, will be the first order of business undertaken by the *Working Capital Fund Executive Board (Board)*. The Board will be charged with providing policy oversight, review and direction for the WCF. Correspondence to the Secretary has been drafted by OEB staff. The correspondence formally requests a departmental decision to establish a Board which would be responsible for carrying out activities prescribed in the OIG's Recommendation 2. Attached to the correspondence will be a draft charter for the Board. We plan to circulate the draft charter for bureau and OIG comment prior to the Secretary's consideration.

With regard to addressing bureau concerns on A&R activity, OEB prepared the first edition of the A&R Handbook. The A&R Handbook will be disseminated annually. The Handbook, in addition to the implementation of A&R cost reporting, should address bureau concerns.

Target Date: An actual plan that addresses bureau concerns is to be developed by the Board. The charter will incorporate bureau overarching concerns; the Board agenda for the first meeting will be to set up the charter and plan action for activities and reviews that are bureau concerns. The timetable for establishment of such a Board is addressed in Recommendation No. 3 below.

Audit Area: WCF Advisory Committee

OIG Recommendation 3:

Determine the role of the *WCF Advisory Committee* and establish its authority, mission and objectives.

OEB Response:

In response to concerns that grew out of a FY99 financial statement audit of the Working Capital Fund, a WCF Advisory Committee comprised of bureau representatives, was established in March 2000. Subsequently, two subcommittees of the WCF Committee were formed. One subcommittee was established to review the withdrawal of the Patent and Trademark Office from the WCF. The other subcommittee was established to review WCF pricing formulas. Efforts are underway to draft a charter for the WCF Executive Board, formerly the *WCF Advisory Committee*. We envision the Board as a decision making body, replacing the WCF Advisory Committee which was used primarily to communicate information. The charter will be forwarded to the Secretary after receiving bureau input.

Target Date: Our timetable for establishment of a Board is as follows:

- Comment period for Management & Bureau discussion and review of draft charter (6 weeks)
- Transmittal to Secretary of Commerce (7th week)
- Convene 1st meeting of Executive Board (within 4 weeks of establishment of Board)

Audit Area: Handbook Distribution

OIG Recommendation 4

Ensure that the annual version of the Handbooks are completed in a timely manner and that Handbooks provide a clearer and more accurate description of the basis of charge.

OEB Response:

The WCF Handbook has traditionally been produced each year in March. The Handbook, in addition to capturing the basis of project charges, also includes: authorizing legislation; object class listing; budget cycle; and a listing numerically by project code. As stated under OEB Response for OIG Recommendation 2, an A&R Handbook is being developed. For this fiscal year, the A&R Handbook will be issued in conjunction with the WCF Handbook. In subsequent fiscal years, handbooks, related to WCF and A&R activities, will be produced three months after the operating budget is finalized. This will allow OEB staff to capture data which has been approved in the budget. It will also allow OEB staff to coordinate handbook compilation efforts with bureaus and Departmental Management offices. Specifically, it will allow OEB to obtain bureau officials' feedback on project description and the basis of project charges. This should ensure a more accurate description of the basis of charge.

Target Date: WCF and A&R activities, will be produced three months after the operating budget is finalized.

Audit Area: Operating Policies and Procedures

OIG Recommendation 5:

Document the Office of Executive Budgeting operating policies and procedures.

OEB Response:

Efforts to document OEB policies and procedures began in August 1999 with the issuance of the Office of Executive Budgeting Transmittal Memo No. 1: *Guidance for Presenting Performance Data for General Administration's Management Overview*. This policy guidance was later followed by Office of Executive Budgeting Transmittal Memo No. 2: *Deobligating Undelivered Orders*. Do note, OEB staff will consolidate existing operating guidelines into an official procedural manual and will ensure that such guidance is centrally located in the office. In addition to the above guidance, the OEB policy and procedures manual will include information documented in the audit *Budget Cycle Memo* covering both the WCF and S&E.

Target Date: July 2001- prior to financial audit entrance conference.

Audit Area: Project Folders

OIG Recommendation 6:

Include more detailed documentation in the individual project folders.

OEB Response: OEB staff has reviewed project files and we believe overall that sufficient documentation is included within individual project folders. However, as an enhancement, OEB will focus on the organization of the folders to standardize the data that is contained within files.

