

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



OFFICE OF THE SECRETARY

*The Office of Administrative Services
Needs Stronger Internal Controls
and Management Oversight*

Final Inspection Report No. IPE-15131/September 2002

**PUBLIC
RELEASE**

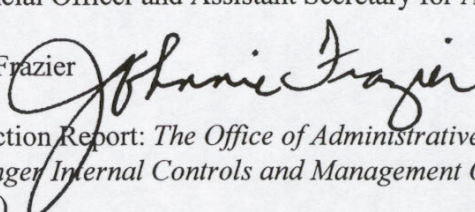
Office of Inspections and Program Evaluations



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

SEP 30 2002

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

FROM: Johnnie E. Frazier 

SUBJECT: Final Inspection Report: *The Office of Administrative Services Needs Stronger Internal Controls and Management Oversight* (IPE-15131)

As a follow up to our August 9, 2002, draft report, attached is our final report of our inspection of the Office of Administrative Services (OAS). Thank you for your response to the report, which is included in the report as Appendix A. We are pleased that you have agreed with all but one of our recommendations and have taken decisive corrective actions to address the problems discussed in the report. For the one recommendation you do not agree with—creating a new OAS organizational structure—we believe that the additional staffing you have put in place to help manage OAS's operations will satisfy our concerns and have therefore dropped that recommendation from our report. For the two recommendations concerning personal use of cellular telephones and the hiring of an environmental manager that remain open, please provide a status report on additional action taken within 60 calendar days. We would also like to receive a copy of the Department's new guidelines for telecommunications usage when they are available.

We thank your staff for the assistance and courtesies extended to us during our evaluation. If you have any questions about our report or the requested status report, please contact me at (202) 482-4661, or Jill Gross, Assistant Inspector General for Inspections and Program Evaluations, at (202) 482-2754.

Attachment

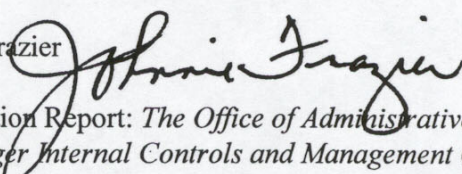
cc: Denise Wells, Acting Director, Office of Administrative Services
Deborah Jefferson, Acting Director, Office of Human Resources Management
Jorge R. Urrutia, Director for Administration and Chief Financial Officer, National Institute of Standards and Technology
John McGuffin, Comptroller, National Institute of Standards and Technology



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MEMORANDUM FOR: Jorge R. Urrutia
Director for Administration and Chief Financial Officer
National Institute of Standards and Technology

FROM: Johnnie E. Frazier 

SUBJECT: Final Inspection Report: *The Office of Administrative Services
Needs Stronger Internal Controls and Management Oversight*
(IPE-15131)

As a follow up to our August 9, 2002, draft report, attached is our final report of our inspection of the Office of Administrative Services (OAS). Thank you for your response to the report, which is included in the report as Appendix B. Because, effective September 12, 2002, the Department's Office of Human Resources Management (OHRM) has revised the Cash-in-Your-Account award policy to require that such awards be paid by the National Finance Center, there is no longer a need for NIST to work with OHRM to take appropriate corrective action on the problem identified in our report. However, we encourage NIST to work with OHRM to accurately and completely document the extent of the existing Cash-in-Your-Account award problem to ensure all instances of awards made without the taxes being paid, including those outside of OAS, are identified and corrected.

We thank your staff for the assistance and courtesies extended to us during our evaluation. If you have any additional questions about our report, please contact me at (202) 482-4661, or Jill Gross, Assistant Inspector General for Inspections and Program Evaluations, at (202) 482-2754.

Attachment

cc: Otto J. Wolff, Chief Financial Officer and Assistant Secretary for Administration
Denise Wells, Acting Director, Office of Administrative Services
Deborah Jefferson, Acting Director, Office of Human Resources Management
John McGuffin, Comptroller, NIST

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EXECUTIVE SUMMARY

The Office of Administrative Services (OAS), a component of the Office of the Secretary, provides administrative support and services to various Commerce units. These services include mail handling, printing and publications, library services, property and fleet management, and building management for Department headquarters, the Herbert C. Hoover Building. In addition, OAS provides policy and oversight in areas such as construction, energy conservation, and environmental management for the entire Department.

We initiated an inspection of OAS's internal operations in April 2002 in response to a request from the Chief Financial Officer and Assistant Secretary for Administration. Shortly before the start of our inspection, the OAS director was reassigned to another position. During the course of our review we worked closely with the acting OAS director to focus on select aspects of the office's internal management and operations that were of concern. In particular, we sought to determine whether applicable rules, regulations, and guidelines were followed by OAS managers and employees with respect to bankcard usage, issuance of awards, cellular telephone usage, overtime, and other time and attendance issues. Specifically, we found the following:

Bankcard Use Did Not Always Adhere to Policy. OAS is a participant in the federal government's bankcard program, a program designed to streamline the purchase of small items and reduce administrative costs and paperwork. We reviewed the purchases made between March 2001 and March 2002, for OAS's 26 bankcard holders to ensure that bankcard usage complied with applicable regulations and procedures. We found that proper procedures were not always followed. Specifically, documentation to support purchases was not always retained, necessary approval of purchases was not obtained on 8 percent of purchases, cardholders failed to use required sources of supply, and some holiday décor items purchased with bankcards could not be located (see page 3).

Awards Program Was Not Well Managed. OAS employees have received approximately \$508,476 in departmental awards during fiscal years 1999 through 2001. Yet, we found that OAS's awards process was (1) unorganized, (2) had weak internal controls, and (3) had poor management oversight. The result was several violations of departmental award guidelines, including exceeding thresholds for awards—six OAS employees received more than \$1,000 in Cash-in-Your-Account (CIYA) awards in calendar year 2001 (the limit is \$1,000 annually) and three employees received awards totaling more than 10 percent of their base pay in fiscal year 2001 (the limit is 10 percent annually). In addition, we found that the Office of Human Resources Management (OHRM) did not adequately fulfill its role in overseeing and monitoring the OAS awards program. OHRM also does not have processes in place to detect the threshold violations or a more serious problem involving 80 CIYA awards for 50 OAS employees that were not included on the employees' W-2 forms (earnings statements) and for which the applicable taxes were not paid (see page 6).

Cellular Telephones Were Used For Personal Calls. In reviewing the cellular telephone bills for the OAS employees who were provided with a cell phone to assist in conducting official government business, we found that calls made by some employees appeared to be of a personal nature. In addition, in some cases, monthly costs for employee use of the telephones were exorbitant, exceeding \$1,000 on two occasions. We requested that five OAS employees with cellular telephones certify whether their cell phone usage was official government business or personal. Of the five employees, three provided signed certifications reporting that they made personal calls with their government cellular telephones. One employee certified that he had not made any personal calls, and the last employee has yet to comply with our request. We worked with the acting OAS director to calculate a fair and equitable amount of reimbursement to the government for the three employees who acknowledged making personal calls (see page 11).

Controls Over Time and Attendance Were Lacking. Because of concerns about the large amount of overtime charged by three OAS employees, we reviewed their time and attendance records. Our review revealed numerous problems, including incomplete or missing authorizations to work overtime, a timekeeper who was inappropriately made a supervisor for an employee that she was also the timekeeper for, and missing time and attendance documentation. Finally, despite repeated efforts and various approaches, we were unable to substantiate that all the overtime in question (1,152 hours among the three employees in 2001) had in fact been worked (see page 13).

Two Employees Abused Their Travel Card Privileges. During our review it came to our attention that two OAS employees were abusing their travel cards. We determined that the two OAS employees were using their government-issued travel cards for personal use and were not prompt in making payment to Citibank, the contractor that issues the government travel cards. The travel cards for both employees were cancelled and disciplinary action, in the form of 5-day suspensions, was taken against the employees (see page 17).

Commerce's Energy and Environmental Programs Need Attention. The Department's Energy Management Program promotes energy conservation by reducing energy and water use, managing utility costs, and promoting renewable energy technologies. Commerce's Environmental Management Program assists the bureaus in ensuring compliance with important environmental legislation, such as the Clean Air Act and the Clean Water Act. During our review, we found that both the energy and environmental programs need attention and staffing to ensure that the Department is in compliance with applicable laws and regulations (see page 19).

OAS Reorganization Options Need Attention. During our review, the acting OAS director proposed a new organizational structure for the office. While we believed that OAS would certainly benefit from a reorganization that will make managers more accountable and realign certain functions, we had some concerns about the proposed reorganization plan. For example, under the proposed structure, six division directors would be reporting directly to the director and deputy director, and we were concerned that the OAS leadership may be stretched thin. We

thought that this could lead to some of the same problems of inadequate managerial oversight that caused many of the problems cited in our review. In response to our draft report, the Chief Financial Officer and Assistant Secretary for Administration said that he did not believe that this arrangement would overburden the OAS leadership. He indicated that a new division director would be hired and that a new OAS Deputy Director had been selected to assist the Acting OAS Director with oversight responsibilities. We were satisfied with this alternative solution and dropped our recommendation that a new OAS organizational structure be developed (see page 22).

