



Audit Report



OIG-08-041

FINANCIAL MANAGEMENT: Controls Over Treasury's Working Capital Fund Expense Process Need Improvement

July 28, 2008

Office of
Inspector General

Department of the Treasury

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Abbreviations

ASM/CFO	Assistant Secretary for Management and Chief Financial Officer
GAO	Government Accountability Office
IPAC	Intragovernmental Payment and Collection
OFM	Office of Financial Management
WCF	Working Capital Fund

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*The Department of the Treasury
Office of Inspector General*

July 28, 2008

Peter B. McCarthy
Assistant Secretary for Management
and Chief Financial Officer

We performed an audit of the Department of the Treasury's Working Capital Fund (WCF). The audit's overall objective was to determine whether adequate controls over WCF were established. We initially planned to determine, as sub-objectives of the audit, whether: (1) WCF activities and programs are appropriate for inclusion in the fund; (2) reconciliations between actual costs incurred by WCF and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent; (3) costs charged by WCF are appropriate; (4) costs charged by WCF to specific bureaus are supported by appropriate documentation; and (5) assumptions, data, processes, and models used by WCF to estimate its annual costs are reasonable.

This report focuses on whether costs charged by WCF were appropriate and whether costs charged by WCF to specific bureaus were supported by appropriate documentation, objectives 3 and 4. Because of unforeseen priorities, we plan to address the remaining objectives in a subsequent audit.

For this review, we met with managers and staff from WCF's Corporate Office, Treasury's Office of Financial Management (OFM), select Treasury program offices, and a WCF contractor; reviewed documentation related to expenses charged by WCF; and administered a survey to WCF customers to determine satisfaction with WCF. We did not conduct follow-up interviews with WCF customers who completed the survey nor did we assess the validity of comments made by these customers. However, we

believe it is important to provide the survey results for WCF management to consider in its operations.

We conducted our fieldwork from November 2006 through April 2008, at OFM in Washington, D.C. Appendix 1 contains a more detailed description of our objectives, scope, and methodology.

Results in Brief

We found the following control weaknesses in the payment and recording of WCF expenses:

- WCF expenses were not always appropriately recorded between shared and bureau-specific. OFM did not always correctly record expenses for WCF customers and WCF program offices did not adequately monitor recorded expenses.
- Some WCF transactions were in violation of the Prompt Payment Act because OFM did not pay interest penalties to WCF vendors for late payments.¹ Furthermore, OFM paid interest to one vendor when it was not required. Late payments to vendors result in increased and unnecessary interest costs to WCF and its customers.
- Supporting documentation was not available for some WCF transactions. Without adequate documentation, the appropriateness of transactions cannot be verified.
- Some expenses were charged to WCF that it did not incur, and WCF did not adequately monitor these charges to ensure that they were appropriate. The failure to adequately monitor and review expenses charged increases the risk that improperly charged expenses may result in increased costs to WCF and its customers.

¹ The Prompt Payment Act requires that federal agencies be assessed interest penalties for late payments to vendors. Interest is to be calculated from the day after the payment due date through the payment date at the interest rate in effect on the day after the payment due date. Penalties are to be paid without regard to whether the vendor has requested such payment.

According to criteria on acceptable error rates in tests of controls and based on the results of our testing, we concluded that controls related to OFM processing of WCF transactions were ineffective.

In response to our survey questionnaire, WCF customers generally indicated that they were satisfied with WCF programs' performance. However, many customers expressed concerns regarding insufficient communication of information and a perceived lack of transparency in WCF operations. Some customers questioned the value of participating in WCF. Appendix 2 contains the results of the survey.

We are making five recommendations to improve controls over WCF.

In a written response, the Assistant Secretary for Management and Chief Financial Officer agreed with the recommendations and management's planned corrective actions are responsive to the recommendations. However, management disagreed that there were instances of violations with the Prompt Payment Act for payments made to one WCF vendor. We evaluated the information provided in the response and we still conclude the Prompt Payment Act was violated in these instances. Management's response is discussed in more detail in the Findings and Recommendations section of this report and the response is included as appendix 3.

Background

WCF was established by statute in 1970 to provide centralized administrative services across Treasury to achieve economies of scale while eliminating duplication of effort and redundancies.² At the time of our audit, WCF had 24 customers – 17 Treasury bureaus and offices and 7 non-Treasury agencies.³

WCF is a revolving fund with no-year dollars—amounts available for obligation that need not be spent for their intended purpose during a specific fiscal year. WCF is financed by advance payments

² Excise, Estate, and Gift Tax Adjustment Act of 1970, Pub. L. No. 91-614 (Dec. 31, 1970), codified at 31 U.S.C. §322.

³ Of the non-Treasury agencies, four were Treasury entities before they became part of the Department of Homeland Security.

or reimbursements from customers rather than appropriations from Congress. Treasury notifies customers of the amount of their annual advance payment through WCF collection letters. The letters inform customers of the estimated funding required for each service provided through WCF and of the charge assessed for WCF administrative overhead. Advance payments are collected via the Intragovernmental Payment and Collection (IPAC) system.⁴

WCF's fiscal year 2006 budget was \$221 million. WCF had the use of 220 full-time equivalents, most of who were assigned to 22 WCF programs. During our audit, the WCF Corporate Office consisted of two staff members. For fiscal years 2005 and 2006, Treasury spent approximately \$210 million and \$204 million, respectively, for WCF. These payments consisted of disbursements for WCF employees' salaries and expenses, vendor invoices, credit card bills, travel, purchase card transactions, and payments made through IPAC to other federal agencies that provided goods or services to WCF.

The WCF Corporate Office provides program oversight, advice, and policy guidance to the service providers and acts as a customer advocate to ensure appropriate fund use and cost distribution. OFM manages all aspects of WCF's financial operations. In this capacity, OFM tracks funds collected to finance approved financial plans for all WCF customers and generates reports on fund usage against the annual WCF budget.⁵

The program offices are responsible for developing program budget estimates; briefing all customer audiences, program managers, and bureau heads on program direction and anticipated budgets; developing cost distribution methodology; obtaining bureau approval of financial plans; executing budgets and managing funds in accordance with the approved plans; and reporting status of these plans to customers.

In fiscal year 2007, a WCF Governance Board was established to provide leadership and direction on Treasury-wide management,

⁴ 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.

⁵ OFM serves as the central point for coordination of WCF financial management activities such as budget execution, accounting, and financial system support services.

policies, and procedures that affect the overall quality, effectiveness, efficiency, and value of WCF services. At the time of our audit, the draft WCF Governance Board Charter stated that the WCF Governance Board is chaired by Treasury's Deputy Chief Financial Officer and consists of the members of the Chief Financial Officer Council. Treasury has since formalized the WCF Governance Board Charter with an effective date of March 20, 2008, including revisions stating that voting membership is comprised of the Treasury Deputy Chief Financial Officer, the Chief Financial Officer or Deputy Chief Financial Officer of each Bureau, and two Bureau Chief Information Officers.

Finding and Recommendations

Finding Control Weaknesses Existed in the Payment and Recording of WCF Expenses

We tested controls over the payment and recording of WCF expenses by reviewing a sample of transactions. The universe tested consisted of 35,942 WCF transactions totaling \$414 million for fiscal years 2005 and 2006. We selected two separate samples, using two different sampling measures, for review.

First, we extracted all payroll transactions—a total of 25,856 transactions—from the universe. These transactions had a total value of \$81 million. From the payroll universe, we selected a non-statistical sample of 50 WCF payroll transactions totaling \$558,000. Our review found no exceptions with these transactions.

Second, we extracted all non-payroll transactions—a total of 10,086 transactions—from the universe. These transactions had a total value of \$333 million. From this universe, we selected a random sample of 199 expense transactions, which had a total value of \$1.2 million. In this sample, we found 19 transactions with errors—6 where WCF expenses were incorrectly recorded to customer accounts, 4 that covered non-WCF expenses, 8 that violated the Prompt Payment Act, and 1 where interest was paid when it was not owed. In addition, 6 transactions—4 purchase card transactions and 2 IPAC transactions—lacked supporting documentation.

