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OFFICE OF AUDITS
Financial Management Division

OIG HIGHLIGHTS

AUD-FM-18-44

Audit of the Department of State's Process to Identify and Transfer Excess Working Capital Funds

What OIG Audited

The Foreign Assistance Act of 1963, codified at 22 U.S. Code § 2684, established the Department of State's (Department) Working Capital Fund (WCF), which is funded by reimbursements or advanced payments for "supplies and services at rates which will approximate the expense of operations." The law states that "[t]here shall be transferred into the Treasury as miscellaneous receipts, as of the close of each fiscal year, earnings which the Secretary of State determines to be excess to the needs of the fund."

The Office of Inspector General (OIG) conducted this audit to determine whether the Department transferred excess working capital funds to the Department of the Treasury (Treasury) annually, as prescribed by the Foreign Assistance Act of 1963, codified at 22 U.S. Code § 2684.

What OIG Recommends

OIG made three recommendations to the Bureau of Administration and one recommendation to the Bureau of Budget and Planning that are intended to improve the Department's pricing methodologies, internal controls, and processes for the WCF. On the basis of the Department's responses to a draft of this report, OIG considers one recommendation unresolved and three recommendations resolved pending further action. A synopsis of the Department's responses to the recommendations offered and OIG's reply follow each recommendation. The Department's responses to a draft of this report are reprinted in their entirety in Appendices B and C. Summaries of the Department's general comments and OIG's replies are presented in Appendices D and E.

What OIG Found

The Department could not demonstrate that it annually determined whether excess earnings exist in its WCF accounts, and it has not transferred any excess earnings to Treasury. Specifically, as of December 2017, Bureau of Administration, Office of the Executive Director, Working Capital Fund Division (A/EX/WCF) officials had provided no documentation that it determined if excess earnings exist within any of the nine service centers that A/EX/WCF manages, nor has the Department transferred any excess earnings to Treasury. Federal law, however, has required the Secretary to determine and return excess WCF earnings to Treasury since 1963.

This occurred, in part, because the Department has not established adequate policies and procedures to implement the statutory requirement to evaluate and remit excess earnings to Treasury. Specifically, OIG found that A/EX/WCF did not have policies and procedures to annually determine the appropriate carry forward fund amounts for WCF cost centers or the amount in excess earnings to transfer to Treasury. As the Department bureau responsible for the oversight of nine WCF service centers, A/EX/WCF should have established appropriate policies and procedures to comply with all laws and regulations pertaining to the WCF.

As a result of these deficiencies, OIG is unable to independently determine the extent to which excess earnings should have been transferred to Treasury from FY 2015 to FY 2017. Moreover, until A/EX/WCF establishes the means to determine excess earnings and implement the WCF transfer requirement, the Department will remain unable to advance a primary purpose of the WCF, namely, to provide an effective means for controlling the costs of goods and services and encourage cost consciousness and efficiency for users and suppliers of services.