On page 23, we offer recommendations to address our concerns.



In response to our draft report, the Chief Financial Officer and Assistant Secretary for Administration agreed with all but one of our recommendations (as discussed above) and has taken corrective action to address most of the findings and recommendations contained in our report. In addition, the Director for Administration and Chief Financial Officer, National Institute of Standards and Technology agreed with the observations and conclusions regarding the CIYA award issue and stated that NIST will work with OHRM to take appropriate corrective action to remedy the problem. We have summarized the Office of the Secretary's and NIST's responses at the end of each chapter, including the corrective actions already taken in response to our recommendations. Copies of the full agency responses to our draft report are included as Appendixes A and B. We are very pleased with the quick attention and decisive action taken in response to the matters raised in this report.

INTRODUCTION

This report presents the results of our inspection of some of the internal operations of OAS. Inspections are reviews the OIG undertakes to provide agency managers with timely information about operations. One of the main goals of an inspection is to encourage effective, economical, and efficient operations. Inspections are also conducted to identify or prevent fraud, waste, and abuse in federal programs. By asking questions, identifying problems, and suggesting solutions, the OIG helps managers determine how best to quickly address issues identified during the inspection. Inspections may also highlight effective programs or operations, particularly if their success may be useful or adaptable for agency managers or program operations elsewhere.

Our inspection was conducted between April and June 2002, in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, 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. At the conclusion of our review, we discussed our findings with the Chief Financial Officer and Assistant Secretary for Administration, as well as the Acting OAS Director.

OBJECTIVES, SCOPE AND METHODOLOGY

The primary objective of our inspection was to determine whether applicable rules, regulations, and guidelines were followed by OAS managers and employees with respect to bankcard usage, issuance of awards, cellular telephone usage, overtime, and other time and attendance issues. We also reviewed a sample of the office's procurement actions for fiscal year 2002, and discussed proposals to reorganize the office with the acting OAS Director and other OAS staff. In addition, based on information obtained during our inspection, we also performed a cursory review of travel card usage for select employees.

To meet our objectives, we examined, for purchase cards, pertinent documentation including billing statements, receipts, and purchase approval forms. For issuance of awards, we looked at copies of form CD-326, "Recommendation for Recognition"; data runs from the Department's Human Resources Data System on awards made to OAS employees; and official personnel folders so that we could catalogue awards made to specific employees. For cellular telephone usage we reviewed billing statements; for time and attendance we reviewed all available relevant records; and for travel card usage we examined statements and relevant attendance records.

In addition, we interviewed managers and employees in OAS, the Office of Human Resources Management (OHRM), and the Office of Executive Budgeting and Assistance Management. We also reviewed documentation and interviewed staff in the Office of the Comptroller at the National Institute of Standards and Technology, a Commerce bureau that processes some financial transactions for the Office of Secretary and other Commerce bureaus, including the payment of certain employee awards.

BACKGROUND

OAS establishes policy and provides oversight in areas such as construction, energy conservation, and environmental management for the entire Department, as well as providing administrative support and oversight for the occupants of the Herbert C. Hoover Building (HCHB), Commerce’s headquarters. Mail handling and delivery, real and personal property management, fleet management, printing and publication services, space planning, moving, library and reference services, and building management are among OAS’s responsibilities. OAS is currently organized into four units: Office of Administrative Operations (OAO), Office of Space and Building Management (OSBM), Office of Real Estate Policy and Major Programs (OREPMP), and the Office of Management Support Services (OMSS).

<p style="text-align: center;">Office of Administrative Operations</p> <p>Establishes departmental policy and provides oversight and strategic planning in the areas of personal property, publications and graphics, reference and research services, mail management, and fleet management. This office also maintains the Department’s telephone locator database and provides conference support services.</p>	<p style="text-align: center;">Office of Real Estate Policy and Major Programs</p> <p>Establishes departmental policy and provides oversight and strategic planning in relation to real estate and energy conservation. This involves coordinating and providing technical advice and guidance on implementation of governmentwide programs for the acquisition, management, use, and disposal of real property, as well as managing Commerce programs for energy, water, and environmental management.</p>
<p style="text-align: center;">Office of Management Support Services</p> <p>Provides procurement, budget, executive services, and personnel liaison support for OAS and administers the parking, carpool, and transit subsidy programs for all HCHB occupants.</p>	<p style="text-align: center;">Office of Space and Building Management</p> <p>Manages maintenance and building operations for HCHB and, for its occupants, provides space planning and interior design, as well as telecommunications, recycling, cleaning, and landscaping services.</p>

OBSERVATIONS AND CONCLUSIONS

I. Bankcard Use Did Not Always Adhere to Policy

The goal of the federal government's bankcard program is to streamline the purchase of small items and reduce administrative costs and paperwork. Commerce selected Citibank as the card issuer for its bankcard program. OAS has 26 bankcard holders, each with dollar limits stipulating how much they are authorized to spend on a single purchase and over a 30-day period. As long as bankcard holders stay within their designated spending limits, they do not necessarily need to obtain approval prior to making a purchase.¹ Each bankcard holder has a designated approving official who is responsible for oversight and monitoring of the cardholder's compliance with established regulations and procedures.

To ensure that their use of bankcards complied with applicable regulations and procedures, we reviewed OAS employees' bankcard purchases from March 2001 to March 2002. Although we did not find unallowable purchases, such as personal convenience items, copy paper, or cash advances, we did find that proper procedures were not always followed.

Documentation and approval processes were overlooked or circumvented

Our review revealed that many cardholders were not maintaining a Purchase Card Ordering Log, a document required by the *Commerce Acquisition Manual*. The log can be either hand written or electronic and cardholders should include all transactions related to their card (purchases, returns, etc.) and attach all original documentation of sales, delivery, shipping, returns, receipts, and so on. The log is to be used by approving officials to review purchases and reconcile the monthly Statement of Account provided by Citibank. In addition, although most OAS cardholders retained original sales receipts, shipping receipts, and other transaction documentation to support their purchases, not all cardholders did, despite the fact that maintaining all documentation is required by the *Commerce Acquisition Manual*, section 1313.301.

Finally, we found that 8 percent of purchases made by OAS cardholders had not been reviewed and approved by the cognizant approving officials either before or after the purchase were made. The Acquisition Manual states that approving officials are responsible for reviewing transactions to ensure that bankcards are used for their intended purpose and to ensure the validity of the transactions. When approving officials do not systematically review and approve their cardholders' Statement of Accounts, the potential for misuse and abuse of the bankcards increases.

¹ According to the Commerce Acquisition Manual, certain items require prior approval, such as printing and duplicating, personnel recruitment advertisements in newspapers, leasing of motor vehicles, and furniture, among others.

Cardholders failed to use required sources of supply

In addition to verifying that bankcards are being used for their intended purpose, approving officials are also required to ensure that all purchases comply with applicable acquisition guidance. For example, the *Commerce Acquisition Manual* states that cardholders must adhere to Federal Acquisition Regulation, Subpart 8.001, which mandates that agencies acquire supplies and services from designated sources, if they are capable of providing them. Buying supplies from designated sources ensures that the purchase represents the best value and results in the lowest overall cost alternative (considering price, special features, administrative costs, and so forth) to meet the government's needs. The supply sources mandated by federal regulations, in preferential order, are:

1. Federal Prison Industries, Inc. (UNICOR),
2. Committee for Purchase From People Who Are Blind or Severely Disabled,
3. Wholesale supply sources, such as the General Services Administration,
4. Mandatory federal supply schedules,
5. Optional-use federal supply schedules, and
6. Commercial sources.

Agencies may only use commercial vendors after determining that the first five sources cannot supply the needed items or cannot complete delivery within a critical timeframe. In the case of furniture, draperies, and similar items, agencies must also obtain written authorization from UNICOR prior to purchasing from commercial sources. These written authorizations take approximately 1 to 7 business days to issue.

We found that OAS cardholders routinely purchased furniture, draperies, and similar items from commercial vendors, such as Herman Miller, Ethan Allen, and Executive Furniture of Washington without first obtaining written authorization from UNICOR. In fact, of the \$99,461 in furniture purchased by OAS cardholders during the timeframe we reviewed, all had been purchased from commercial sources and no written authorizations were obtained. Approving officials we spoke to stated they were not aware of the requirement to purchase through designated sources or to obtain written authorization to purchase from commercial sources.

Items purchased with a bankcard could not be located

We selected a small sample of items purchased with the bankcards to verify that the items were, in fact, in use for official purposes. The sample included furniture, Christmas decorations, refrigerators, and electronic equipment, such as computers and personal digital assistants. We were able to physically locate all the items with the exception of most of the Christmas decorations.