According to criteria on acceptable error rates in tests of controls,⁶ we concluded, based on the results of our testing, that controls related to OFM processing of WCF transactions were ineffective.

OFM's standard operating procedures for processing WCF expenses are not current. Since our review, OFM personnel informed us that they had documented the invoice payment process to help ensure that invoices are reviewed prior to payment. Furthermore, OFM follows the Prompt Payment Act, the Treasury Financial Manual, and internal control guidance to process payments. OFM's standard operating procedures need to be revised and updated accordingly to address the payment process.

The combination of outdated OFM procedures and the failure by WCF program offices to adequately monitor and review expenses charged to WCF increases the risk that expenses will be improperly charged to the fund, resulting in increased costs to WCF and incorrect allocations to WCF customers. Thus, WCF Corporate Office, program offices, and customers cannot be confident that customer accounts are recorded correctly. Additionally, vendors are not assured of being paid in compliance with the law.

Costs Were Not Always Correctly Recorded Between Shared and Bureau-Specific

OFM did not always correctly record WCF customer expenses in its core financial system. Our review of the sample identified six instances, with an aggregate value of \$97,473, where WCF customers' expenses were incorrectly recorded. In four of these instances, WCF expenses that should have been recorded directly to specific bureaus were recorded as shared costs to be borne by all customers. In the other two instances, expenses that should have been shared by all customers were instead recorded to a specific customer.

According to the Working Capital Fund Policies and Procedures Manual, which was in draft at the time of our audit fieldwork, the

⁶ American Institute of Certified Public Accountants, *Audit Sampling* (1999), and Government Accountability Office and the President's Council on Integrity and Efficiency's, *Financial Audit Manual*, Section 450, "Sampling Control Tests" (July 2001).

WCF Corporate Office is responsible for providing program oversight, advice, and policy guidance to service providers and act as a customer advocate to ensure appropriate fund use and cost distribution.⁷

There are two types of WCF program costs—shared and bureau-specific. Shared costs are to be apportioned among all customers that receive a service or product that cannot be directly billed to individual customers. For example, rent and vendor service costs that support shared information technology infrastructure would be shared costs. Bureau-specific costs are for services specifically ordered by a bureau and are billed to the bureau. For example, costs for maintenance at a specific bureau location are bureau-specific costs.

According to the *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.⁸

We found the following causes for the four instances in which bureau-specific costs were treated as shared costs:

- The OFM accounting technician was unfamiliar with requirements for recording shared and bureau-specific costs and therefore made a recording error.
- A WCF program office erroneously established an obligation as a shared cost rather than as a bureau-specific cost on the obligating document and did not review the information in the core financial system to ensure its accuracy.
- An OFM budget analyst made an error when transferring the apportionment category from the original requisition, which

⁷ Draft Working Capital Fund Policies and Procedures Manual (July 19, 2006).

⁸ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (November 1999).

contained correct information, into the core financial system.⁹ Specifically, the analyst entered the transaction as shared instead of as bureau-specific, and OFM paid the invoice and allocated costs according to the incorrect information in the system.

- An OFM accounting technician made a mistake for an invoice that should have been allocated as bureau-specific rather than as shared.

The two instances in which shared costs were erroneously recorded as bureau-specific costs occurred because OFM's accounting technician was not aware that invoices paid from the WCF could be recorded as either bureau-specific or shared costs.

As part of the account reconciliation process, OFM and the program office review the transactions to determine the propriety of costs charged to customers. OFM stated that if adjustments are necessary to data recorded, OFM and the program office handled the adjustments outside of the core financial system. We are concerned with "outside the system" adjustments and the possibility that the trial balance and the official accounting record are inaccurate. We plan to cover this area in the next audit of the WCF.

Projecting the results of our sample to the entire population of non-payroll expense transactions, we estimate that 311 WCF expense transactions, totaling approximately \$5 million, were improperly recorded during fiscal years 2005 and 2006.¹⁰

Some WCF Transactions Violated the Prompt Payment Act or OFM Paid Interest That Was Not Owed

We found eight instances in our sample in which OFM did not pay required interest penalties to WCF vendors for late payments and one instance in which OFM paid interest to a vendor when it was not required.

⁹ The obligation is entered into the core financial system through an interface with PRISM, the procurement system.

¹⁰ Statistical projections throughout this report were calculated at the 95 percent confidence level.

The Prompt Payment Act requires federal agencies to make payments on time, to pay interest penalties when payments are late, and to take discounts only when payments are made on or before the discount date. Temporary unavailability of funds to make a timely payment does not relieve an agency from the obligation to pay interest penalties.¹¹

Standards for Internal Control in the Federal Government states that transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use or commit resources and other events are initiated or entered into. Authorizations should be clearly communicated to managers and employees.

With respect to the eight instances where OFM did not pay WCF vendors on time, an OFM accounting technician did not use the actual invoice stamp dates, which indicate the date on which an invoice is received, and entered later dates into the core financial system for some WCF transactions that we reviewed, thereby changing the due date for payment of the invoices. We did not find documentation that a supervisor had approved the changes to due dates or justifications for doing so. We received the following additional explanations for the altered stamped invoice received dates:

- In three cases, OFM staff stated that they entered later invoice dates in the core financial system so that the system would not calculate an interest penalty that may have been due to one WCF vendor. OFM staff thought that they should not pay this interest because there were credits owed by this vendor to Treasury for excess billings. The OFM Chief of Vendor Resources stated that there was an agreement between OFM and the vendor specifying that OFM did not have to pay interest for late payments. We spoke with the vendor and the program office for which the services were provided and were informed that they were not aware of an agreement to waive interest penalties for late payments.

¹¹ 31 U.S.C. Chapter 39.

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- In two cases, OFM did not pay the invoice on time because there was inadequate funding to pay the vendor and OFM would not process the payment. The invoice was placed in “on-hold-for-payment” status until funding became available. When funding became available, OFM paid the invoice but did not pay interest if the payment was late. This is contrary to law, which provides that the temporary unavailability of funds to make a timely payment due for property or services does not relieve an agency from the obligation to pay interest penalties under this section.¹²
 - In one case, the OFM accounting technician altered the invoice date when it was entered into the system because he thought funding was inadequate to make payment at the time. We found that there was adequate funding available.
 - In two cases, OFM offered no specific explanation for the accounting technician entering a later invoice date into the system but admitted to the mistake of not paying interest penalties.

In the case where OFM paid interest when it was not required to do so, OFM’s Chief of Vendor Resources and an OFM accounting technician stated that the invoice was incorrectly entered in the core financial system. When we brought the unnecessary interest payment to OFM’s attention, an accounting technician acknowledged that OFM had made a mistake. OFM then informed the vendor that it would reduce a current invoice by the same amount of the interest incorrectly paid.

By changing the stamped invoice received date, OFM exposes Treasury to the interest penalties that can be imposed for Prompt Payment Act noncompliance. In addition, late payments to vendors result in increased and unnecessary costs to WCF and its customers. Also, vendors are entitled to fair and equitable treatment when conducting business transactions with the Department.

¹² 31 U.S.C Sec. 3902(d).

Projecting the results of our sample to the universe of non-payroll expense transactions, we estimate that 469 transactions, totaling approximately \$20 million, either violated the Prompt Payment Act (interest not paid to the vendor when interest should have been paid) or the vendor was paid interest not owed during fiscal years 2005 and 2006.

Supporting Documentation for WCF Expenses Was Not Always Available

We were unable to verify the validity of WCF expenses totaling \$67,000 for four purchase card and two IPAC transactions.

According to *Standards for Internal Control in the Federal Government*, all transactions, and other significant events need to be clearly documented, and the documentation should be readily available for examination. All documentation and records should be properly managed and maintained. For example, receipts for purchase card transactions are essential for verifying that purchase card transactions charged to WCF are appropriate. Cardholders are required to keep a purchase log to help them reconcile the monthly e-statement.¹³ The cardholder reconciles the e-statement from the CitiDirect system with the purchase log and supporting receipts obtained from the vendor. Then, the cardholder submits the e-statement to the approving official.

