

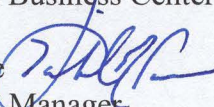


OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

AUG - 2 2011

Memorandum

To: Joseph Ward
Director, National Business Center

From: Hannibal M. Ware 
Assistant Regional Manager

Subject: Verification Review of Recommendations for the June 2009 Evaluation Report,
"Reorganization of the Working Capital Fund and the Interior Franchise Fund
(Assignment No. ER-EV-PMB-0001-2009)"
Report No. ER-VS-PMB-0009-2011

The Office of Inspector General (OIG) has completed a verification review of the five recommendations presented in the subject report. The objective of the verification was to determine whether the recommendations were implemented by the National Business Center (NBC) as reported to the Office of Financial Management (PFM), Office of Policy, Management and Budget (PMB). PFM reported to OIG when each of the five recommendations in the subject report were addressed and provided supporting documentation. As a result, the report effectively closed October 1, 2010. Based on our verification, we concur that the recommendations were resolved and satisfied at the time of closure.

Background

Our June 2009 evaluation report, "Reorganization of the Working Capital Fund and the Interior Franchise Fund" contained five recommendations. The first two recommendations addressed the need for NBC to identify Interior's mandatory services, or non-competitive lines of business prior to any decision to transfer services from the Working Capital Fund (WCF) to the Interior Franchise Fund (IFF). The remaining three recommendations addressed the need to define and establish an IFF operating reserve and monetary limit. In order to provide management controls, OIG recommended requiring process documentation for calculating reserve amounts to ensure that revenue does not exceed the established limits for the operating and capital improvements reserves.

In a memorandum dated July 9, 2009, PMB concurred with all findings and recommendations in the draft report. Specifically, PMB concurred with the need to conduct a review of NBC mandatory lines of business to ensure that those services remain in the WCF, and to delay any transfer of lines of business from WCF to IFF until such an evaluation takes place. On August 14, 2009, we referred all five recommendations to PFM for tracking. On August 18, 2009, PFM reported to OIG that NBC had provided a detailed corrective action plan, and as a result considered all five recommendations resolved.

Subsequently, PMB reported that all recommendations had been implemented and closed. Memorandums with supporting documentation were provided to OIG on June 10, 2010, September 10, 2010, September 24, 2010, and October 1, 2010.

Scope and Methodology

The scope of this review was limited to determining whether NBC took action to implement the recommendations. To accomplish our objective, we reviewed the supporting documentation that NBC provided and discussed actions taken relating to each of the five recommendations.

We did not perform any site visits or conduct fieldwork to determine whether the underlying deficiencies that were initially identified have actually been corrected. As a result, this review was not conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States or the "Quality Standards for Inspections" of the Council of the Inspectors General on Integrity and Efficiency.

Results of Review

All five of OIG's recommendations were satisfied as indicated by their closure. We found that NBC recently commissioned an organizational "strategic assessment," to inventory existing NBC services, produce business realignment recommendations, and develop an implementation strategy. This contract was awarded on July 6, 2011, and was effective on July 11, 2011. NBC reiterated their commitment to discuss with OIG any plans to move business lines or components to the IFF.

Recommendation 1: Identify the NBC mandatory service, or non-competitive, lines of business and ensure these lines of business remain in the WCF.

Recommendation 2: Delay the transfer of any of the NBC lines of business from the WCF to the IFF pending the implementation of an operating reserve and appropriate management controls over both reserve accounts.

NBC did not specifically identify its mandatory service, or non-competitive, lines of business in response to OIG's recommendation. Instead, PFM stated that NBC lines of business were already accounted for through the IFF at the time of OIG's evaluation. In PFM's response closing the recommendation, they explained that NBC decided against moving any lines of business from WCF to IFF, and in the future they would only do so after consulting with OIG. NBC officials explained to us that with any non-mandatory or competitive component or service, the customer would have to agree to a transfer and pricing of services would have to be established.

We discovered through the verification process that NBC recently awarded a contract to commission a "strategic assessment" to inventory existing NBC services, produce business realignment recommendations, and develop an implementation strategy. The contract was awarded on July 6, 2011, and was effective on July 11, 2011. After reviewing the available

documentation and speaking with appropriate management officials, we concluded that recommendations 1 and 2 were satisfactorily resolved and closed.

Recommendation 3: Establish clearly defined “reasonable” limits for the IFF operating reserve.

Recommendation 4: Create an IFF operating reserve that reflects these “reasonable” limits.

The Interior Appropriations Act authorizes the Department to establish a reasonable IFF operating reserve separate from a capital improvements reserve. OIG’s evaluation found that the failure of the IFF to maintain an operating reserve separate from its capital improvement reserve undermined the intent of the Act. To close recommendation 3, NBC provided PFM with a clearly defined IFF operating reserve limit, supporting rationale and associated policy guidance. NBC concluded that an amount equal to two months of total annual Interior Franchise Fund operating expenses, excluding contract pass-through amounts, is considered a reasonable reserve.

We confirmed through the verification process that the IFF operating reserve NBC created adheres to the limits set and established policy guidelines. After reviewing the available documentation and speaking with appropriate management officials, we concluded that recommendations 3 and 4 are resolved and implemented.

Recommendation 5: Require process documentation for calculating reserve amounts to ensure revenue does not exceed the established limits for the operating and capital improvements reserves.

As a result of OIG’s recommendation, NBC now requires process documentation for calculating reserve amounts annually to ensure revenue does not exceed established limits. OIG obtained the IFF operating reserve amount and calculation along with the working papers for fiscal year 2010 as part of the verification process. After reviewing the available documentation and speaking with appropriate management officials, we concluded that recommendation 5 is resolved and implemented.

Conclusion

We informed NBC officials of the results of this review at an exit conference on June 22, 2011. NBC officials agreed with the results of our review.

cc: Rhea Suh, Assistant Secretary for Policy, Management and Budget
Mary Pletcher, Deputy Director, National Business Center
Jim Beall, Chief Financial Officer, National Business Center
John Nyce, Associate Director, Acquisition Services Directorate
Dean Martin, Audit Liaison Officer, National Business Center
Alexandra Lampros, Audit Liaison Officer, Office of Financial Management