In late 2001, approximately \$2,900 was spent on decorations,² including tree ornaments and lights, for the Office of the Secretary's suite. However, when we compared receipts for the holiday items purchased to the decorations held in storage, we were only able to locate a small portion of them. For example, of the 223 ornaments listed on the receipts, we could only account for 62 ornaments. We checked several locations where decorations have been stored in the past and just one location contained any decorations. It is our understanding that a similar amount was spent on decorations in 2000, and those decorations could not be located. Although Christmas decorations do not meet the criteria for accountable property that must be inventoried (more than \$5,000 in value, or sensitive items, regardless of cost, such as computer equipment, televisions, etc.), it does not benefit the Department to have to purchase new decorations every year. In the future, procedures should be put in place to ensure that Christmas decorations or similar items purchased with government funds do not disappear.



In his response to our draft report, the Chief Financial Officer and Assistant Secretary for Administration concurred with and implemented our recommendations to ensure that OAS bankcard usage adhered to policy. Specifically, bankcard training was conducted for all OAS cardholders and approving officials. Approving officials have been instructed to review, reconcile, and approve cardholders' logs and statements of account on a monthly basis. In addition, effective July 2002, OAS implemented a program to audit the records of bankcard holders monthly to ensure compliance with regulations and procedures, including the verification of necessary signatures and all supporting documentation, such as the Purchase Card Ordering Log. All cardholders and approving officials have also been provided a copy of Federal Acquisition Regulation, Subpart 8.001 with directions to comply. And, effective July 2002, all furniture purchases must be coordinated through and approved by the Space Management Division Chief within the Office of Space and Building Management. The Space Management Division Chief will seek a waiver for furniture purchases, when appropriate. Finally, the Office of Space and Building Management will have sole responsibility for accounting for and storing holiday decorations for the Secretary's suite. All decorations have been moved to one consolidated, locked area for storage. The Department's actions meet the intent of our recommendations.

² This does not include the live trees or wreaths that were also purchased for the Office of the Secretary's suite.

II. Awards Program Was Not Well Managed

During the last three years, OAS employees have received approximately \$508,476 in departmental awards. In examining the OAS awards program and awards presented during fiscal years 1999 through 2001, we found several violations of departmental award guidelines. These guidelines require offices and bureaus to maintain a structured awards process that includes documenting support for awards and ensuring that award forms are properly processed by OHRM and/or NIST. We found, however, that the OAS awards process was disorganized and had weak internal controls and poor management oversight. We also found that OHRM management did not adequately oversee and monitor the OAS awards program and did not have processes in place to detect many of the problems we uncovered.

OAS management failed to monitor awards given to OAS employees

Department Administration Order (DAO) 202-451 requires OAS to properly plan, coordinate, and administer its incentive awards program.³ The order provides guidelines for two primary types of awards: Cash-in-Your-Account (CIYA)⁴ and special act.⁵ When OAS managers approve a CIYA award for an employee, a CD-326 form, Recommendation for Recognition, is prepared and the original is sent to NIST for processing and payment. A copy should be sent simultaneously to OHRM. OHRM is responsible for processing each CD-326 by entering the award information into the National Finance Center (NFC) database to ensure that the award amount is added to the employee's gross pay and the appropriate taxes are paid.⁶

For special act awards, OHRM handles both payment and accounting. OAS sends the original CD-326 form to OHRM for processing. (The awards process is outlined in the figure on page 8). However, because OAS management did not follow all DAO guidelines and monitor awards given to employees, there were several key violations of departmental award procedures:

- For CIYA awards, OAS failed to always provide OHRM with copies of form CD-326. Because of this oversight, OHRM was unable to enter all CIYA awards into the NFC database. The result was that 80 awards, totaling \$24,650 for 50 different OAS employees, were not included on the employees' W-2 forms (earnings statements) and the applicable payroll taxes on those awards were not paid.

³ *Incentive Awards Program*, Department Administration Order 202-451, August 14, 1990.

⁴ Cash-In-Your-Account awards are small monetary awards given quickly (within a few days) to employees for meaningful, non-recurring contributions and accomplishments.

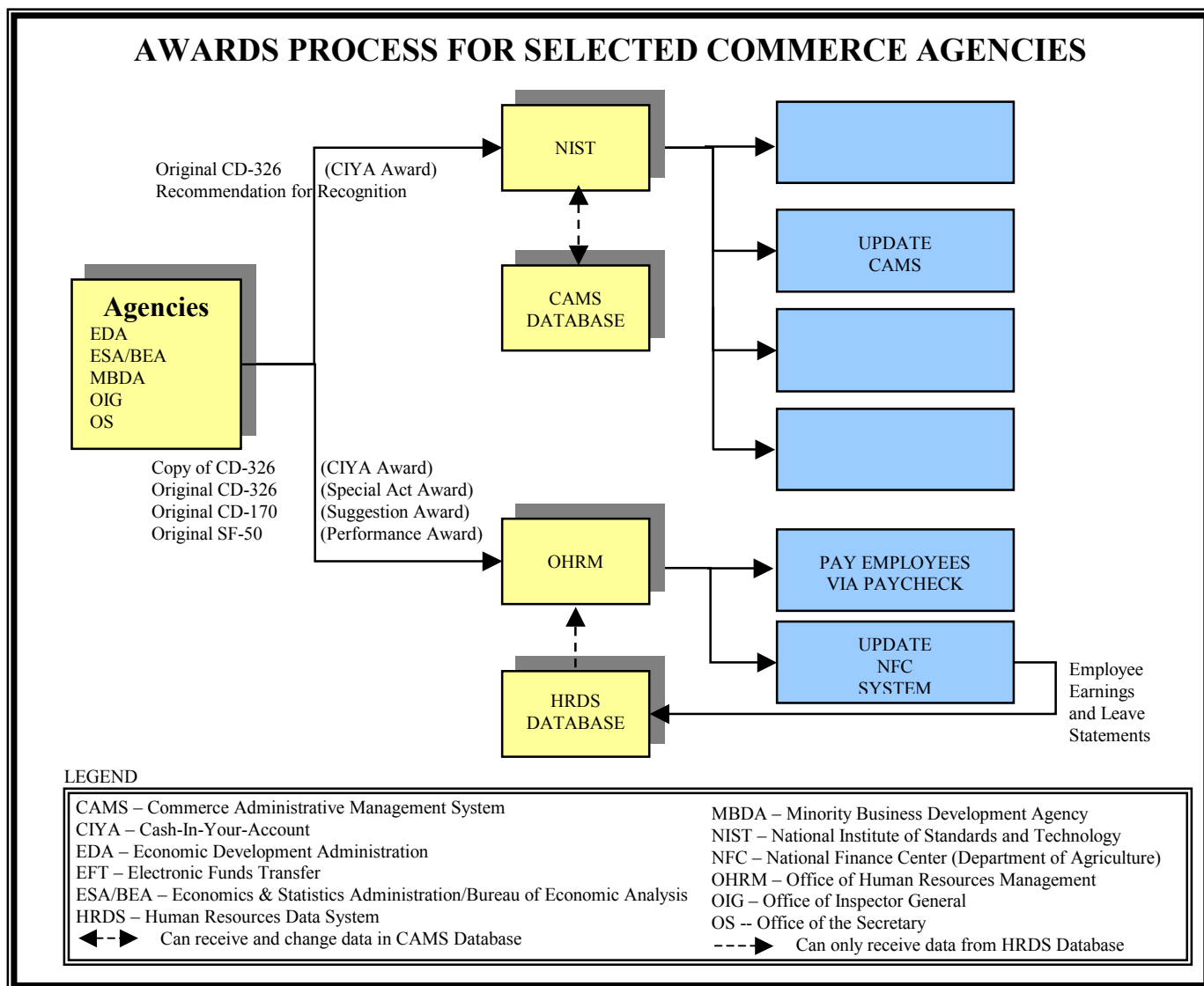
⁵ Special act awards are presented for a non-recurring contribution either within or outside an employee's job responsibilities, a scientific achievement, or an act of heroism. An accomplishment must greatly exceed normal expectations for performance by the employee or constitute a specific act that encompasses a significant portion of the employee's performance plan or an element of the plan.

⁶ Typically, the Department includes requisite taxes on a CIYA award in the total award amount so that after taxes are withheld from the award amount, the employee receives the full stated amount of the award (i.e., the employee receives \$500 versus \$500 less taxes).

- Nine OAS employees received awards that exceeded departmental thresholds—six OAS employees received more than \$1,000 in CIYA monies in calendar year 2001 (the limit is \$1,000 annually⁷), and three employees received CIYA, special act, and performance awards totaling more than 10 percent of their base pay in fiscal year 2001 (the limit is 10 percent annually⁸). The six employees whose totals exceeded the \$1,000 limit received between \$1,200 and \$1,700 each. The three employees awarded more than 10 percent of their base pay received 30, 14, and 11 percent of their base salaries. There is a place on each CD-326 where the cumulative amount of awards made to an employee is to be entered, but OAS managers never filled in this information, nor were the award monies provided to employees tracked anywhere else.
- The justifications for some special act awards were inadequate. In some cases, the CD-326 forms lacked any narrative justifying the award. In other cases, a short e-mail was attached as justification or narratives were prepared that described an employee's general abilities and not the specific reason for the award. Finally, some of the narratives provided to justify a special act award simply did not appear to meet the departmental criteria. For example, special act awards are to be given for meaningful non-recurring contributions, scientific achievements, or acts of heroism. We found OAS employees received special act awards for being courteous and friendly to customers, accomplishing assigned duties in a timely and professional manner, having a certain number of years of government service, or preparing the Department's holiday décor.