We attempted to obtain supporting documents, such as receipts, for four purchase card transactions and were unable to do so because the program office had (1) destroyed the documentation for one transaction; (2) misplaced the documentation for two transactions; and (3) not kept the purchase card file of a retired cardholder.

Neither OFM nor the responsible program office was able to provide us with documentation necessary to support one IPAC transaction. For another IPAC transaction, the receipt supported an amount less than the expense recorded in the core financial system. OFM staff claimed that the difference was attributable to a refund to WCF but were unable to provide support documentation.

¹³ An e-statement is the equivalent of a monthly purchase card statement within the CitiDirect system.

Without supporting documentation, WCF management cannot be certain that transactions were for legitimate WCF expenses.

Projecting the results of our sample to the universe of non-payroll expense transactions, we estimate that approximately 311 transactions, totaling \$3.5 million, lacked supporting documentation during fiscal years 2005 and 2006.

Certain Expenses Were Inappropriately Charged to WCF

We identified four instances totaling \$486 in which WCF was charged for expenses that it did not incur. These charges included non-WCF interest expenses, international telephone expenses, and an improper charge for travel. These expenses should have been charged to Treasury's Salaries and Expenses cost center.

With respect to the transactions in which non-WCF interest expenses charged to WCF, OFM personnel stated that limitations in the OFM core financial system necessitated using the WCF cost center to record all interest paid for delinquent invoices and the subsequent periodic manual re-allocation of the recorded interest expenses to the appropriate funds because WCF's expenses comprise the greatest volume of payments. These non-WCF interest expenses had remained in the WCF account for more than 2 years. During our audit, OFM personnel stated that interest expenses would now be reviewed quarterly to ensure that they are recorded to the proper funds and cost centers.

Regarding the transactions in which WCF was charged for international telephone expenses and unrelated travel, the WCF Corporate Manager and OFM personnel agreed that these expenses were erroneously charged to WCF. We also noted with the travel expense that the related travel authorization and voucher were approved by the traveler's subordinate, not a supervisor. OFM personnel told us that Departmental Office took steps to ensure the approval of travel by an official senior to the traveler.

Projecting the results of our sample to the entire population of non-payroll expense transactions, we estimate that 207 expenses totaling \$25,000 were inappropriately charged to WCF during fiscal

years 2005 and 2006. While the projected expenses related to the transaction errors are not material, the nature of the internal control deficiencies related to travel and the errors related to processing expenses warrant management's attention.

Recommendations

We recommend that the Assistant Secretary for Management and Chief Financial Officer (ASM/CFO) direct:

1. OFM to update its standard operating procedures for processing WCF transactions and ensure staff are trained in those procedures. The procedures and training should address the proper entering of transactions in the core financial system and the need to reject invoices that are not supported, approved, or correctly coded.

Management Response

OFM will provide training to its staff and program office staff to ensure proper coding and entry of WCF transactions. OFM began this effort prior to the audit and, beginning in fiscal year 2008, OFM implemented a policy that does not permit manual adjustments to be made outside of the core accounting system. In addition, OFM inspects all invoice certifications it receives from WCF program offices to ensure they are accurate and payments are completed timely. These policies will be reflected in updated OFM Standard Operating Procedures. The implementation date to complete planned corrective actions is September 30, 2008.

OIG Comment

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

2. OFM to implement procedures to ensure that interest penalties are paid to vendors, when appropriate, under the Prompt Payment Act.

Management Response

OFM will review and update its Standard Operating Procedures and ensure that Prompt Payment Act requirements are incorporated. OFM will train its accounting technicians on the requirements of the Prompt Payment Act as part of the training identified in OIG corrective action for Recommendation 1. The implementation date to complete planned corrective actions is March 31, 2009.

Management disagreed that there was a violation in instances that OIG identified. Management responded that rather, OFM cannot provide documentation to support its actions. In the cases OIG identified, the contract was very complex, there were large credits due to Treasury, and OFM entered into a verbal agreement with the vendor to hold payment. The agreement minimized confusion since the vendor was not required to continually re-invoice Treasury and it reduced the risk of multiple invoices and possible duplicate payments.

OIG Comment

We believe that the Prompt Payment Act was violated. Our audit disclosed eight invoices with errors related to interest payment penalties. The payments to the vendor of the "complex contract" nature discussed in the written response represent three of these invoices. Throughout the audit, OFM provided different reasons for changing the invoice receipt date to a later date in the core accounting system to avoid interest penalties for late payments to this vendor. While the written response states that OFM entered into a verbal agreement with the vendor "to hold" payments, this explanation is different from the explanation provided during the audit when an OFM official stated that the agreement allowed for OFM "to not pay interest penalties". We contacted the vendor and the program office during our audit to confirm the verbal agreement to "waive" interest penalties for late payments and neither was aware of the agreement. In any event, we are concerned with OFM entering into any agreements with the vendor as only the contracting officer has this authority. Also of concern is the control weakness that permits accounting technicians to change

the invoice receipt dates in the core accounting system without proper approval and documentation.

The planned corrective actions are generally responsive to the recommendation. However, management needs to ensure that they are effectively implemented so that vendors are paid interest penalties when required under the Prompt Payment Act. In this regard, we believe OFM officials need to revisit the payment practices for the cited complex contract cited in the response to ensure the practices are in accordance with the Act.

3. WCF program offices to maintain proper documentation for purchase card and IPAC transactions.

Management Response

Management will instruct Departmental Offices employees to abide by the Treasury Departmental Offices, U.S. Government Purchase Card Policy and Procedure manual. As an added measure, the Procurement Office will continue to conduct regular purchase cardholder audits. Management also stated that the Bureau of Public Debt's Administrative Resource Center, which provides accounting services to the WCF, will be reminded to maintain proper records of the IPAC transactions they perform. The implementation date to complete planned corrective actions is September 30, 2008.

OIG Comment

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

We further recommend that the ASM/CFO and the WCF Corporate Manager:

4. Direct WCF program offices to timely coordinate with OFM when inconsistencies and errors are identified during account reconciliations of data entered by OFM in the core financial system. Corrections of errors identified through account reconciliations should be made to the core financial system.

Management Response

As part of the corrective action for Recommendation 1, beginning in Fiscal Year 2008, OFM implemented a policy that does not allow manual adjustments to be made outside of the core accounting system. WCF program offices will be instructed to comply with this policy and asked to notify OFM when corrections to the accounting system are necessary. The implementation date to complete planned corrective actions is September 30, 2008.

OIG Comment

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

5. Issue a reminder to OFM and the program offices to ensure that only WCF expenses are charged to the WCF accounts.

Management Response

As part of the corrective action to address Recommendation 4, management will emphasize the importance of properly using WCF accounting codes and reviewing and reconciling charges, particularly those entered by travelers, to ensure expenses are recorded accurately. The implementation date to complete planned corrective actions is September 30, 2008.

OIG Comment

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

Results of WCF Customer Survey

We asked the 24 WCF customers to respond to questions pertaining to their satisfaction with the WCF. We received responses from 20 customers, for an overall response rate of 83 percent. Generally, WCF customers were satisfied with WCF programs' performance. However, many customers expressed

concerns regarding insufficient communication of information and a perceived lack of transparency of the WCF operations. Some customers questioned the value of participating in WCF. We did not conduct follow-up interviews with customers nor did we verify the validity of customers' comments. However, we will consider the survey results in planning our subsequent audit work of the WCF. Appendix 2 provides the survey results.

* * * * *

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) 927-5400 or Kieu Rubb, Director of Procurement and Manufacturing Audits, at (202) 927-5904. Major contributors to this report are listed in appendix 4.

Marla A. Freedman
Assistant Inspector General for Audit

We performed an audit of the Department of the Treasury's Working Capital Fund (WCF). The audit's overall objective was to determine whether adequate controls over WCF were established. We initially planned to determine, as sub-objectives of the audit whether: (1) WCF activities and programs are appropriate for inclusion in the fund; (2) reconciliations between actual costs incurred by WCF and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent; (3) costs charged by WCF are appropriate; (4) costs charged by WCF to specific bureaus are supported by appropriate documentation; and (5) assumptions, data, processes, and models used by WCF to estimate its annual costs are reasonable.