WCF contents will be in six sectioned folders and include:

- 1) Current operating budget
- 2) Operating budget guidelines/drafts from offices
- 3) Memoranda of Understanding, Interagency Agreements and other significant correspondence
- 4) Budget increases/proposals
- 5) Algorithm calculations and backup
- 6) Final percent tables/billing algorithm

A&R contents will be in six sectioned folders and include:

- 1) Copy of approved operating budget for current fiscal year,
- 2) Algorithm calculations and backup
- 3) Copy of obligating documents
- 4) Copy of Memoranda of Agreements, if applicable
- 5) Important correspondence pertaining to the project.

Target Date: August, 2001. Summer interns will be involved in accomplishing the file reorganization.

DOLLARS IN THOUSANDS
ANNUAL REPORT
 WORKING CAPITAL FUND COST SUMMARY
 DOLLARS IN THOUSANDS

ATTACHMENT A

	FY 2000 BUDGET	FY 2000 ACTUALS	VARIANCE	FY 2000 BUDGET	FY 2001 BUDGET	VARIANCE
30000 OGC LEG. & REG.....	3046	3157	4%	3046	3427	13%
34000 OGC ITA.....	6265	6139	-2%	6265	6453	3%
38000 OGC CENSUS/ESA.....	719	1032	44%	719	817	14%
42000 OGC NIST.....	899	853	-5%	899	935	4%
45000 OGC BXA.....	2442	2127	-13%	2442	2511	3%
48000 OGC ADMINISTRATION.....	6610	6398	-3%	6610	6766	2%
49000 OGC FIN. & LITIGATION.....	3858	3882	1%	3858	4093	6%
31000 LAW LIBRARY.....	801	759	-5%	801	825	3%
32000 LEGAL INFO RETRVL.....	1209	1246	3%	1209	1274	5%
OGC TOTAL	25849	25593	-1%	25849	27101	5%
50000 OPA OPERATIONS.....	1351	1177	-13%	1351	1410	4%
51000 PHOTOGRAPHIC SERVICES.....	792	646	-18%	792	813	3%
OPA TOTAL	2143	1823	-15%	2143	2223	4%
134000 OMO SUPPORT.....	223	122	-45%	223	196	-12%
OMO TOTAL	223	122	-45%	223	196	-12%
126000 HCHB SECURITY.....	2245	2190	-2%	2245	3077	37%
127000 SECURITY PROGRAMS.....	6240	6096	-2%	6240	6538	5%
140000 ITA SECURITY.....	227	71	-69%	227	0	-100%
141000 CENSUS SECURITY.....	2989	2491	-17%	2989	3502	17%
142000 NOAA SECURITY.....	1450	1184	-18%	1450	4193	189%
143000 NIST SECURITY.....	1385	1332	-4%	1385	407	-71%
144000 PTO SECURITY.....	279	279	0%	279	0	-100%
146000 NOAA COUNTER TERRORISM.....	450	69	-85%	450	0	-100%
154000 CENSUS JEFFERSONVILLE SECUR.....	0	0	.	0	2279	.
155000 NOAA EASC SECURITY.....	0	0	.	0	888	.
156000 NOAA CASC SECURITY.....	0	0	.	0	497	.
157000 NOAA MASC SECURITY.....	0	0	.	0	393	.
158000 NOAA MASC SECURITY.....	0	0	.	0	878	.
159000 NIST BOULDER SECURITY.....	0	0	.	0	1841	.
OSY Total	15711	13956	-11%	15711	24885	58%
104000 PUBLICATIONS PROCURE.....	315	323	3%	315	563	79%
109000 DESIGN & GRAPHICS.....	1005	1004	-0%	1005	0	-100%
110000 SCHED., REVIEW & PROCURE.....	820	803	-2%	820	965	18%
112000 ELECTRONIC PUBLISHING.....	1386	1237	-11%	1386	1722	24%
113000 SELF SERVICE PAPER.....	462	263	-43%	462	0	-100%
114000 DEDICATED COPIER.....	207	221	7%	207	0	-100%
120000 POSTAL SERVICES.....	1786	1722	-4%	1786	1995	12%
121000 PERSONAL PROPERTY OFC.....	1208	983	-19%	1208	1368	13%