⁷ *Cash-In-A-Flash Award Program*, Personnel Bulletin 451-1, Revision #3, February 12, 1999.

⁸ *Fiscal Year (FY) 2001 General Workforce Appraisals, End of Year Schedule*, Office of Human Resources Services, September 20, 2001.



Source: NIST and OHRM Employees

- In general, OAS managers failed to maintain adequate awards documentation. For fiscal years 1999-2001, we found very limited documentation to support CIYA and special act awards despite the fact that Department guidelines require such documentation to be maintained for 3 years.

All of the problems noted above resulted from a general lack of managerial oversight. The former OAS director, who was in charge during the period of time our review covered, told us that he routinely used awards to help motivate and reward staff, but he did not actively oversee the awards process. He stated that he delegated his role of managing and controlling the awards program to other OAS employees. However, we found that OAS staff (1) had only a minimal understanding of departmental award guidelines, (2) were unclear who was responsible for

awards, (3) had not established award procedures including an award tracking mechanism, and (4) had allowed multiple OAS staff to process paperwork for awards. The result was a highly unstructured awards process with weak internal controls and poor oversight. To prevent such problems from occurring again in the future, OAS needs to establish a documented awards process, including designating an awards manager, establishing an awards tracking mechanism, and training all OAS managers on departmental guidelines for awards.

OHRM management failed to monitor awards given to OAS employees

Departmental guidelines require OHRM to participate in overseeing and reconciling awards to departmental personnel,⁹ yet OHRM managers were unaware of OAS's problems enumerated above. Our review found that OHRM did not have processes in place to prevent or catch the many noted award problems, nor did they have a staff member able to dedicate the time necessary to monitor awards given to OAS and other Office of the Secretary employees. Finally, because OHRM processes most of the awards received by Office of the Secretary personnel, it is possible that problems similar to those found in OAS may be present in other Office of the Secretary offices.

There is no reconciliation process in place between OHRM and NIST to detect the award problems we uncovered with respect to CIYA awards. NIST is responsible for making the award payment; OHRM enters the award information into the NFC database to ensure payment of taxes and accuracy of employees' earning statements, with regard to award monies received. However, these two offices are unable to reconcile with one another that they have both processed all the same CIYA awards. In addition, because OHRM lacks automated controls, it is unable to prevent employees from receiving award monies in excess of established thresholds. Finally, OHRM failed to ensure that appropriate documentation was provided to justify awards, particularly for special act awards, as required.

Because of the critical nature of our finding, that 50 employees' earnings statements were incorrect and appropriate taxes had not been paid on 80 awards totaling \$24,650, we immediately notified departmental officials of this problem and issued a flash report. In June 2002, we issued an interim memorandum to the Department's Chief Financial Officer and Assistant Secretary for Administration outlining our findings and specific recommendations to address them. Specifically, we recommended that the Department immediately ascertain how widespread the problems are and what corrective actions need to be taken by the Department and any affected bureaus. We also recommended that the chief financial officer for each Commerce bureau be asked to (1) review and report back to the Department's Chief Financial Officer and Assistant Secretary for Administration on the processing of employee awards and other non-salary

⁹ (1) *Cash-In-A-Flash Award Program*, Personnel Bulletin 451-1, Revision #3, February 12, 1999; (2) *Incentive Awards Program*, Department Administration Order 202-451, August 14, 1990; and (3) *Performance Management Handbook*, Office of Human Resources Management, Draft Version.

benefits, (2) ensure that all awards made comply with departmental guidelines, including award thresholds, and (3) identify and take any corrective actions that are needed.

We are pleased to report that some corrective action has already been taken. On hearing of our finding on the CIYA awards, OHRM proactively decided to require that all CIYA awards be submitted to OHRM for signature before they are sent to NIST for processing and payment to employees. This would have prevented some of the past problems. However, we still believed a formal reconciliation process was needed to be sure both offices processed all CIYA awards and automated controls should have been instituted to ensure compliance with restrictions on the timing and amounts of awards. An alternative approach would be to have NFC process and pay all CIYA awards. We understand that NFC has developed new software that would allow it to process CIYA awards. The trade-off in having NFC process and pay CIYA awards is that the awards would be paid bi-weekly in employee paychecks, rather than within days as a direct deposit into an employee's bank account when processed by NIST. We commend OHRM for taking quick action to address this problem.



The Chief Financial Officer and Assistant Secretary for Administration concurred with and implemented our recommendations to improve OAS's awards program. Specifically, the Director of the Office of Management Support Services was designated as OAS's Incentive Awards Program Officer. In this capacity, the program officer will track and monitor awards to ensure they comply with departmental guidelines. Further, effective September 12, 2002, OHRM revised the CIYA award policy to require that such awards be paid by NFC and that bureaus establish a tracking system that documents the net dollar value of CIYA awards granted to an employee, as well as monitors compliance with the annual net dollar limitation of \$1,000 per calendar year for each employee. This change negates the need for NIST to work with OHRM to take appropriate corrective action, as NIST's Director for Administration and Chief Financial Officer stated in his response to our report. However, we encourage NIST to work with OHRM to accurately and completely document the extent of the existing CIYA award problem to ensure all instances of awards made without the taxes being paid, including those outside of OAS, are identified and corrected. The Department's actions meet the intent of our recommendations.

III. Cellular Telephones Were Used For Personal Calls

Seven OAS employees were provided with a cellular telephone to assist in conducting official government business. In examining their cellular telephone bills from February 2001 to March 2002, we noted calls made by some employees that, based on date, time, and length of call, appeared to be of a personal nature. In a few cases, monthly costs for employee use of the telephones were exorbitant, exceeding \$1,000 on two occasions, and statements ranging from \$400 to \$800 were common.

Because the cellular phones were provided by the government for the purpose of official business, personal use is not considered an “authorized” use of government property, as outlined in 5 C.F.R. section 2635.101(b)(9) and section 2635.704. Therefore, we requested that these employees certify their outgoing calls¹⁰ as either official government business or personal use for any months they exceeded the fixed monthly access charge. Five of the seven employees with cellular telephones were impacted by this request and were asked to provide certifications. Of the five employees, three provided signed certifications reporting that they made personal calls with their government cellular telephones. One employee certified that he had not made any personal calls, and the last employee has yet to comply with our request. We worked with the acting OAS director to calculate a fair and equitable amount of reimbursement to the government for the three employees who acknowledged making personal calls. The reimbursement amounts were \$3.42, \$6.00 and \$966.73.

According to the former OAS director, who was in charge during the time period in question, when the employees were issued the cellular telephones, it was verbally made clear that the phones were to be used only for official government business. This was never, however, put in writing, nor were employees required to sign a statement affirming that they understood this policy and would abide by it.

Despite the verbal direction and written guidelines on use of government property, clearly some employees used the cellular telephones for personal calls. But, it was inadequate management oversight that allowed this personal use to go undetected for a year, rather than stop it immediately. When the bills came in, OAS managers did not review them and approved payment without scrutiny. It was not until early 2002 that managers began to question the exorbitant charges and cancelled the cellular telephones for the two employees who were most egregious in their use of the phones. Total cellular charges for the two employees, for the one-year period, were \$4,880 and \$3,290, and these bills were paid by the Department. At that point, procedures were put in place to ensure that two OAS managers review the cellular telephone bills before authorizing payment. With these new procedures and the two accounts being cancelled, the excessive personal use of the cellular telephones by OAS employees has stopped.

¹⁰ Only the date, time, and length of incoming calls were annotated on the cellular telephone bills. The originating phone number was not listed. Therefore, it was impossible to ask employees to certify whether incoming calls were official government business or personal.

Finally, we also question whether certain OAS employees truly needed cellular telephones to do their jobs. For example, two of the most abusive users of their cellular telephones were given phones simply because they were required to work overtime to assist in the renovation and redecorating of the Secretary's suite during the transition period. According to the then OAS director, the employees were provided cellular phones so he, as their supervisor, could get in touch with them when they were working in different parts of the building. However, we contend that pagers would have been a much more cost-effective option: the supervisor could easily contact employees and, while in the building, employees have numerous telephone lines at their disposal to call their supervisor, if necessary. Pagers are routinely used to communicate with other OAS employees, such as plumbers and electricians, whose work takes them to various locations throughout the building.