We performed our audit fieldwork at the Office of Financial Management (OFM) from November 2006 to April 2008. Because of other unforeseen priorities, we decided to issue this report focusing on whether costs charged by WCF were appropriate and whether costs charged by WCF to specific bureaus were supported by appropriate documentation, objectives 3 and 4. We plan to address the remaining objectives in a subsequent audit at a later time.

As part of the fieldwork, we reviewed the WCF law, regulations, and Treasury guidelines. We interviewed managers and staff from the WCF Corporate Office, OFM, and select Treasury program offices. We also interviewed a WCF contractor.

In addition, we e-mailed survey questionnaires to the 24 WCF customers. We received responses from 20 customers, for an overall response rate of 83 percent. We asked the customers to respond to questions pertaining to their satisfaction with WCF. We tabulated and analyzed the results of the survey questionnaires. We did not conduct follow-up interviews with customers nor did we verify the validity of customers' comments.

Our universe consisted of 35,942 WCF transactions, totaling \$414 million, for fiscal years 2005 and 2006. We selected transactions using two different methods. First, we extracted all payroll transactions—a total of 25,856 transactions—from the universe. These transactions had a total value of \$81 million. From the payroll universe, we selected a non-statistical sample of 50 WCF

payroll transactions totaling \$558,000. Our review found no exceptions with these transactions. Second, we extracted all non-payroll transactions from the universe, which resulted in a nonpayroll universe of 10,086 transactions, with a total value of \$333 million. From this universe, we selected a random sample of 199 transactions, totaling \$1.2 million. We projected the results derived from the random sample on non-payroll transactions to the total population of non-payroll expense transactions for fiscal years 2005 and 2006.

We used the American Institute of Certified Public Accountants and the Government Accountability Office and President's Council on Integrity and Efficiency's *Financial Audit Manual* (FAM) as criteria for the acceptable number of deviations in sampling control tests to conclude on the results of the statistical sampling test.¹⁴

As part of our evaluation of controls over WCF transactions, we reviewed computer-processed data from OFM's year-end detailed trial balances. To assess the reliability of the data, we compared the data against source input documents, including original invoices, bills, purchase and delivery orders, contracts, and receiving documentation.

We performed the audit in accordance with generally accepted government auditing standards.

¹⁴ According to the American Institute of Certified Public Accountants, *Audit Sampling* (1999), with 95 percent confidence level, 5 percent tolerable rate, the maximum acceptable error rate is about 2.2 percent when the sample size is 199. Since the error rate for the total audit is 13 percent, it exceeds the acceptable error rate, and therefore the controls are ineffective. The FAM provides for internal control tests and states that using a 90 percent confidence level, 5 percent tolerable rate, the maximum acceptable number of deviations is 6 when the sample size is 209. *Financial Audit Manual*, section 450, "Sampling Control Tests" (July 2001).

We e-mailed a survey questionnaire to the 24 WCF customers representing Treasury bureau Chief Financial Officers and non-Treasury customer officials. Of these, we received responses from 20 customers, for an overall response rate of 83 percent. (See page 43 for a list of WCF customers.) We used a combination of open-ended (text box) and closed-ended (radio button) questions by asking the customers to provide responses regarding their satisfaction with the WCF and comments on areas for improvement. We tabulated the results of the survey as follows.

1. How long has your bureau or agency been a customer of the WCF?				
	Less than 1 year	1-3 years	4 - 10 years	More than 10 years
Percentage	0%	15%	30%	55%

2. Why did your bureau or agency become a WCF customer?				
	Bureau or agency asked to become a customer	Bureau or agency was directed to become a customer	Cost-effective	Other
Percentage	9.5%	52%	9.5%	29%

3. Was your bureau or agency provided adequate information for decision-making before participating in the WCF program?		
	Yes	No
Percentage	67%	33%

Appendix 2
Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Security Programs	Extremely Satisfied	2	12%
	Very Satisfied	4	24%
	Moderately Satisfied	6	35%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	3	18%
Human Resources Strategy and Solutions	Extremely Satisfied	1	6%
	Very Satisfied	6	35%
	Moderately Satisfied	4	24%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	4	24%
Equal Opportunity and Diversity	Extremely Satisfied	2	11%
	Very Satisfied	3	17%
	Moderately Satisfied	3	17%
	Dissatisfied	1	6%
	Very Dissatisfied	0	0%
	N/A	9	50%
ACIO HR Connect Operations & Maintenance	Extremely Satisfied	1	6%
	Very Satisfied	5	28%
	Moderately Satisfied	3	17%
	Dissatisfied	3	17%
	Very Dissatisfied	1	6%
	N/A	5	28%
ACIO NFC Payroll/Employee Express	Extremely Satisfied	0	0%
	Very Satisfied	8	44%
	Moderately Satisfied	3	17%
	Dissatisfied	1	6%
	Very Dissatisfied	0	0%
	N/A	6	33%

