



# Audit Report



OIG-07-033

**GENERAL MANAGEMENT: Few Exceptions Found With TBARR Payments**

March 12, 2007

Office of  
Inspector General

Department of the Treasury



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## Abbreviations

DO	Departmental Offices
GAO	Government Accountability Office
IPAC	Intragovernmental Payment and Collection
OFAC	Office of Foreign Asset Control
OFM	Office of Financial Management
TBARR	Treasury Building and Annex Repair and Restoration
Treasury	Department of the Treasury

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*The Department of the Treasury  
Office of Inspector General*

March 12, 2007

Richard Holcomb  
Acting Chief Financial Officer

The Conference Report for the Consolidated Appropriations Act, 2004, directed our office to comprehensively audit all Treasury Building and Annex Repair and Restoration (TBARR) Program contracts since fiscal year 1998.<sup>1</sup> The audit was to include (1) a review of compliance with all applicable procurement laws, rules, and regulations and with the Architectural Barriers Act of 1968, as amended; (2) a review of the scope, requirements, and cost reasonableness of the project, as well as the process for managing change orders to the original scope and design; and (3) a review of the effectiveness, efficiency, and economy of contractor operations. Further, the Conference Report for the Consolidated Appropriations Act, 2005, directed our office to complete the audit work on the TBARR Program, including determining whether the renovation work was in compliance with building codes.<sup>2</sup> We were also asked to identify costs associated with delays in employee moves into alternative space during restoration phases.

We have addressed these objectives in a series of audit reports. During fiscal year 2004, we issued two interim audit reports, one on project planning and one on contract award and administration.<sup>3</sup> During fiscal year 2005, we issued two interim audit reports, one on costs associated with delays in employee moves during renovation and one on building code compliance of the renovation

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<sup>1</sup> House Report (H.R.) 108-401.

<sup>2</sup> H.R. 108-792.

<sup>3</sup> *GENERAL MANAGEMENT: Management of the Treasury Building and Annex Repair and Restoration Program Needs to Be Strengthened* (OIG-04-039; issued August 9, 2004); *GENERAL MANAGEMENT: Treasury Building and Annex Report and Restoration Program Procurement Practices Need to be Improved* (OIG -04 -043; issued September 23, 2004)

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work.<sup>4</sup> This is the final audit report on our audit of the TBARR program.

The objective of the current audit was to assess contract and other costs charged to TBARR appropriations accounts to determine if the payments were authorized, proper, accurately recorded, adequately supported by documentation, and made for the purposes intended.

In brief, we concluded that, overall, TBARR payments were generally spent for the purposes and within the time periods specified by Congress. However, we found that the Office of Financial Management (OFM) inappropriately charged TBARR appropriations accounts for expenses that should have been charged to the Office of Foreign Assets Control (OFAC), a component of Departmental Offices (DO), and Treasury's Working Capital Fund accounts. The amount of the incorrect charges was \$68,358. We are recommending that the accounting records for TBARR, the Working Capital Fund, and OFAC be corrected for these expenses.

We also want to bring to your attention that for 20 TBARR payments, OFM was not able to provide the supporting original documentation. We were able to validate the payments through alternate procedures. However, we believe that maintaining original documentation is a matter that requires continued management attention.

We performed our audit fieldwork from November 2005 through November 2006 at OFM in Washington, D.C. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

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<sup>4</sup> *TBARR: Cost of Employee Move Delays During Main Treasury Building Renovation Could Not Be Determined* (OIG-05-035; issued April 1, 2005; *TBARR: While Progress Has Been Made On The Main Treasury Renovation, Code Violations And Other Deficiencies Need To Be Corrected* (OIG-05-042; issued July 29, 2005)

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## Background

After a June 1996 roof fire resulted in major damage to the Main Department of the Treasury (Treasury) building, Treasury decided to modernize the building. The TBARR Program was established in August 1998 for the purposes of (1) repairing and restoring the Main Treasury building to correct the damage caused by the roof fire, (2) restoring the historic fabric of the building, and (3) modernizing the building and its systems to comply with current codes and standards. At the same time, Treasury established the TBARR Program Office within the Office of Management to procure related services, oversee design and construction activities, and coordinate employee moves during construction.

From fiscal year 1995 through fiscal year 2005, Treasury expended approximately \$229 million for the TBARR project. These payments consisted of disbursements for TBARR employees' salaries and expenses, vendor invoices, and credit card bills. They also included payments made through the Intragovernmental Payment and Collection (IPAC)<sup>5</sup> system to transfer funds to other federal agencies that provided goods or services to the TBARR project. To process TBARR payments, OFM used the Federal Financial System from fiscal year 1995 through fiscal year 2003 and has used the Oracle Federal Financials System since then to the present.

## Finding and Recommendation

### Finding 1      **Two Errors Were Noted to Charges to the TBARR Appropriations Accounts**

To determine whether costs were allocated appropriately, we tested 55 payments totaling \$3.2 million in which costs were split between TBARR Program and DO appropriations accounts. These 55 payments were made to 11 contractors and principally represented low and high-dollar amounts. We found that OFM

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<sup>5</sup> IPAC is an Internet-based collection and payment system. It facilitates the intragovernmental transfer of funds by providing a standardized interagency fund transfer mechanism for federal agencies.

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inappropriately charged TBARR appropriations accounts, rather than other DO appropriations accounts and the Working Capital Fund, for 2 of the 55 payments.