In his response to our draft report, the Chief Financial Officer and Assistant Secretary for Administration concurred with our recommendations to prevent abuse of government-issued cellular phones. OAS managers are still in the process of reviewing cellular telephone bills to determine the final reimbursable amount for personal calls made by OAS employees, and they hope to complete action on this by October 15, 2002. In addition, the Office of Chief Information Officer is drafting departmental guidelines for telecommunications equipment usage. In the interim, all OAS employees with cellular telephones have signed a written acknowledgement that all calls made with the phones must be official or authorized. Further, the number of OAS cellular telephones has been reduced from seven to three, and those three have calling plans in place that will provide the lowest cost for expected usage. Finally, all OAS cellular telephone bills are being reviewed and certified by the user, as well a first and second line supervisor. The Chief Financial Officer indicated that any evidence of abuse will be acted upon immediately. The Department's actions meet the intent of our recommendations. We would like to be provided with a copy of the departmental guidelines for telecommunications equipment usage when they are complete.

IV. Controls Over Time and Attendance Were Lacking

With considerable assistance from OHRM staff, we reviewed time and attendance records for three OAS employees because of concerns about the large amount of overtime each one charged. Despite several different attempts, we were unable to substantiate that all the overtime in question had in fact been worked. In addition, our review revealed numerous problems, including incomplete or missing authorizations to work overtime, a timekeeper who was improperly made a supervisor, and missing time and attendance documentation.

We were unable to substantiate whether overtime charged was actually worked

Because of the amount of overtime charged (1,152 hours among the three OAS employees during 2001), we tried to confirm whether such overtime was in fact worked. There is no question that the three OAS employees were called on to escort contractors doing renovations and decorating of the Office of the Secretary's executive suite, as part of the transition from the prior administration to the current one. Much of this work was performed after hours and contractors had to be accompanied by a government employee. However, the amount of overtime charged (sometimes up to 80 hours in a two-week pay period) did not always appear plausible.

We first tried to ascertain what type of supervisory oversight was given to the three staff members and found that there was little oversight. Because most of the work was done after hours, OAS managers, including the former OAS director, who was the supervisor for the three employees for much of 2001,¹¹ were not in the office to verify hours worked. The former director told us that he verified that the contractors' work had been completed the morning of the next business day, emphasizing that if it had not been done, he certainly would have heard about it from the executive staff. We contend, however, that work completed by the contractors was not necessarily verification of work, particularly all the overtime hours charged, by OAS employees. In fact, the former director stated that he could think of no instance in which 60 or 80 hours of overtime per pay period would have been required to oversee the contractors' work. He also told us that he was unaware that such amounts had been charged, even though in many cases, he approved the time and attendance reports on which this overtime was charged. Finally, there was no sign-in/out sheet kept in OAS for the employees working overtime. As a result, employees were on the honor system—they reported their own overtime hours, and they were paid without any independent verification of time worked from management.

Despite his questioning the need for 60 to 80 hours of overtime per pay period, the former OAS director told us we would likely be able to verify that the overtime had been necessary and worked by reviewing the CD-410 forms, *Building Management Division Work Request for the Herbert C. Hoover Building*, prepared for all the renovation and decorating projects in the

¹¹ Two of the three employees were supervised by the former OAS Director. The third employee, as described later in this section, was improperly supervised by his timekeeper, who was supervised by the former director.

executive suite during the transition. We pulled the 51 CD-410 forms that covered this work and found that only 3 called for any overtime and for a total cost of \$1,334.65. At the standard rate of \$35 per hour, that overtime cost equates to approximately 38 hours of the 1,152 overtime hours charged. However, in discussions with the staff that prepares and processes the CD-410s, it was discovered that any overtime charged by the three employees in question would not show up on a CD-410 because the employees billed their time directly to the Secretary, Deputy Secretary, or Chief of Staff's appropriation code, rather than through the central billing system. Although this is permissible, it makes it impossible to track overtime worked on a specific project. As it turns out, the 38 hours of overtime allotted by the three CD-410s were actually worked by another OAS employee in the Office of Space and Building Management. As a result, the CD-410s did not provide verification that the overtime charged by the three employees in question was either necessary or worked.

Because much of the overtime was worked after normal business hours, we also tried to review security control logs for entering and leaving the building to verify the arrival and/or departure times of the employees. At the time the overtime was worked, the employees each had a key-card allowing them access to the building through the key-card controlled doors of the North and South courtyards. We were unable to review the key-card access records because the electronic files for January to September 2001 were unavailable. The system was upgraded in October 2001, but now the data is overridden every 60 days, so by the time we started our review in April 2002, we were unable to obtain any records for October through December 2001.

As a final attempt at confirmation, we reviewed the written sign-in/out logs maintained by the security guards for building entry before 6:30 a.m. and departure after 6:30 p.m. and 24-hours each day on weekends. We found the signature of only one employee entering the building on one day. So, despite our best efforts, we were unable to independently substantiate whether the overtime charged by the three OAS employees was actually worked.

Authorizations to work overtime were missing or incomplete

The Department's *Premium Pay Handbook* requires that overtime be authorized and ordered in advance and in writing by an individual to whom the authority to approve overtime has been specifically delegated. Generally form CD-81, Authorization for Paid Overtime and/or Holiday Work, and for Compensatory Overtime, is used to document this authorization, the maximum number of overtime hours allowed per pay period, and the total estimated cost of the overtime being authorized.

In the case of the three OAS employees, authorizations to work overtime were either missing or incomplete. For one employee, who charged 478.5 hours of overtime in 2001, there were no authorizations on file. The then-director of OAS, who, according to Department mandate, would have been the authorizing official on a CD-81, told us the employee was authorized to work overtime but he did not know why the appropriate forms were never completed. For the other

two employees, who charged 500.5 and 173 hours of overtime, respectively, there were blanket authorizations on file, but they were not complete: there was no maximum number of hours per pay period specified, and there was no estimated cost attached to the anticipated overtime. In addition, the then-chief of staff signed several of the CD-81s, yet she did not have the authority to approve overtime for the employees. When an employee works overtime for an office or organization other than his or her own, the authorization for the overtime still rests with the authorizing official of the employee's organizational unit (in this case the then OAS director who signed the other overtime authorizations). Because the appropriate forms were not completed properly or at all, the employees had no guidance or limits as to the amount of overtime they could work.

Timekeeper was inappropriately made a supervisor

To ensure checks and balances that help preserve the integrity of the time and attendance process, the Department's *Time and Attendance Manual* states that supervisors, not timekeepers, are responsible for controlling the time and attendance of employees and reviewing and certifying the accuracy and completeness of the time and attendance information reported for each employee under his or her supervision. In the case of one of the three OAS employees, his supervisor and timekeeper were the same person. A further problem was that the timekeeper was never officially made a supervisor. The title "supervisor" was given to the timekeeper by the then OAS Director, but he never modified the employee's position description or performance plan to reflect the change in duties, nor did the employee receive any sort of supervisory training. A final problem was that the timekeeper/supervisor was also one of the three employees who worked the overtime in question. While we can not verify what actually happened, there certainly was an opportunity for abuse that would not have existed had the appropriate managerial oversight been in place.

Time and attendance documentation was missing

The National Archives and Records Administration's General Records Schedule 2 and the Department's *Time and Attendance Manual* require time and attendance reports to be maintained for 6 years. In addition, the Department's *Handbook on Hours of Duty and Leave Administration* stipulates that if an SF-71 form, Request for Leave or Approved Absence, is required as a standard operating procedure, which it is in OAS, then the standard must be uniformly applied. In the case of the three OAS employees whose time and attendance records we reviewed, we found that one time and attendance report was completely missing for one employee and that SF-71s were inconsistently and infrequently used for two of the employees. Timekeeping and the use of SF-71s improved considerably late in 2001, when one of the three employees was assigned to a different supervisor and processed by a different timekeeper and another was assigned to a different supervisor. A cursory review of time and attendance records for other OAS employees showed that necessary documentation, including SF-71s, was contained in the files.



According to the Chief Financial Officer and Assistant Secretary for Administration's response to our draft report, OAS timekeepers have been instructed to attach all supporting documentation to the Time and Attendance certification, and managers must verify that the documentation is accurate and complete. In addition, OAS managers and employees have been reminded that overtime must be requested and approved on a CD-81 form before it is worked, and leave requests must be made on an SF-71 form. Further, quarterly audits of time and attendance records will be performed by the Office of Management Support Services and reviewed by each OAS office director. Finally, OAS managers will ensure that no one serves as both the timekeeper and supervisor for any employee in the future. The Department's actions meet the intent of our recommendations.

V. Two Employees Abused Their Travel Card Privileges

Late in our inspection, the acting OAS Director alerted us to problems with two employees abusing their travel cards. We determined that the two OAS employees were using their government-issued travel cards for personal use and were not prompt in making payment to Citibank, the contractor that issues the government travel cards. According to the Department of Commerce *Travel Handbook*, the use of the travel card is limited to expenses incurred incident to official government travel; use of the card in the vicinity of the official duty station or residence is strictly forbidden unless its use is in connection with officially ordered travel. Further, employees are personally liable for all charges incurred and full payment must be made to Citibank no later than 25 calendar days from the closing date on the statement in which the charges appeared. Both employees in question signed a certification, before being issued a card, acknowledging their responsibilities under the travel card program, including the need to promptly pay for any charges made to the card and that the cards were to be used for official government travel only.