Appendix 2
Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO HR Connect Equipment Reserve	Extremely Satisfied	0	0%
	Very Satisfied	5	29%
	Moderately Satisfied	3	18%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	7	41%
ACIO HR Connect E-Government	Extremely Satisfied	0	0%
	Very Satisfied	4	24%
	Moderately Satisfied	5	29%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	6	35%
CIO Front Office/IT Program Management	Extremely Satisfied	0	0%
	Very Satisfied	4	22%
	Moderately Satisfied	8	44%
	Dissatisfied	1	6%
	Very Dissatisfied	1	6%
	N/A	4	22%
CIO Resource Management	Extremely Satisfied	0	0%
	Very Satisfied	3	18%
	Moderately Satisfied	6	35%
	Dissatisfied	3	18%
	Very Dissatisfied	1	6%
	N/A	4	24%
ACIO Telecommunications- Front Office	Extremely Satisfied	0	0%
	Very Satisfied	7	41%
	Moderately Satisfied	4	24%
	Dissatisfied	0	0%
	Very Dissatisfied	1	6%
	N/A	5	29%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Telecommunications- DTS	Extremely Satisfied	2	12%
	Very Satisfied	4	24%
	Moderately Satisfied	4	24%
	Dissatisfied	0	0%
	Very Dissatisfied	0	0%
	N/A	7	41%
ACIO Telecommunications-TCS	Extremely Satisfied	1	6%
	Very Satisfied	5	28%
	Moderately Satisfied	6	33%
	Dissatisfied	1	6%
	Very Dissatisfied	1	6%
	N/A	4	22%
ACIO Telecommunications- TCE Network Transition	Extremely Satisfied	0	0%
	Very Satisfied	3	17%
	Moderately Satisfied	5	28%
	Dissatisfied	1	6%
	Very Dissatisfied	1	6%
	N/A	8	44%
ACIO Telecommunications- Wireless Program	Extremely Satisfied	1	6%
	Very Satisfied	3	18%
	Moderately Satisfied	1	6%
	Dissatisfied	1	6%
	Very Dissatisfied	1	6%
	N/A	10	59%
ACIO Cyber Security-Critical Infrastructure Protection	Extremely Satisfied	0	0%
	Very Satisfied	6	35%
	Moderately Satisfied	5	29%
	Dissatisfied	1	6%
	Very Dissatisfied	0	0%
	N/A	5	29%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Cyber Security-Information Security	Extremely Satisfied	0	0%
	Very Satisfied	7	41%
	Moderately Satisfied	3	18%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	5	29%
ACIO E-Government- Management	Extremely Satisfied	0	0%
	Very Satisfied	3	18%
	Moderately Satisfied	5	29%
	Dissatisfied	2	12%
	Very Dissatisfied	0	0%
	N/A	7	41%
ACIO E-Government- Payments	Extremely Satisfied	0	0%
	Very Satisfied	1	6%
	Moderately Satisfied	4	24%
	Dissatisfied	2	12%
	Very Dissatisfied	1	6%
	N/A	9	53%
ACIO E-Government- Enterprise Architecture	Extremely Satisfied	1	6%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	3	17%
	Very Dissatisfied	0	0%
	N/A	7	39%
ACIO E-Government- Enterprise Solutions	Extremely Satisfied	1	6%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	3	17%
	Very Dissatisfied	0	0%
	N/A	7	39%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO E-Government- Planning	Extremely Satisfied	0	0%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	2	11%
	Very Dissatisfied	1	6%
	N/A	8	44%
ACIO Capital Planning Inf. Management-Cap. Planning	Extremely Satisfied	1	6%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	1	6%
	Very Dissatisfied	2	11%
	N/A	7	39%
ACIO Capital Planning Inf. Management-Info. Mgmt	Extremely Satisfied	1	6%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	0	0%
	Very Dissatisfied	2	11%
	N/A	8	44%
ACIO Telecommunications- Secure Comm. Center	Extremely Satisfied	0	0%
	Very Satisfied	3	17%
	Moderately Satisfied	5	28%
	Dissatisfied	0	0%
	Very Dissatisfied	0	0%
	N/A	10	56%
ACIO Telecommunications- Secure Equip Res	Extremely Satisfied	0	0%
	Very Satisfied	2	11%
	Moderately Satisfied	6	33%
	Dissatisfied	0	0%
	Very Dissatisfied	0	0%
	N/A	10	56%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Telecommunications VAX Computer	Extremely Satisfied	1	6%
	Very Satisfied	0	0%
	Moderately Satisfied	2	11%
	Dissatisfied	0	0%
	Very Dissatisfied	0	0%
	N/A	15	83%
Emergency Preparedness	Extremely Satisfied	1	5%
	Very Satisfied	8	42%
	Moderately Satisfied	6	32%
	Dissatisfied	0	0%
	Very Dissatisfied	0	0%
	N/A	4	21%
Small & Disadvantaged Business Utilization	Extremely Satisfied	0	0%
	Very Satisfied	4	22%
	Moderately Satisfied	5	28%
	Dissatisfied	1	6%
	Very Dissatisfied	1	6%
	N/A	7	39%
Procurement Program	Extremely Satisfied	1	5%
	Very Satisfied	3	16%
	Moderately Satisfied	6	32%
	Dissatisfied	2	11%
	Very Dissatisfied	0	0%
	N/A	7	37%
E-Government (IAE)	Extremely Satisfied	1	5%
	Very Satisfied	1	5%
	Moderately Satisfied	7	37%
	Dissatisfied	1	5%
	Very Dissatisfied	0	0%
	N/A	9	47%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Non-CIO Government-wide Council Payments	Extremely Satisfied	0	0%
	Very Satisfied	3	18%
	Moderately Satisfied	4	24%
	Dissatisfied	3	18%
	Very Dissatisfied	0	0%
	N/A	7	41%
Financial Systems Integration	Extremely Satisfied	1	5%
	Very Satisfied	4	21%
	Moderately Satisfied	6	32%
	Dissatisfied	3	16%
	Very Dissatisfied	0	0%
	N/A	5	26%
Environment, Safety, and Health	Extremely Satisfied	0	0%
	Very Satisfied	3	17%
	Moderately Satisfied	4	22%
	Dissatisfied	3	17%
	Very Dissatisfied	0	0%
	N/A	8	44%
Printing Procurement Services	Extremely Satisfied	1	5%
	Very Satisfied	4	21%
	Moderately Satisfied	1	5%
	Dissatisfied	5	26%
	Very Dissatisfied	0	0%
	N/A	8	42%
Printing Reproduction Services	Extremely Satisfied	1	5%
	Very Satisfied	4	21%
	Moderately Satisfied	2	11%
	Dissatisfied	4	21%
	Very Dissatisfied	0	0%
	N/A	8	42%

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Survey Questions and Results

4. Please check the appropriate box that best describes your bureau's or agency's satisfaction with the performance of the WCF programs and services listed below. If your bureau or agency does not participate in or use a listed program or service, check the box in the "N/A" column.

Program	Survey Results	Total	Percentage
Graphics Services	Extremely Satisfied	1	5%
	Very Satisfied	4	21%
	Moderately Satisfied	2	11%
	Dissatisfied	4	21%
	Very Dissatisfied	0	0%
	N/A	8	42%
Communications, Information, & Locator Center	Extremely Satisfied	0	0%
	Very Satisfied	3	16%
	Moderately Satisfied	3	16%
	Dissatisfied	0	0%
	Very Dissatisfied	1	5%
	N/A	12	63%
WCF Support Services	Extremely Satisfied	2	11%
	Very Satisfied	5	26%
	Moderately Satisfied	10	53%
	Dissatisfied	1	5%
	Very Dissatisfied	0	0%
	N/A	1	5%

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.

Program	Survey Results	Total	Percentage
Security Programs	Yes	5	26%
	No	10	53%
	N/A	4	21%
	In House	3	60%
	Contract Vendors	1	20%
	Other	1	20%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Human Resources Strategy and Solutions	Yes	3	16%
	No	10	53%
	N/A	6	32%
	In House	1	33%
	Contract Vendors	0	0%
	Other	1	33%
Equal Opportunity and Diversity	Yes	1	5%
	No	9	47%
	N/A	9	47%
	In House	0	0%
	Contract Vendors	0	0%
	Other	1	100%
ACIO HR Connect Operations & Maintenance	Yes	4	22%
	No	10	56%
	N/A	4	22%
	In House	1	25%
	Contract Vendors	2	50%
	Other	1	25%
ACIO NFC Payroll/Employee Express	Yes	2	11%
	No	11	58%
	N/A	6	32%
	In House	0	0%
	Contract Vendors	1	50%
	Other	1	50%
ACIO HR Connect Equipment Reserve	Yes	3	17%
	No	9	50%
	N/A	6	33%
	In House	0	0%
	Contract Vendors	2	67%
	Other	1	33%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO HR Connect E-Government	Yes	4	22%
	No	8	44%
	N/A	6	33%
	In House	2	50%
	Contract Vendors	1	25%
	Other	1	25%
CIO Front Office/IT Program Management	Yes	6	32%
	No	8	42%
	N/A	5	26%
	In House	4	67%
	Contract Vendors	0	0%
	Both (In-House/Contract)	1	17%
	Other	1	17%
CIO Resource Management	Yes	5	26%
	No	8	42%
	N/A	6	32%
	In House	3	60%
	Contract Vendors	0	0%
	Both (In-House/Contract)	1	20%
	Other	1	20%
ACIO Telecommunications- Front Office	Yes	6	32%
	No	8	42%
	N/A	5	26%
	In House	3	50%
	Contract Vendors	1	17%
	Both (In-House/Contract)	1	17%
	Other	1	17%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Telecommunications- DTS	Yes	7	37%
	No	5	26%
	N/A	7	37%
	In House	2	29%
	Contract Vendors	3	43%
	Both (In-House/Contract)	1	14%
	Other	1	14%
ACIO Telecommunications-TCS	Yes	8	42%
	No	8	42%
	N/A	3	16%
	In House	2	25%
	Contract Vendors	2	25%
	Both (In-House/Contract)	1	13%
	No source provided	1	25%
Other	1	13%	
ACIO Telecommunications- TCE Network Transition	Yes	4	21%
	No	7	37%
	N/A	8	42%
	In House	2	50%
	Contract Vendors	0	0%
	Both (In-House/Contract)	1	25%
	Other	1	25%
ACIO Telecommunications- Wireless Program	Yes	5	26%
	No	6	32%
	N/A	8	42%
	In House	1	20%
	Contract Vendors	1	20%
	Both (In-House/Contract)	1	20%
	Other	1	20%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Cyber Security-Critical Infrastructure Protection	Yes	6	32%
	No	9	47%
	N/A	4	21%
	In House	4	67%
	Contract Vendors	0	0%
	Other	2	33%
ACIO Cyber Security-Information Security	Yes	6	32%
	No	9	47%
	N/A	4	21%
	In House	4	67%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	17%
	Other	1	17%
ACIO E-Government- Management	Yes	4	21%
	No	8	42%
	N/A	7	37%
	In House	2	50%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	25%
ACIO E-Government- Payments	Yes	4	21%
	No	6	32%
	N/A	9	47%
	In House	3	75%
	Contract Vendors	0	0%
	Both (In-House/Other)	0	0%
	Other	1	25%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO E-Government- Enterprise Architecture	Yes	5	26%
	No	7	37%
	N/A	7	37%
	In House	3	60%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	20%
	Other	1	20%
ACIO E-Government- Enterprise Solutions	Yes	6	32%
	No	8	42%
	N/A	5	26%
	In House	3	50%
	Contract Vendors	1	17%
	Both (In-House/Other)	1	17%
	Other	1	17%
ACIO E-Government- Planning	Yes	5	26%
	No	8	42%
	N/A	6	32%
	In House	3	60%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	20%
	Other	1	20%
ACIO Capital Planning Inf. Management-Cap. Planning	Yes	3	16%
	No	8	42%
	N/A	8	42%
	In House	1	33%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	33%
	Other	1	33%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
ACIO Capital Planning Inf. Management-Info. Mgmt	Yes	3	16%
	No	8	42%
	N/A	8	42%
	In House	1	33%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	33%
	Other	1	33%
ACIO Telecommunications- Secure Comm. Center	Yes	3	17%
	No	8	44%
	N/A	7	39%
	In House	1	33%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	33%
	Other	1	33%
ACIO Telecommunications- Secure Equip Res	Yes	3	16%
	No	7	37%
	N/A	9	47%
	In House	1	33%
	Contract Vendors	0	0%
	Both (In-House/Other)	1	33%
	Other	1	33%
ACIO Telecommunications VAX Computer	Yes	1	5%
	No	4	21%
	N/A	14	74%
	In House	0	0%
	Contract Vendors	0	0%
	Other	1	100%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Emergency Preparedness	Yes	3	16%
	No	10	53%
	N/A	6	32%
	In House	1	33%
	Contract Vendors	1	33%
	Other	1	33%
Small & Disadvantaged Business Utilization	Yes	3	16%
	No	9	47%
	N/A	7	37%
	In House	1	33%
	Contract Vendors	1	33%
	Other	1	33%
Procurement Program	Yes	3	16%
	No	9	47%
	N/A	7	37%
	In House	1	33%
	Contract Vendors	1	33%
	Other	1	33%
E-Government (IAE)	Yes	2	11%
	No	8	42%
	N/A	9	47%
	In House	1	50%
	Contract Vendors	0	0%
	Other	1	50%
Non-CIO Government-wide Council Payments	Yes	3	16%
	No	9	47%
	N/A	7	37%
	In House	1	33%
	Contract Vendors	1	33%
	Other	1	33%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Financial Systems Integration	Yes	5	26%
	No	8	42%
	N/A	6	32%
	In House	2	40%
	Contract Vendors	2	40%
	Other	1	20%
Environment, Safety, and Health	Yes	3	16%
	No	8	42%
	N/A	8	42%
	In House	2	67%
	Contract Vendors	0	0%
	Other	1	33%
Printing Procurement Services	Yes	8	44%
	No	5	28%
	N/A	5	28%
	In House	3	38%
	Contract Vendors	4	50%
	Other	1	13%
Printing Reproduction Services	Yes	6	33%
	No	6	33%
	N/A	6	33%
	In House	2	33%
	Contract Vendors	4	67%
	Other	0	0%
Graphics Services	Yes	7	37%
	No	6	32%
	N/A	6	32%
	In House	2	29%
	Contract Vendors	4	57%
	Other	1	14%

