

## BRIEFLY...

Highlights of Report Number 03-10-002-13-001, to the Chief Financial Officer

### WHY READ THE REPORT

The Office of Inspector General (OIG) conducted a performance audit of the Department's Working Capital Fund (WCF). The WCF is an intergovernmental revolving fund that operates as a self-supporting entity conducting business-like activities. It functions entirely from the fees charged to 13 customer agencies for the services it provides. In the Department of Labor (DOL), the WCF is available without fiscal year limitation for the operation of a comprehensive program of centralized services as deemed appropriate and advantageous by the Secretary of Labor. The WCF services and activities are paid for by means of reimbursement in advance from DOL customer agencies to return the full cost of operations to the service providers. In fiscal year (FY) 2008, WCF budgetary resources totaled \$192.6 million.

### WHY OIG CONDUCTED THE AUDIT

The audit objective was to answer the following question:

Is the WCF operated according to Federal law, guidelines, and DOL policies?

The audit covered WCF operations and policies and procedures in place at the time of fieldwork, which occurred between June 2009 and February 2010. No significant policy changes covering the WCF occurred as of May 2010. Most of the analytical audit work covered FY 2008 data, which was the most recent completed fiscal year when we started the audit in June 2009.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2010/03-10-002-13-001.pdf>

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## DOL NEEDS TO ESTABLISH A CENTRAL POINT OF ACCOUNTABILITY OVER THE DEPARTMENT'S WORKING CAPITAL FUND OPERATIONS TO ENSURE IT MEETS THE LEGISLATIVE INTENT

### WHAT OIG FOUND

The Secretary of Labor assigned the CFO the responsibility for maintaining and operating the WCF. However, we found WCF responsibilities were shared between the CFO and the Assistant Secretary for Administration and Management (ASAM). CFO responsibilities included developing policies affecting WCF management and ASAM responsibilities included preparing the annual WCF budget. Additionally, a WCF Committee, which included administrative officers of customer agencies, had a review role over WCF operations.

As a result of the CFO and ASAM sharing WCF responsibilities between them, and the WCF Committee's review role, the WCF operations lacked a central point of accountability and oversight, and the need for detailed policies and procedures was not recognized. The CFO and ASAM could not ensure that WCF services and activities were appropriate and advantageous, budget estimates were reasonable, allocation methods were appropriate, charges to the WCF were reviewed, and non-personnel costs were monitored to ensure service providers properly charged them to the WCF.

Taken together, the conditions resulted in a lack of transparency to customer agencies regarding how the WCF operated. Customer agencies are not confident that the WCF is being operated in an effective and efficient manner and that WCF services and activities are appropriate and advantageous. Without reliable WCF budget estimates, customer agencies cannot effectively manage funds for their program activities. Finally, the Department's lack of monitoring of service provider costs resulted in an overstatement of FY 2008 WCF costs by \$1.3 million.

### WHAT OIG RECOMMENDED

We made recommendations related to revising DOL policy, clearly defining roles and responsibilities, and establishing sufficient oversight of WCF operations.

The CFO stated that management concurred with the findings, except for the finding that the Department did not follow the Secretary's policy guidance in managing the WCF.