In reviewing the Citibank statements for March 2001 through May 2002, we determined the extent of personal use of the travel cards. In the case of one employee, approximately \$6,900 in cash advances were taken out over a period of 11 months. Nearly all the cash advances were obtained at automated teller machines in the vicinity of the employee's official duty station, the main Commerce building in Washington, D.C., during a time when the employee was not scheduled for official government travel. The employee ultimately repaid Citibank for the cash advances. However, the payments were not always timely because 6 of the employee's 15 checks payable to Citibank were returned for insufficient funds. In the case of the second employee, over a 4-month period in 2001, approximately \$3,350 in charges were made, of which approximately \$1,250 was for personal use while on annual leave. All charges on the account went unpaid for more than 6 months, during which time \$290 in late fees accrued. After the account was closed and sent to a collection agency, the employee made a payment of \$3,640 to settle the account.

In the case of both employees, it was a number of months before the problems with personal use of the travel cards were discovered. Staff in the Department's Travel Management Office, who oversee the travel card program for all Office of the Secretary units, stated that the problem should have been caught sooner and that they need to be more diligent in reviewing the Citibank statements every month for signs of improper use. When the improper use was discovered, however, both cards were cancelled and disciplinary action, in the form of a suspension, was initiated against the employees. One employee has served a 5-day suspension and the other was expected to do so by the end of August 2002.



The Chief Financial Officer and Assistant Secretary for Administration's response to our draft report stated that, in the past, only staff in the Office of Executive Budgeting and Assistance Management (OEBAM) received reports from Citibank on travel card activity for Office of the Secretary staff. OEBAM has been working with Citibank to provide reports directly to office directors to allow them to review cardholder charges to ensure they are in connection with official travel. Office directors should start receiving these reports by December 1, 2002. Finally, OAS has identified and cancelled travel cards for those employees who are less likely to travel and reduced the credit limit for the remaining cardholders to \$1. This limit will only be increased when official travel is authorized and reduced back to \$1 at the conclusion of the travel. The Department's actions meet the intent of our recommendation.

VI. Commerce's Energy and Environmental Programs Need Attention

The Department's Energy Management Program promotes energy conservation and helps reduce the cost of government by assisting bureaus with reducing energy and water use, managing utility costs, and promoting renewable energy technologies. The program assists and oversees the bureaus' efforts to comply with applicable laws and regulations, promote good business practices, and evaluate energy conservation opportunities. Commerce's Environmental Management Program assists the bureaus in ensuring compliance with such legislation as the Clean Air Act, the Clean Water Act, the National Environmental Policy Act, and the Comprehensive Environmental Response, Compensation, and Liability Act, as well as providing expertise and support in the four pillars of environmental management: prevention, compliance, conservation, and restoration. We found that both the energy and environmental programs need attention and staffing to ensure that the Department is in compliance with applicable laws and regulations.

Newly hired energy manager has daunting responsibility

DAO 217-16 lays out the policies and procedures for implementing a federal energy management program for Commerce to ensure that the Department that is in compliance with all applicable laws and Executive Orders.¹² After the DAO's issuance, Executive Order 13123, dated June 1999, was issued and it directs agencies to use more cost-effective renewable energy technologies and develop implementation plans to reduce overall federal energy consumption. Between the laws and regulations covered by the DAO and the new Executive Order, there is a wide range of guidelines pertaining to the conservation and efficient use of energy and water and the use of renewable energy sources that the Department must comply with. Yet, Commerce's Strategic Implementation Plan for Energy Management, issued in January 2002, contains 70 action items that have not been completed.

The Energy Management Officer is responsible for coordinating the development of the Department's policy and implementation of a federal energy management program. While some work on the energy program was done by another staff person in the last year, the Department has done very little in this area since August 2001, when the previous incumbent vacated the position. During our review the position was filled and the new energy manager began work in late July 2002. This new manager must immediately begin to address the 70 action items contained in the Strategic Implementation Plan for Energy Management. It will be important that the energy manager receive management support and adequate resources to complete the action items at hand.

¹² DAO 217-16, "Federal Energy Management", effective May 9, 1994.

Environmental manager position remains vacant

The requirement for an environmental program at the departmental level is set forth in DAO 216-17, which lays out how Commerce will comply with Executive Order 12088 “Federal Compliance With Pollution Control Standards.”¹³ Under the DAO, the Chief Financial Officer and Assistant Secretary of Administration shall “establish policy and provide oversight and guidance to the Department and its operating units to ensure compliance with environmental laws and regulations.” The environmental compliance and management program is to include coordinating reviews and surveys requiring Department-wide response, developing an inventory of the Department’s sites that store regulated materials and/or hazardous waste, establishing and chairing an intra-agency task force on environmental compliance, performing environmental audits, and providing information, guidance, and training to bureaus on environmental regulations and compliance. To date, much of what is required in an environmental program has not been done at Commerce.

This is not the first time we have found problems with the state of the Department’s environmental program. In March 2000, we reported that during our inspection of an October 1999 fire and PCB accident, several Commerce officials and employees expressed concern that, at the Department level, there were no staff knowledgeable about environmental regulations and compliance.¹⁴ As a result, Commerce had to rely solely on the General Services Administration for advice and guidance during and after the fire and PCB accident. In our report, we recommended that the Department perform an assessment to determine what type of environmental program is needed at the departmental level, to ensure compliance with all applicable statutory requirements, executive orders, and departmental orders, as well as provide adequate protection for the Department and its employees.

The Department, albeit separately from the assessment that we recommended, agreed that it did need an environmental manager on staff and hired one in January 2001. However, during our current review, in May 2002, the environmental manager left the Department for a promotion opportunity at another agency. Before leaving, she indicated to us that she had grave concerns about the state of the Department’s compliance with applicable environmental statutes involving hazardous waste management, lead-based paint, asbestos, and underground storage tanks. She also hoped that a new manager would be hired quickly to finish the Department’s Environmental Management Manual. She had started it but was able to complete only 2 of the 10 chapters needed. To date, the environmental manager position has not been advertised or filled.

¹³ DAO 216-17, “Compliance With Environmental Pollution Standards,” effective December 29, 1988.

¹⁴ U.S. Department of Commerce Office of Inspector General, March 2000. *Office of the Secretary: There Are Lessons to be Learned from the October 1999 Fire and PCB Accident in the Herbert C. Hoover Building*, IPE-12453.



In his response to our draft report, the Chief Financial Officer and Assistant Secretary for Administration stated that the new energy manager has been tasked with assisting the Commerce bureaus in addressing the objectives outlined in the Strategic Implementation Plan for Energy Management. A two-day workshop has been scheduled for November 2002 to facilitate this. In addition, the environmental manager position was advertised and closed August 23, 2002. A final selection is slated to be made by mid-October 2002. The Department's actions meet the intent of our recommendations.

VII. OAS Reorganization Options Need Attention

Many of the problems we found in OAS, as described above, can be attributed to poor management oversight and a lack of internal controls. Recognizing that some of these problems might be addressed by a reorganization of the office, in April 2002 the acting OAS director proposed a new organizational structure. In several meetings with the acting director and other OAS staff, we discussed the proposed structure and the reasoning behind it, including the challenge of putting existing staff into positions where both their grade level and skills matched the job. However, in reviewing the proposed organizational structure, and understanding the responsibilities that OAS is expected to fulfill, we had concerns that the proposed reorganization plan could lead to additional managerial problems. For example, the proposed new structure has six GS-14 and GS-15 division directors reporting directly to the director and deputy director. We were concerned that with so many divisions, the time and attention of the director and deputy director may be stretched thin. This could lead to some of the same problems of inadequate managerial oversight that caused many of the problems cited in our review.

We believe that OAS can certainly benefit from a reorganization that will make managers more accountable and realign certain functions. For example, under the reorganization plan noted above, the Special Services Division, which regularly interacts with the Office of Space and Building Management, would become a unit of that office. The Special Services Division coordinates scheduling of conference training rooms, the auditorium, and the main lobby of the HCHB for Department staff and Department-sponsored external groups and provides audio equipment for many of the departmental functions. We agree with this realignment. However, any new organizational structure must also ensure supervisory accountability and allow for an appropriate span of control. Recently, we discussed other possible options to consider with the acting OAS director, including one that would have three division directors reporting directly to the OAS director and deputy director.



The Chief Financial Officer and Assistant Secretary for Administration disagreed with a recommendation in our draft report that called for development of a new OAS organizational structure that ensures supervisory accountability, allows for an appropriate span of control, and realigns needed functions. He believes that the OAS Director and Deputy Director would not be overburdened by managing six divisions. He indicated that a new OAO division director would be hired and that a new OAS Deputy Director had been selected to assist the Acting OAS Director with oversight responsibilities. We were satisfied with this alternative solution and dropped our recommendation that a new OAS organizational structure be developed.