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Survey Questions and Results

5. Please check yes or no if you feel that your bureau or agency could obtain the services it currently receives from the WCF at a lower cost from another source or sources. If yes, please indicate from which source. If it is from another source, please specify in the available space. If your bureau or agency does not participate in or use a listed program or service, please check the box in the "N/A" column.			
Program	Survey Results	Total	Percentage
Communications, Information, & Locator Center	Yes	2	11%
	No	7	37%
	N/A	10	53%
	In House	1	50%
	Contract Vendors	0	0%
	Other	1	50%
WCF Support Services	Yes	4	21%
	No	13	68%
	N/A	2	11%
	In House	3	75%
	Contract Vendors	0	0%
	Other	1	25%

6a. If given the opportunity, are there any WCF programs or services that your bureau or agency would rather not participate in?		
	Yes	No
Percentage	63%	37%

6b. If yes, please list each WCF program or service that your bureau or agency would consider not participating in and the reason.	
Program Name	Reason
CIO, Egov, Security	All services that have to do with Bureau Oversight.
Security, Telecomm. - DTS	More Flexibility, integration with other OCC phone systems, lower costs.
(1) Printing Procurement Services - (2)Environmental, Health and Safety	(1) No value added middle man, (2) SHIMS does not meet our needs, have a more robust system that is used in-house.
HRConnect	No reason provided.
Printing	Faster, cheaper, and more reliable services are available.
Security, HRConnect Ops, ACIO Telecommunications, ACIO Cyber Security, ACIO E-Government, ACIO Capital Planning, Emergency, Financial Services, Printing and	Prospective cost savings, WCF program is expensive, inflexible and appears to be arbitrary. Could self support for less cost in some areas but must pay for services not needed.

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Survey Questions and Results

6b. If yes, please list each WCF program or service that your bureau or agency would consider not participating in and the reason.	
Program Name Graphic, and WCF Support	Reason
(1)DTS, (2)Printing/Graphics, (3)Small Business, (4)Procurement	(1) Use GAS WITS, (2) do not use, (3) would use other agency, (4) would use other agency.
(1) Printing Reproduction, (2) HR Connect and NFC	(1) We do not use this service, (2) we are not currently using them and do not pay.
(1) ACIO Telecom. VAX, (2) Printing Procurement, (3) Printing Reproduction, (4) Graphics	(1) Does not see benefits, (2) Don't believe this additional layer of paperwork and cost is necessary, (3 & 4) in house capability.
All programs	They are mandated services; no real incentives or reduced costs. WCF should have to compete with other providers for business.
Security, HRConnect Ops, ACIO Telecommunications, ACIO Cyber Security, ACIO E-Government, ACIO Capital Planning, Emergency, Financial Services, Printing and Graphic, and WCF Support	We believe we can do it for less money and the service would be more applicable to our bureau's needs.
TCS	DHS supplied.

7a. Would your agency or bureau want WCF to add programs or services beyond those currently included?		
	Yes	No
Percentage	0%	100%

7b. If yes, which program(s) or service(s) would your agency or bureau want to have added?
Program(s) or Service(s)
*No agencies/bureaus responded to 7b

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Survey Questions and Results

8a-d. Are you satisfied with the amount of information that WCF provides to your bureau or agency regarding the following:			
Program	Survey Results	Total	%
a. WCF Collection	Yes	13	68%
	No	6	32%
b. Cost Allocation Methodologies	Yes	11	58%
	No	7	37%
c. Billing	Yes	11	58%
	No	7	37%
d. Program Expenses	Yes	9	47%
	No	10	53%

8e-f. Are you satisfied with the amount of information that WCF provides to your bureau or agency regarding the following:	
E. Other*	F. If you answered no to any of the questions above please explain.
	Bureaus are not always informed on the methodologies used to determine specific allocation for each of the multiple accounts of notified of subsequent changes. Detail reports are not provided on transaction detail expenditures on the individual accounts.
	ITS: Treasury continually changes its annual funding estimates for IT-related WCF programs. If a vendor continually increased our costs the same way, we would find another vendor.
	We would like as much detail as possible on expenses including the names of those employees that we are funding and all related expenses.
	It has not been a straightforward or easy process in reconciling against the actual costs incurred and those billed.
	WCF should provide a listing of itemized expenses when customers are billed. Why we are charged what we are charged is a mystery.
	Bureaus are not included in the decision process for expanding services, enhancing and developing a system but are billed for them; [we] believe many enhancements that are billed are not appropriate; need more detailed explanation of the annual program increases; would like to see quarterly reports for actual expenses; would like to see costs allocated based on the actual level of support rather than by a percentage of the customer base for some programs.
	Until FY07, allocations have been largely administered by other agency. FY07 was this bureau's first year w/ sole responsibility for its allocations and is slowly building internal processes for WCF review and monitoring. Current perception is that there is insufficient transparency into how program expenses are calculated, the value of services received from those programs and how WCF dollars are spent to deliver those programs.
	CIO information is pretty good. Other programs do not provide adequate explanation of the service of benefits.
	In the financial plans received, this bureau has to constantly instruct DO to make corrections and remove its expenses from other agency's financial plans, which prolongs and complicates the budgeting and billing process. This bureau can never reconcile its balances with DO since it is told that additional obligations are "in the hopper", yet it is not provided the details of those obligations.
	They have provided much better information in the past couple years.
	Amounts due are explained clearly. The methodology for arriving at collection costs and/or the actual tasks/activities performed within the various program areas are not clearly defined and/or explained. Many program descriptions seem to be policy related and not shared service related. The WCF should utilize a shared service provider model and bureaus should be able to purchase the services they need. The process needs to have more transparency.