122000 ADMIN SERVICES.....	394	359	-9%	394	504	28%
123000 SUPPORT SERVICES.....	1226	1149	-6%	1226	1346	10%
124000 DEPARTMENTAL LIBRARY.....	1133	1101	-3%	1133	1125	-1%
129000 BUDGET & PROCUREMENT.....	1206	1127	-7%	1206	1445	20%
136000 STOCK PROGRAM - PAPER.....	820	883	8%	820	1067	30%
138000 HCHB MANAGEMENT.....	1400	1515	8%	1400	1803	29%
139000 SAFETY & HEALTH.....	1283	1152	-10%	1283	1058	-18%
147000 REAL ESTATE.....	1189	1092	-8%	1189	1493	26%
149000 STOCK PROGRAM - OTHER.....	100	134	34%	100	100	0%
150000 JOINT USE - HCHB.....	205	146	-29%	205	201	-2%
153000 HCHB OPERATIONS & MAINT.....	0	0	.	0	693	.
166000 REIMBURS. ALTERATIONS.....	953	1130	19%	953	998	5%
175000 REIMBURS. UTILITIES.....	250	184	-26%	250	200	-20%
175000 GSA BLDG DELEGATION.....	8459	9204	9%	8459	9209	9%
OAS TOTAL	25807	25732	-0%	25807	27855	8%
128000 PROCUREMENT OPS.....	2940	2874	-2%	2940	3069	4%
444000 CONOPS.....	1098	1027	-6%	1098	2054	87%
OAM TOTAL	4038	3901	-3%	4038	5123	27%
135000 BPRS.....	538	378	-30%	538	241	-55%
OBPRS TOTAL	538	378	-30%	538	241	-55%
440000 EXEC ASSISTANCE MGMT.....	2018	2034	1%	2018	2049	2%
441000 EXECUTIVE BUDGETING.....	1568	1471	-6%	1568	1681	7%
OEBAM TOTAL	3586	3505	-2%	3586	3730	4%
532000 CIVIL RIGHTS.....	2018	1870	-7%	2018	2153	7%
535000 CENSUS 2000.....	1568	1527	-3%	1568	1638	4%
OCR TOTAL	3586	3397	-5%	3586	3791	6%
521000 PERSONNEL OPERATIONS.....	2882	2816	-2%	2882	1304	-55%
522000 EMPLOYMENT SERVICES.....	1542	1297	-16%	1542	1827	18%
523000 PAYROLL DEMONSTRATION.....	798	891	12%	798	739	-7%
524000 PERSONNEL/PAYROLL SYS.....	1600	1426	-11%	1600	2128	33%
525000 HONOR AWARDS PROGRAM.....	45	33	-27%	45	40	-11%
526000 EMPLOYEE ASSISTANCE.....	258	169	-34%	258	349	35%
527000 TRAINING PROGRAMS.....	872	782	-10%	872	1079	24%
528000 EXECUTIVE RESOURCES.....	762	931	22%	762	1038	36%
529000 DECENNIAL CENSUS.....	1017	838	-18%	1017	429	-58%
530000 INJURIES & COMPENSATION.....	1057	1276	21%	1057	1321	25%
533000 NFC PAYROLL.....	4777	5145	8%	4777	5590	17%
OHRM TOTAL	15610	15604	-0%	15610	15844	1%
443000 COMM ADMIN MGMT SYSTEM.....	15037	14115	-6%	15037	14967	-0%
446000 FINANCIAL REPORTS.....	2115	1751	-17%	2115	2253	7%
449000 FINANCIAL SYSTEMS.....	0	0	.	0	0	.
458000 CENSUS DIRECT CAMS.....	2131	1285	-40%	2131	2300	8%
459000 NOAA DIRECT CAMS.....	115	111	-3%	115	0	-100%
OFM TOTAL	19398	17262	-11%	19398	378	-98%
702000 ADMINISTRATIVE SYSTEMS.....	5996	6071	1%	5996	5993	-0%
703000 OFFICE AUTOMATION.....	1242	983	-21%	1242	1392	12%
705000 INTERNET SERVICES.....	0	0	.	0	100	.
CIO TOTAL	7238	7054	-3%	7238	7485	3%
WCF GRAND TOTAL	123727	118327	-4%	123727	118852	-4%

*Reflects that no cost were budgeted in the FY2000 budget. Negative reflects actual costs were less than budgeted costs.
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ANNUAL REPORT
ADVANCES AND REIMBURSEMENTS COST SUMMARY
DOLLARS IN THOUSANDS

