



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-19-22

What Was Audited

The Office of Nonproliferation and Disarmament Fund (NDF), within the Bureau of International Security and Nonproliferation, is responsible for responding rapidly to high priority nonproliferation and disarmament opportunities. NDF received \$30 million in appropriations from Congress in both FY 2016 and FY 2017. NDF funds are considered no-year funds because they are available until they are expended. NDF funding is provided “notwithstanding any other provision of law,” which is authority granted to NDF by Congress that allows NDF to act despite otherwise applicable laws and regulations in certain circumstances.

In response to a request from NDF management, Kearney & Company, P.C. (Kearney), an independent public accounting firm acting on behalf of the Office of Inspector General (OIG), conducted this audit to determine whether NDF implemented effective funds control and contract administration during FY 2016 and FY 2017.

What OIG Recommends

OIG made three recommendations for NDF to improve its operations related to fund management and contract administration.

On the basis of NDF’s response to a draft of this report, OIG considers the three recommendations resolved pending further action. A synopsis of NDF’s comments to the recommendations offered and OIG’s reply follow each recommendation in the Audit Results section of this report. NDF’s response to the draft report is reprinted in Appendix B.

April 2019

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of the Office of Nonproliferation and Disarmament Fund Financial and Contract Activities During FY 2016 and FY 2017

What Was Found

NDF generally implemented effective fund controls in both FY 2016 and FY 2017. Kearney found that NDF projects were appropriately approved, controls governing so-called “notwithstanding authority” were operating effectively, and obligations were approved and supported. In addition, Kearney found that expenditures were properly authorized and did not exceed authorized funding levels and that NDF performed reconciliations of data in different systems. However, Kearney identified two instances in which NDF expended more for a project than was obligated. This occurred, in part, because NDF policies did not address and account for expenditures processed by other bureaus or posts. To remedy this shortcoming, NDF finance officers and project managers should regularly monitor overseas post obligations and any other external obligations to keep abreast of the status of obligations and expenditures.

Kearney also found that NDF’s administration of its contracts was generally effective. Kearney found that contract administration controls were generally operating adequately; NDF properly completed the procurement request package for contracts and had the correct authorization of the procurement requests; and NDF complied with requirements for approving and documenting requests to modify contracts and for preparing requests for contract closeouts. Although contract administration controls were generally effective, contract closeout controls could be improved. Kearney identified four contracts that had not been closed out in a timely manner. The delays can be attributed primarily to communication shortcomings between personnel in NDF and the Office of Acquisitions Management. Addressing these shortcomings will help ensure that contracts are closed out in a timely manner and that unused contract funds can be deobligated and used for other authorized purposes in support of NDF’s mission.