* No agencies/bureaus responded to 8e

Appendix 2
Survey Questions and Results

9. Does your office regularly receive timely information from the WCF regarding the following:			
Program	Survey Results	Total	%
a. WCF Collection	Yes	15	75%
	No	5	25%
b. Cost Allocation Methodologies	Yes	12	63%
	No	7	37%
c. Billing	Yes	15	75%
	No	5	25%
d. Program Expenses	Yes	11	58%
	No	8	42%

10a. Is your bureau or agency satisfied with the way the WCF budget formulation process is handled (i.e. OMB and Congressional Submissions)?		
	Yes	No
Percentage	50%	50%

10b. Is your bureau or agency satisfied with the way the new initiatives are vetted through your agency?		
	Yes	No
Percentage	53%	47%

10c. Is your bureau or agency satisfied with the way increases outside the budget process are handled?		
	Yes	No
Percentage	44%	56%

10. Please explain further if necessary.
ITS: Treasury continually changes its annual funding estimates for IT-related WCF programs. If a vendor continually increased our costs the same way, we would find another vendor.
Budget process is not timely and new initiatives are not weighed against each other or existing initiatives to ensure that we are investing for best value and highest return on investment.
There are times when the annual WCF budget has been established and we later receive requests to cover additional expenses. For budgeting purposes, it would be good for the bureau to know the actual cost at the time the annual WCF budget is established.
We would like to see greater lead time when increases are planned or implemented.
See response to Question 8. In addition, service expansions and system enhancements/developments should be planned and funded consecutively within the budget formulation process so bureaus could seek additional funding within the regular appropriations process as appropriate.
The ability to decide upon a particular initiative's value to the organization is often limited due to the time allotted for informing and vetting questions, concerns, comments. The ability to control increases outside of the budget process often means an increased collection for WCF expenses previously unforeseen.
It seems that when increases are requested, Bureaus are notified after-the-fact and told that they will have to come up with the increases. They are not provided an opportunity to be involved in discussions before the programs are increased. WCF increases should be included in Budget Formulation and not a surprise in Budget Execution.
Increase outside the budget process need more detailed justification. The increases should be evaluated carefully to determine that they are not excessive. Increases must follow the appropriated bureau budget formulation cycle. The WCF should not be going up in cost when most of the bureaus budgets are going down. The WCF assumes the base is automatically funded. This creates an impression of inefficiency. The entire WCF budget should be justified or some roll-over base funding should be agreed to with the bureaus.
N/A. Currently only uses the Treasury WCF for secure telecommunications on international matters. All other services for are provided by other agency or private vendors. Appreciates the services it is getting from the WCF but does not see any increases for need for any additional services. Since our support is very limited in nature, I don't feel answering some of the questions are appropriate.

Appendix 2
Survey Questions and Results

11a. Do you think the method used to determine the advance collection is reasonable?

Bureau/Agency	Yes	No
Percentage	75%	25%

11b. Do you receive sufficient explanations when WCF needs to collect additional funds during the year?

Bureau/Agency	Yes	No
Percentage	58%	42%

11c. Do you think the cost allocation to the bureau/agency for services are reasonable?

Bureau/Agency	Yes	No
Percentage	55%	45%

12. How would you describe the overall benefit that your agency or bureau receives through its participation in the WCF?

Bureau/Agency	Excellent	Good	Fair	Poor
Percentage	14%	38%	38%	10%

13a. Has your bureau or agency been able to provide feedback or suggestions to the WCF program?

Bureau/Agency	Yes	No
Percentage	80%	20%

13b. If yes, was your bureau or agency satisfied with how WCF handled the feedback or suggestions?

Bureau/Agency	Yes	No
Percentage	53%	47%

14. Please provide comments on areas of improvement in the WCF your bureau or agency would like to see.

A complete scrub of all WCF indirect costs by the appropriate WCF office resulting in each WCF program identifying and reducing costs in all areas of shared costs that are not absolutely essential. Bureaus need to be included in the decision making process for any new hires being charged to this account instead of finding out after the fact and being billed without input. Tracking of FTE before, during, and at the end of the fiscal year. Accountability of resources, bureaus needs detail accounting of resources being spent on working capital fund expenditures by account. Bureaus require detail tracking of each program back to the individual accounts. Types of activities covered under the working capital fund need to be screened to eliminate business type activities that should be covered under DO appropriations for which they should be budgeting for with appropriate documentation (business cases, etc.) for justification to OMB and Congress for example -- charging of blackberries, the budget formulation system (BFM).

Believe we are being passed thru a much larger percent of costs now that there are fewer agencies. Also feel the billings could be timelier. Twice a year does not provide our program offices any idea of what these programs are costing. Not paying in advance was the reason given for the delay-which does not make sense. Departmental Offices still needs to know the amount of program usage whether paying in advance or arrears. Security: The most important information we need to get across is that other than the NC4 Alert System, we CIPS (Critical Infrastructure Protection and Security) are unclear on exactly what services are being provided by the Treasury DO in the areas of Security and Emergency Management.

EEO: Treasury EEO and Diversity must retain jurisdiction over some programs, such as final decisions and complaints tracking, to comply with regulations; however, Treasury may want to explore other cost effective means to deliver services to let customers know that it regularly evaluates the best and most efficient way to do business. The reimbursable agreement with for investigative services is an area of greater concern than the WCF. Treasury's services under the WCF are relatively satisfactory; however, the reimbursable for complaints services merits review.

Appendix 2
Survey Questions and Results

<p>14. Please provide comments on areas of improvement in the WCF your bureau or agency would like to see.</p>
<p>I did not see HSPD-12 on the list of projects and wonder if its omission was intentional. The funding and manner in which this project was handled highlight some of the problems with use of the WCF. We were dragged into this project. There was never a business case prepared to justify such a large project and there has been a lack of cost transparency. We have never seen system life cycle costs or a cost benefit analysis. The direction and goals for this initiative have changed dramatically and there has not been any real discussion on what we are going to receive, in value, for this investment. There was a similar lack of Bureau input on the decision to pursue TCE outside of GSA. On TCS, it takes a long time to get services established, but once they are established service is OK. I think that many of the costs that are paid for through the WCF are Departmental in nature and should be funded through appropriations. This is especially true in the CIO oversight area.</p>
<p>We would like earlier notification of carryover amounts.</p>
<p>The Department needs more advance planning and bureau participation in decision making for program expansions and system enhancements/development. The HR Connect program needs to find ways to reduce capital costs to become more competitive with the other HRLOB service providers. The planning process for the WCF needs to include all stakeholders. When the Department decides that a certain course of action is relevant, stakeholders need to be involved in both the planning and execution stages.</p>
<p>The evolution of the WCF for this bureau has complicated its ability to fully assess cost effectiveness and/or satisfaction with many of the WCF programs. One suggestion may be to have the Treasury CIO controlled initiatives be fully vetted thru the CIO Council and its sub-councils. This should include clear information on what the WCF is funded in each area and routine information on program budget formulation, execution and level or performance. For example, security program costs should be vetted through the Cyber security Sub-Council; similarly, telecommunications programs should be vetted through the Telecommunications Sub-Council. This would help guarantee that appropriate subject matter experts are involved with WCF programs and facilitate more effective flow of information within CIO functions (bureau and department) as well as between CIO and CFO groups.</p>
<p>Obligated, not expensed. Do not understand why we cannot receive reports that show unobligated balances, advance collected, obligated amounts, expenses, balance remaining. Why does it take so long to determine unobligated balances? Costs are being assessed with other agency. Would like to see explanation of benefits that we would receive with each WCF program we pay into. Would like to see more accurate Employee Express quarterly reports generated by OPM. Would like copy of completed IAA containing final signatures more timely. Timelier manner for reporting costs for SHIMS. Would like a breakdown of services provided in Security Programs. Bureaus should be allowed to provide input for HSPD-12 assessments. More specific, detailed information on each program. Would like the chance to vote on need for WCF programs. Detailed billing for what has been collected, still needs to be collected, services that are being paid for, methodology for our bureau, and what is carried over to pay for services from previous collections. Bureau should be able to opt out of a WCF program if we are not using it, like printing and graphic program.</p>
<p>More services into a competitive environment and run the Fund like a business. Give customers an option to leave.</p>
<p>Coordinating WCF approvals through the bureau CFO rather than directly to the program office. The opportunity to opt out of programs that do not directly support our mission/objectives/goals. The WCF be required to operate within the funding level that is approved for the budget year. Significant time has been spent on performing reviews of WCF programs and processes. Very little action has been taken to address the issues raised in the interviews. A governance structure needs to be put into place with Bureau representation.</p>
<p>Due to reorganization, no comments.</p>