- In one case, a payment of \$42,124 was charged to the TBARR appropriation account instead of the Working Capital Fund.<sup>6</sup> The TBARR Program Office submitted the required obligating documentation reflecting the change from TBARR to the Working Capital Fund, but the OFM accounting technician did not make the change in the OFM payment system. We were unable to contact the technician because she no longer works at OFM.
- In the second case, a payment of \$26,234 was charged to the TBARR appropriations account instead of OFAC.<sup>7</sup> Documentation we reviewed for the transaction indicated that the cost center for the obligation was assigned to OFAC for non-TBARR related work. OFM's accounting technician told us that since the contractor was a TBARR contractor who was doing OFAC work, he assumed that the payment should have been charged to TBARR. The technician did not refer to the original obligating documents that contained the correct cost center and appropriations account.

According to the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.

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<sup>6</sup> The Department of the Treasury's Working Capital Fund is a revolving fund that was created by Congress to centrally provide common administrative services across Treasury that would result in economies of scale, eliminate duplication of effort and redundancy.

<sup>7</sup> The Office of Foreign Assets Control administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.



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## **Recommendation**

We recommend that the Acting Chief Financial Officer direct OFM to make necessary adjustments to the accounting records for TBARR, the Working Capital Fund, and OFAC to correct erroneous charges disclosed as a result of our review.

## Management Response

Management agreed with the finding and indicated that corrective actions were underway to address each of the items. The corrective actions will be completed by March 30, 2007.

## OIG Comment

Management's planned corrective action is responsive to the intent of our recommendation.

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We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss this report, you may contact me at (202) 927-5904.

Thomas E. Byrnes  
Director, Procurement Audits

The overall objective of this audit was to assess contract and other costs charged to the Treasury Building and Annex Repair and Restoration (TBARR) Program appropriation accounts.

We analyzed the internal control and control activities over the TBARR payment process, including segregation of duties, proper execution of transactions and events, accurate and timely recording of transactions and events, accountability for resources and records, and appropriate documentation of transactions and internal control. To accomplish this task, we did the following:

- a. Reviewed available Office of Financial Management's (OFM) flow diagrams and procedures for processing TBARR payments.
- b. Interviewed OFM budget analysts to obtain an understanding of the financial plans, budget execution, and funds certification processes.
- c. Interviewed the OFM Chief of Vendor Resources, OFM accounting and payroll technicians, payment approving officials, and financial specialists to determine the procedures for processing invoices and Intragovernmental Payment and Collection, payroll, and adjustment transactions.
- d. Reviewed contract files and credit card documents and payroll files, as applicable, from the TBARR Program and Facilities Management Division offices.

We sampled TBARR transactions to determine whether they were authorized, accurate, supported, properly recorded, made for the purposes intended for the project, and charged to the appropriate TBARR appropriations accounts. Specifically, we reviewed 60 transactions from fiscal years 1995 through 2005. We selected two samples. First, we selected 181 transactions totaling \$15,280,632. From this sample we reviewed 60 transactions totaling \$5,197,118 for our initial review. Since we did not find any significant exceptions, we decided to conclude our review of the first 60 sample transactions. We also selected 55 payments sent to 11 contractors where the costs were split between TBARR

and other Department Offices appropriations accounts. We selected low and high-dollar transactions to review for this stage of our audit.

For the selected transactions, we requested original supporting documentation (i.e. invoices, purchase orders, contracts, receiving documentation, voucher schedule detail reports, payroll transaction reports, budget reports, general ledger document schedule reports, and other applicable reports from the accounting systems). We performed the following tests:

- a. Determined if the payments represented goods or services received;
- b. Verified whether the payment transactions were accurate as to terms, quantities, prices, and extensions (verified the mathematical accuracy of the invoices and supporting documentation);
- c. Verified whether the payments were made in accordance with the Prompt Payment Act;
- d. Traced account distribution on the contract, purchase order, and payment documentation to the Chart of Budget Object and Sub Object classes and verified proper classifications;
- e. Tested for duplicate payments;
- f. Analyzed the documentation maintained by OFM and the program offices (TBARR and the Facilities Management Division);
- g. Determined that federal monies were spent for the purposes and within the time periods set by Congress, to prevent obligations expenditures, or disbursements in excess of the appropriations or budget authority approved by Congress; and
- h. Reviewed contract files.

For 20 of the 115 transactions we reviewed, totaling approximately \$656,000, OFM was not able to provide us original documentation to support the payments. We applied alternative procedures to satisfy ourselves that the payments were proper.

We performed our audit fieldwork at Treasury's Departmental Offices in Washington, D.C., from November 2005 through November 2006. We performed the audit in accordance with generally accepted government auditing standards.

Appendix 2  
Management Response



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20020

MAR - 2 2007

Thomas E. Byrnes  
Department of the Treasury  
Office of Inspector General  
740 15<sup>th</sup> Street, N.W., Suite 600  
Washington, DC 20220

Dear Mr. Byrnes:

This responds to your draft audit report addressing the Treasury Building and Annex Repair and Restoration (TBARR) Program.

I am pleased that you found TBARR payments, overall, were generally spent for the purposes and within the time periods specified by Congress. I also appreciate your efforts during the audit process to provide timely, constructive advice on how to improve our financial reporting.

We concur with your finding that two errors were made in charges to the TBARR appropriation and corrective actions are underway to address each of the items. We expect these corrections to be completed by March 30, 2007.

We appreciate the professional, cooperative relationship we experienced with the Office of Inspector General throughout the audit process.

Sincerely,

  
Richard M. Holcomb  
Acting Chief Financial Officer

**Department of the Treasury**

Acting Assistant Secretary for Management  
Acting Chief Financial Officer  
Assistant Secretary for Legislative Affairs  
Acting Director, Office of Financial Management  
Director, Office of Accounting and Internal Controls

**Office of Management and Budget**

OIG Budget Examiner