	FY 2000 Budget	FY 2000 Actuals	Variance	FY 2000 Budget	FY 2001 Budget	Variance
CHIEF OF STAFF						
EXTERNAL AFFAIRS.....	1,000	812	-19%	1,000	985	-1%
ELECTRONIC COMMERCE.....	1,314	1,156	-12%	1,314	1,274	-3%
WORLD TRADE ORGANIZATION.....	0	0	0%	0	0	0%
WHITE HOUSE LIAISON.....	637	610	-4%	637	709	11%
ITC - RONALD REAGAN BUILDING.....	716	630	-12%	716	704	-2%
REGIONAL ECONOMIC GROWTH.....	425	387	-9%	425	151	-65%
POLITICAL TRAVEL.....	0	(2)	0%	0	0	0%
SUBTOTAL.....	4,092	3,593	-12%	4,092	3,823	-7%
GENERAL COUNSEL						
EXECUTIVE SUPPORT.....	1,486	1,243	-16%	1,486	1,392	-6%
CLASS ACTION SUIT.....	0	0	0%	0	898	*
SPECIAL MATTERS OFFICE.....	1,030	919	-11%	1,030	0	-100%
USAID (CLDP).....	838	1,244	48%	838	4,799	473%
SUBTOTAL.....	3,354	3,406	2%	3,354	7,089	111%
CFO & ASST. SECRETARY						
DIVERSITY EMPLOY. PLAN - OHRM.....	70	125	79%	70	70	0%
DIVERSITY EMPLOY. PLAN - OCR.....	45	63	40%	45	280	522%
CHINA TRADE RELATIONS GROUP.....	0	2	0%	0	0	0%
SUBTOTAL.....	115	190	65%	115	350	204%
EXEC. BUDGETING & ASSIST. MGMT.						
MSI FIN. ASST. & GRANT ACTIVITIES.....	100	56	-44%	100	100	0%
MSI CONFERENCE.....	30	28	-7%	30	30	0%
NATIONAL ARCHIVES.....	850	778	-8%	850	500	-41%
FIN. ASST. & INTERAGENCY AGREE.....	200	119	-41%	200	80	-60%
SUBTOTAL.....	1,180	981	-17%	1,180	710	-40%
CIVIL RIGHTS						
CULTURAL AWARENESS.....	200	161	-20%	200	175	-13%
MSI PROGRAM - OCR.....	0	0	0%	0	31	*
SUBTOTAL.....	200	161	-20%	200	206	3%
HUMAN RESOURCES MGMT.						
FEDERAL EXECUTIVE BOARD.....	280	196	-30%	280	275	-2%
CAREER DEVELOPMENT PROG.....	0	240	*	0	136	*
SUBTOTAL.....	280	436	56%	280	411	47%
OFFICE OF MGMT. & ORGANIZATION						
PIONEER FUND.....	250	245	-2%	250	250	0%
COMMERCE PERFORMANCE REV.....	0	0	0%	0	0	0%
BENCHMARKING STUDY/WORK.....	100	30	-70%	100	0	-100%
SUBTOTAL.....	350	275	-21%	350	250	-29%
ACQUISITION MANAGEMENT						
DCAA AUDITS.....	300	515	72%	300	503	68%
COMMITTS - OPERATIONS.....	1,000	558	-44%	1,000	450	-55%
SUBTOTAL.....	1,300	1,073	-17%	1,300	953	-27%
BUDGET						
COMMERCE - GPRA.....	498	260	-48%	498	529	6%
SECURITY						
EXECUTIVE DIRECTION SUPPORT.....	0	0	0%	0	60	*
INTERNATIONAL PROGRAMS.....	500	1,203	141%	500	250	-50%
SUBTOTAL.....	500	1,203	141%	500	310	-38%
CENTRAL CHARGES						
TELEPHONES.....	1,800	1,415	-21%	1,800	1,600	-11%
GSA RENT.....	35,900	35,196	-2%	35,900	36,654	2%
MISC. COMMERCE COMMITMENTS.....	3,203	3,215	0%	3,203	3,650	14%
SUBTOTAL.....	40,903	39,826	-3%	40,903	41,904	2%
TOTAL.....	52,772	51,404	-3%	52,772	56,535	7%

Negative reflects actual costs were less than budgeted costs.

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Source Document : FY2001 Operating Budget

Prepared by the Office of Executive Budgeting