The following WCF customers responded to our survey:

- Alcohol and Tobacco Tax and Trade Bureau
- Office of the Comptroller of the Currency
- Office of DC Pensions
- Bureau of Engraving and Printing
- Treasury Executive Office for Asset Forfeiture
- Federal Financing Bank
- Financial Management Services
- Internal Revenue Services
- Office of the Inspector General
- Treasury Inspector General for Tax Administration
- Office of Thrift Supervision
- Bureau of the Public Debt
- Treasury Franchise Fund
- The United States Mint
- Department of Housing and Urban Development
- Bureau of Alcohol, Tobacco, Firearms and Explosives, Department of Justice
- Department of Homeland Security (Headquarters)
- Federal Law Enforcement Training Center, Department of Homeland Security
- Office of Inspector General, Department of Homeland Security
- US Secret Service, Department of Homeland Security

The following WCF customers did not return a survey to OIG:

- Community Development Financial Institution Fund
- Departmental Offices
- Financial Crimes Enforcement Network
- U.S. Tax Court

Appendix 3
Management Response



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

JUL 02 2008

MEMORANDUM FOR MARLA A. FREEDMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Peter B. McCarthy
Assistant Secretary for Management
and Chief Financial Officer

SUBJECT: Management Response to OIG Draft Report: *Controls Over Treasury's Working Capital Fund (WCF) Expense Process Need Improvement.*

Thank you for the opportunity to review and comment on the draft report on controls for the Working Capital Fund (WCF). Your report will assist us as we continue to build upon existing WCF internal controls.

As a result of your findings, we are revising procedures to ensure proper backup documentation for all accounting transactions. In addition, we are creating training for accounting technicians and WCF program staff members to explain WCF accounting codes and to better inform them on their use. This training will also include information on Prompt Payment Act requirements. Beyond these specific efforts, the Office of Financial Management is reviewing and updating their Standard Operating Procedures to reflect current operations and best accounting practices.

Our response to your recommendations is further detailed in the attachment. If you have any questions, your staff may contact JC Byrnes, Corporate Working Capital Fund Manager, at (202) 622-7406.

Attachment

Note: Signature was removed from response.

Recommendation 1: The Assistant Secretary for Management and Chief Financial Officer (ASM/CFO) should direct the Office of Financial Management (OFM) to update their Standard Operating Procedures for processing Working Capital Fund (WCF) transactions and ensure staff are trained in those procedures. The procedures and training should address the proper entering of transactions in the core accounting system and the need to reject invoices that are not supported, approved, or correctly coded.

Corrective Action: Agree. OFM will provide training to its staff and program office staff to ensure proper coding and entry of WCF transactions. OFM began this effort prior to this audit and, beginning in Fiscal Year 2008, OFM implemented a policy that does not permit manual adjustments to be made outside of the core accounting system. In addition, OFM inspects all invoice certifications it receives from WCF program offices to ensure they are accurate and payments are completed timely. These policies will be reflected in updated OFM Standard Operating Procedures.

Implementation Date: September 30, 2008

Responsible Officer: Deputy Assistant Secretary for Management and Budget

Recommendation 2: The ASM/CFO should direct OFM to implement procedures to ensure that interest penalties are paid to vendors, when appropriate, under the Prompt Payment Act.

Corrective Action: Agree. OFM will review and update its Standard Operating Procedures and ensure Prompt Payment Act requirements are incorporated. OFM will also train its accounting technicians on the requirements of the Prompt Payment Act as part of the training identified in the corrective action for Recommendation 1.

This recommendation arises from your findings that we violated the Prompt Payment Act. We disagree there was a violation in the instances you identified. Rather, OFM cannot provide documentation to support its actions. In the cases you identify, the contract was very complex, there were large credits due to Treasury, and OFM entered into a verbal agreement with the vendor to hold payment. This agreement minimized confusion since the vendor was not required to continually re-invoice Treasury and it reduced the risk of multiple invoices and possible duplicate payments.

Implementation Date: March 31, 2009

Responsible Officer: Deputy Assistant Secretary for Management and Budget

Recommendation 3: The ASM/CFO should direct WCF program offices to maintain proper documentation for purchase card and IPAC transactions.

Corrective Action: Agree. We will instruct Departmental Offices employees to abide by the Treasury Departmental Offices, U.S Government Purchase Card Policy and Procedure manual. As an added measure, the Procurement Office will continue to conduct regular purchase cardholder audits. We will also remind the Bureau of Public Debt's Administrative Resource Center, which provides accounting services to the WCF, to maintain proper records of the IPAC transactions they perform.

Appendix 3
Management Response

Implementation Date: September 30, 2008

Responsible Officer: Treasury Chief Procurement Executive and the Deputy Assistant Secretary for Management and Budget

Recommendation 4: The ASM/CFO and the WCF Corporate Manager should direct WCF program offices to coordinate with OFM in a timely manner when inconsistencies and errors are identified during account reconciliations of data entered by OFM in the core accounting system. Corrections of errors should be made to the core accounting systems.

Corrective Action: Agree. As stated in the corrective action for Recommendation 1, beginning in Fiscal Year 2008 OFM implemented a policy that does not allow manual adjustments to be made outside of the core accounting system. We will instruct WCF program offices to comply with this policy and ask them to notify OFM when corrections to the accounting system are necessary.

Implementation Date: September 30, 2008

Responsible Officer: Deputy Chief Financial Officer

Recommendations 5: The ASM/CFO and the WCF Corporate Manager should issue a reminder to OFM and the program offices to ensure that only WCF expenses are charged to the WCF expense account.

Corrective Action: Agree. As part of our corrective action to address Recommendation 4, we will also emphasize the importance of properly using WCF accounting codes and reviewing and reconciling charges, particularly those entered by travelers, to ensure expenses are recorded accurately.

Implementation Date: September 30, 2008

Responsible Officer: Deputy Chief Financial Officer

Appendix 4
Major Contributors To This Report

Kieu Rubb, Director, Procurement and Manufacturing Audits
Delores Dabney, Audit Manager
Shaneasha Edwards, Program Analyst-in-Charge
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Fawntrella Willis, Auditor
John Gauthier, Auditor Trainee (Student)
Myung Han, Management Analyst/Statistician
Mark Ossinger, Referencer

Department of the Treasury

Assistant Secretary for Management and Chief Financial Officer
Deputy Chief Financial Officer
Director of the Office of Financial Management
Working Capital Fund Corporate Manager
Office of Accounting and Internal Controls
Office of Strategic Planning and Performance Management

Office of Management and Budget

OIG Budget Examiner