RECOMMENDATIONS

In our draft report, we recommended that the Chief Financial Officer and Assistant Secretary for Administration direct the appropriate officials to take the following corrective actions to remedy the problems identified in our report. We are pleased to recognize that management has taken corrective action on all recommendations except the recommendations concerning reimbursement for personal use of cellular telephones and the hiring of an environmental manager. For these two recommendations that remain open, corrective action is underway and should be completed by mid-October 2002.

Bank Cards

1. Require that OAS cardholders keep a Purchase Card Ordering Log that includes all transactions related to their card and retain all original documentation (see page 3).
2. Instruct approving officials to review the Purchase Card Ordering Log and Statement of Account from Citibank and reconcile and approve all purchases made by cardholders under their supervision on a monthly basis (see page 3).
3. Direct all approving officials to ensure that cardholders adhere to the requirements of Federal Acquisition Regulation Subpart 8.001 and acquire supplies and services from the required sources of supply. Approving officials also need to ensure that written authorization is obtained from UNICOR to purchase items from a commercial source for which UNICOR is the mandatory source (see page 4).
4. Implement procedures to ensure that the Christmas decorations for the Office of the Secretary suite are accounted for and safeguarded each year (see page 4).

Awards

1. Establish a documented awards process for OAS including designating an awards manager, establishing an awards tracking mechanism, and training all OAS managers on departmental guidelines for awards (see page 6).
2. Institute an ongoing reconciliation process between OHRM and NIST on CIYA awards to prevent such awards from being paid without corresponding adjustments to the employees' earnings statements and appropriate taxes being paid (see page 9).
3. Develop automated controls to ensure that all awards made comply with departmental guidelines, including departmental thresholds (see page 9).

Cellular Telephone Usage

1. Obtain payment from any OAS employees who have not yet reimbursed the government for the cost of personal calls made on government-issued cellular telephones (see page 11).
2. Develop written policies for government-issued cellular telephones that clearly state what

- usage is appropriate and allowable (see page 11).
3. Only provide a cellular telephone to staff members who absolutely need one to perform their job. For those employees that need a cellular telephone, tailor the calling plan based on expected usage to minimize monthly cost (see page 11).
 4. Instruct OAS managers to monitor future cellular telephone bills for compliance with the OAS policy and immediately act upon any evidence of abuse (see page 11).

Overtime and Time and Attendance

1. Better manage the time and attendance process to ensure that timekeepers are maintaining all documentation for the required time period (6 years) and that overtime authorizations (CD-81s) and leave slips (SF-71s) are completed by all OAS employees and approved by the proper authorizing official (see page 14 and 15).
2. Ensure no one serves as both timekeeper and supervisor for an employee, thus circumventing internal controls (see page 15).

Travel Cards

1. Regularly monitor travel card statements from Citibank and immediately suspend travel cards of any employee who either does not promptly pay her or his travel card bills or who uses the card for personal expenses (see page 17).

Energy and Environmental Programs

1. Task the new energy manager with immediately addressing the 70 action items contained in the Strategic Implementation Plan for Energy Management (see page 19).
2. Immediately advertise and expedite the hiring of an environmental manager (see page 20).



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

OCT 2 2002

MEMORANDUM FOR Jill Gross
Assistant Inspector General for Inspections and
Program Evaluations

FROM: Otto J. Wolff
Chief Financial Officer and
Assistant Secretary for Administration

SUBJECT: Draft Inspection Report No. IPE-5187/August 2002
The Office of Administrative Services Needs Stronger
Internal Controls and Management Oversight

Thank you for conducting the review of the Office of Administrative Services (OAS) that I requested shortly after my confirmation when it became evident that management of that organization was not as strong as it should be. I appreciate the opportunity to comment on the draft report.

We have taken aggressive corrective action to address the findings and recommendations contained in your report and to implement management controls to preclude recurrence of similar issues. Attached please find a detailed response to your report.

Again, thank you for fitting this management audit into your busy audit schedule for FY 2002. I believe that it was time well spent in that it helps to establish a baseline from which the new management of OAS can build a high performance, customer-focused organization.

Attachment

RECOMMENDATIONS

Bankcards

FINDING: Bankcard Use Did Not Always Adhere to Policy

OAS is a participant in the Federal government's bankcard program, a program designed to streamline the purchase of small items and reduce administrative costs and paperwork. We reviewed the purchases made between March 2001 and March 2002, for OAS's 26 bankcard holders to ensure that bankcard usage complied with applicable regulations and procedures. We found that proper procedures were not always followed. Specifically, documentation to support purchases was not always retained, necessary approval of purchases was not obtained on 8 percent of purchases, cardholders failed to use required sources of supply, and some holiday decor items purchased with bankcards could not be located.

Recommendation 1: Require that OAS cardholders keep a Purchase Card Ordering Log that includes all transactions related to their card and retain all original documentation.

Response: Concur. Implemented.

Purchase card training was conducted for all OAS card holders and approving officials. OAS managers conducted a review of bankcard logs and notified card holders to implement a purchase log where none existed. Additionally, effective July 2002, OAS has implemented a program to audit the records of all bankcard holders monthly to ensure compliance with regulations and procedures. This includes verifying appropriate signatures and all supporting documentation. Findings are reported to the approving official, first line supervisor, and the Director.

Recommendation 2: Instruct approving officials to review the Purchase Card Ordering Log and Statement of Account from Citibank and reconcile and approve all purchases made by cardholders under their supervision on a monthly basis.

Response: Concur. Implemented.

Approving officials have been instructed to review, reconcile, and approve the cardholders' logs and statements of account on a monthly basis. This will be monitored through the monthly bankcard audits now in effect.

Recommendation 3: Direct all approving officials to ensure that cardholders adhere to the requirements of Federal Acquisition Regulation Subpart 8.001 and acquire supplies and services from the required sources of supply. Approving officials also need to ensure that written authorization is obtained from UNICOR to purchase items from a commercial source for which UNICOR is the mandatory source.

Response: Concur. Implemented.

All cardholders and approving officials have been provided a copy of FAR Subpart 8.001

regarding mandatory sources for supplies and services with directions to comply. Effective July 2002, all furniture purchases must be coordinated through and approved by the Office of Space and Building Management, specifically the Space Management Division (SMD) Chief. SMD will seek a waiver for future furniture acquisitions when appropriate.

Recommendation 4: Implement procedures to ensure that the Christmas decorations for the Office of the Secretary's suite are accounted for and safeguarded each year.

Response: Concur. Implemented.

Effective immediately, OAS' Office of Space and Building Management will have sole responsibility for storing and accounting for holiday decorations for the Secretary's suite when they are not in use. All decorations have been consolidated and stored in one locked area.

Awards

FINDING: Awards Program Was Not Well Managed

OAS employees have received approximately \$508,476 in departmental awards during fiscal years 1999 through 2001. Yet, we found that OAS's awards process was (1) unorganized, (2) had weak internal controls, and (3) had poor management oversight. The result was several violations of departmental award guidelines, including exceeding thresholds for awards--six OAS employees received more than \$1,000 in Cash-in-Your-Account (CIYA) awards in calendar year 2001 (the limit is \$1,000 annually) and three employees received awards totaling more than 10 percent of their base pay in fiscal year 2001 (the limit is 10 percent annually). In addition, we found that the Office of Human Resources Management (OHRM) did not adequately fulfill its role in overseeing and monitoring the OAS awards program. OHRM also does not have processes in place to detect the threshold violations or a more serious problem involving 80 CIYA awards for 50 OAS employees that were not included on the employees' W-2 forms (earnings statements) and for which the applicable taxes were not paid..

Recommendation 1: Establish a documented awards process for OAS including designating an awards manager, establishing an awards tracking mechanism, and training all OAS managers on departmental guidelines for awards.

Response: Concur. Implemented.

OAS' Director of the Office of Management Support Services (OMSS) has been designated to serve as the Incentive Awards Program Officer/Coordinator for OAS. The program officer will be responsible for providing oversight by tracking and monitoring types and amounts of awards for each employee to ensure all awards comply with Department Administration Order 202-451. The program officer will also ensure that awards approved by the OAS Director are forwarded to OHRM. OAS managers have received training on guidelines for awards to ensure compliance.

Recommendation 2: Institute an ongoing reconciliation process between OHRM and NIST on CIYA awards to prevent such awards from being paid without corresponding adjustments to the employees' earnings statements and appropriate taxes being paid.

Response: Concur. Implemented.

Effective September 12, 2002, the Office of Human Resources Management revised the Departmental policy on Cash-in-Your-Account (CIYA) Awards. Under the new guidelines, all Cash-in-Your-Account (CIYA) Awards must be paid, and the taxes grossed up, by the National Finance Center (NFC). In addition, each bureau must establish a tracking system that documents the net dollar value of each award granted to an employee. The tracking system must also include a feature that monitors the annual net dollar limitation (\$1,000 per calendar year) for each employee. All other provisions of the current policy will remain in effect. The procedures can be found on the OHRM website at <http://ohrm.doc.gov/about/news.htm>.

Recommendation 3: Develop automated controls to ensure that all awards made comply with departmental guidelines, including departmental thresholds.

Response: Concur. Implemented.

A spreadsheet tracking system has been implemented to track awards and comply with guidelines and thresholds.

Cellular Telephone Usage

FINDING: Cellular Telephones Were Used For Personal Calls: In reviewing the cellular telephone bills for the OAS employees who were provided with a cell phone to assist in conducting official government business, we found that calls made by some employees appeared to be of a personal nature. In addition, in some cases, monthly costs for employee use of the telephones were exorbitant, exceeding \$1,000 on two occasions. We requested that five OAS employees with cellular telephones certify whether their cell phone usage was official government business or personal. Of the five employees, three provided signed certifications reporting that they made personal calls with their government cellular telephones. One employee certified that he had not made any personal calls, and the last employee has yet to comply with our request. We worked with the acting OAS director to calculate a fair and equitable amount of reimbursement to the government for the three employees who acknowledged making personal calls.

Recommendation 1: Obtain payment from any OAS employees who have not yet reimbursed the government for the cost of personal calls made on government-issued cellular telephones.

Response: Concur. In progress.

OAS canceled the cellular telephone service and retrieved the phones of the two employees who incurred excessive charges. OAS is still reviewing cellular telephone

bills to determine the final reimbursable amount. The estimated completion date is October 15, 2002.

Recommendation 2: Develop written policies for government-issued cellular telephones that clearly state what usage is appropriate and allowable.

Response: Concur. Implemented

The Office of the Chief Information Officer is currently developing departmental guidelines for telecommunications equipment usage. In the interim, OAS has officially notified the OAS employees with cellular telephones that all calls must be official or authorized. All OAS employees with cellular telephones have signed a written acknowledgment agreeing to adhere to this policy.

Recommendation 3: Only provide a cellular telephone to staff members who absolutely need one to perform their job. For those employees that need a cellular telephone, tailor the calling plan based on expected usage to minimize monthly cost.

Response: Concur. Implemented.

The number of OAS cellular telephones has been reduced from seven to three. Two of the phones are assigned to the highest level managers responsible for the Hoover Building. They must be accessible in the event of any emergencies related to the building. The other telephone is assigned to the chauffeur for the executive staff car, who receives his orders for chauffeur service from the Office of the Secretary via the cellular telephone while he is with the vehicle. The calling plans currently in use provide low cost coverage based on expected usage.

Recommendation 4: Instruct OAS managers to monitor future cellular telephone bills for compliance with the OAS policy and immediately act upon any evidence of abuse.

Response: Concur. Implemented.

Effective September 2002, all cellular telephone bills are being reviewed and certified by the user and first and second line supervisors. Any evidence of abuse will be acted upon immediately.

Overtime and Time and Attendance

FINDING: Controls Over Time and Attendance Were Lacking

Because of concerns about the large amount of overtime charged by three OAS employees, we reviewed their time and attendance records. Our review revealed numerous problems, including incomplete or missing authorizations to work overtime, a timekeeper who was inappropriately made a supervisor for an employee that she was also the timekeeper for, and missing time and attendance documentation. Finally, despite repeated efforts and various approaches, we were unable to substantiate that all the overtime in question (1,152 hours among the three employees

in 2001) had in fact been worked.

Recommendation 1: Better manage the time and attendance process to ensure that timekeepers are maintaining all documentation for the required time period (6 years) and that overtime authorizations (Commerce Department Form-81s) and leave slips (Standard Form-71s) are completed by all OAS employees and approved by the proper authorizing official.

Response: Concur. Implemented

Timekeepers have been instructed to attach all supporting documentation to the Time and Attendance (T&A) certification submitted to managers for preliminary approval. Managers must verify that the supporting documentation is accurate and complete. Timekeepers then submit the final approved T&A record to the managers who sign certifying the T&A for final transmission. In addition, OAS employees and managers have been reminded that overtime must be requested and approved on a Commerce Department Form 81 before it is worked, and leave requests must be submitted on Standard Form 71. Furthermore, OAS' Management Support Staff will conduct quarterly audits of T&A records. The results of these audits will be reviewed by each OAS office director.

Recommendation 2: Ensure no one serves as both timekeeper and supervisor for an employee, thus circumventing internal controls.

Response: Concur. Implemented.

OAS will ensure in the future that no one serves as both a timekeeper and supervisor for any employee.

Travel Cards

FINDING: Two Employees Abused Their Travel Card Privileges:

During our review it came to our attention that two OAS employees were abusing their travel cards. We determined that the two OAS employees were using their government-issued travel cards for personal use and were not prompt in making payment to Citibank, the contractor that issues the government travel cards. The travel cards for both employees were canceled and disciplinary action, in the form of 5-day suspensions, was taken against the employees.

Recommendation 1: Regularly monitor travel card statements from Citibank and immediately suspend travel cards of any employee who either does not promptly pay her or his travel card bills or who uses the card for personal expenses.

Response: Concur. Implemented.

In the past, only the Office of Executive Budgeting and Management (OEBAM) received reports from Citibank on all card activity for OSEC and CFO/ASA cardholders. Only the cardholding employee received a statement. OEBAM would review the reports and send

a memo, or more recently e-mails, to the employee with a copy to the employee's supervisor when charges became delinquent or appeared to be for personal expenses. However, for hotel charges, etc., outside the duty station, OEBAM would not be able to determine if they were for official travel.

OEBAM has been working with Citibank to provide reports directly to office directors in order to allow them to review cardholder charges to determine if they were authorized in connection with official travel. Office directors should begin receiving reports by December 1, 2002.

OAS has identified and canceled travel cards assigned to those employees less likely to travel. For the remaining cardholders, the credit limit was reduced to \$1. When official government travel has been authorized and approved, the credit limit is increased to accommodate the traveler's estimate. Upon the traveler's return, the limit is returned to \$1. Travel vouchers are carefully reviewed by first and second line supervisors and only authorized expenses are approved for reimbursement.

Energy and Environmental Programs

FINDING: Commerce's Energy and Environmental Programs Need Attention

The Department's Energy Management Program promotes energy conservation by reducing energy and water use, managing utility costs, and promoting renewable energy technologies. Commerce's Environmental Management Program assists the bureaus in ensuring compliance with important environmental legislation, such as the Clean Air Act and the Clean Water Act. During our review, we found that both the energy and environmental programs need attention and staffing to ensure the Department is in compliance with applicable laws and regulations.

Recommendation 1: Task the new energy manager with immediately addressing the 70 action items contained in the Strategic Implementation Plan (SIP) for Energy Management.

Response: Concur. Implemented.

The new Energy Manager has been tasked with assisting the Commerce Bureaus in addressing the objectives outlined in the SIP for Energy Management. A two-day workshop has been scheduled for November in order to facilitate this. Our Energy Manager and the Bureau Energy Managers will work as a Team to implement the objectives.

Recommendation 2: Immediately advertise and expedite the hiring of an environmental manager.

Response: Concur. In progress.

The environmental manager position was advertised and closed on August 23, 2002. The selection panel is reviewing applications and will begin the interview process as soon as

possible. A final selection will be made by mid-October, with an employee expected to be on board the first week of November.

Office Reorganization

FINDING: OAS Reorganization Options Need Attention:

During our review, the acting OAS Director proposed a new organizational structure for the office. While we believe that OAS can certainly benefit from a reorganization that will make managers more accountable and realign certain functions, we have concerns that the proposed reorganization plan could lead to managerial problems. For example, under the proposed structure, six division directors would be reporting directly to the Director and Deputy Director. We are concerned that with so many divisions, the time and attention of the Director and Deputy Director may be stretched thin. This could lead to some of the same problems of inadequate managerial oversight that caused many of the problems cited in our review.

Recommendation: Develop a new OAS organizational structure that ensures supervisory accountability, allows for an appropriate span of control, and realigns needed functions.

Response: Nonconcur.

I do not agree that the OAS Director and Deputy Director would be overburdened by managing six divisions. Nevertheless, funding has become available for OAS to recruit and hire an OAO Director. In addition, a new Deputy Director has been selected to assist the Acting OAS Director with oversight responsibilities.



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

SEP 25 2002

MEMORANDUM FOR Jill Gross

Assistant Inspector General for Inspections and
Program Evaluations

From:

Jorge R. Urrutia
Director for Administration
and Chief Financial Officer

Handwritten signature of Jorge R. Urrutia in black ink.

Subject:

Comment on Draft Inspection Report: *The Office of Administrative
Services Needs Stronger Internal Controls and Management Oversight*
(IPE-15131)

This is in response to your memorandum and draft report dated August 9, 2002, regarding your office's inspection of the Office of Administrative Services, a component of the Office of the Secretary. Thank you for the opportunity to review and comment on this draft.

We agree with the observations and conclusions related to the implementation of the Cash-in-Your-Account awards program. NIST will work with the Office of Human Resources Management to ensure that appropriate corrective action is taken to remedy the problem identified in the report.

Thank you, again, for the opportunity to comment on the draft. Please contact Albert Conerly at (301) 975-4050 should you have any questions.

cc: Doug Day
Sharon Bisco

NIST

