Audit of the Justice Management Division's Administration of Shared Information Technology Costs through the Working Capital Fund

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22-117

SEPTEMBER 2022

EXECUTIVE SUMMARY

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Objectives

The objectives of our audit were to: (1) evaluate if the Justice Management Division (JMD) has established an effective and efficient management structure for the Information Technology (IT) service portfolio of the Working Capital Fund (WCF); and (2) determine if JMD's process for the provision, reconciliation, and administration of cost allocations within the IT service portfolio is supported, equitable, and transparent. The scope of our audit was fiscal years (FY) 2019 to 2022.

Results in Brief

The WCF provides the Department of Justice (DOJ or Department) with a mechanism for administering and funding centralized services. Within the WCF, the IT service portfolio provides enterprise-wide IT services managed by JMD's Office of the Chief Information Officer (OCIO). While these services are beneficial, we identified issues with JMD's administration of the WCF, such as the lack of a policy addressing the practical application of WCF services and certain financial administration practices. These issues have resulted in DOJ components' confusion over the scope of their participation in WCF IT services and how JMD has assigned costs that are ultimately approved by the WCF Board of Directors (WCF Board). In addition, despite well-defined governance responsibilities for WCF IT services; decisions, actions, and coordination efforts were not documented, which hindered transparency. We also have concerns that JMD provided DOJ components insufficient and untimely information for budgeting and billing WCF IT services, which placed components at risk of waste and non-compliance with funding-related laws.

Recommendations

Our report contains 11 recommendations to JMD. JMD's response to our audit report can be found in Appendix 3. Our analysis of the response is included in Appendix 4.

Audit Results

DOJ's WCF is intended to increase efficiency by providing centralized services to Department components. The WCF is managed by JMD and governed by the WCF Board, which is composed of financial executives from JMD and DOJ components. In coordination with JMD, the WCF Board is responsible for the strategic direction of the WCF, as well as approving the services provided and allocation of costs to DOJ components.

Over the past 10 years, the total DOJ IT expenses have grown exponentially. From FY 2019 through FY 2022, the Department estimated the total annual cost of the WCF IT service portfolio was approximately $450 to $600 million. JMD, through its OCIO, oversees the provision of centralized IT services to DOJ components and the reimbursement of funding through the WCF. Throughout our audit, DOJ components acknowledged the value and need for WCF IT services. However, we found that JMD should enhance its management practices to ensure that DOJ components can fully evaluate their WCF IT service participation and costs.

JMD Should Evaluate and Define WCF Centralized Services

We found that JMD uses the WCF to bill DOJ components for IT goods and services that are provided only to JMD and DOJ executive leadership. Although the WCF Board is responsible for approving what services are included in the WCF, WCF Board members and other DOJ component personnel have expressed concern that this practice may not meet the intended purpose of the WCF, which is to provide administrative services that are performed more advantageously as a centralized service. Component personnel have also questioned why JMD does not use appropriated funding that is designated for DOJ general administration purposes for the costs associated with the needs of JMD and DOJ executive leadership. We found that JMD did not maintain any formal determination of what DOJ considers to be a centralized service under the

WCF authorizing statute. A JMD executive stated that the Department considers a centralized service to be any service that is more efficiently pursued enterprise-wide, regardless of whether the service is provided to all DOJ components or only a few and acknowledged that the WCF also pays for expenses that are related to JMD overhead and Department executive leadership expenses. Although JMD officials recognized the need to track and assign funding sources, these officials noted that the WCF provides the Department with increased flexibility to pay for necessary IT services. Nevertheless, JMD's current process does not adequately separate personnel and associated overhead costs related to functions outside of the WCF. Therefore, we believe that JMD should prioritize defining centralized services and verifying that costs included in the WCF IT service portfolio are appropriate.

JMD Should Ensure that Cost Allocations are Supported, Equitable, and Transparent

Following updates to JMD policy to streamline WCF procedures, OCIO coordinated with JMD Finance, JMD Budget, and DOJ components to change its method for financially administering certain WCF IT service costs through a fixed cost mechanism called a Rate Memo. Through this transition, OCIO combined costs for 22 different IT services into the Enterprise IT Services Rate Memo and categorized these costs as mandatory. Although DOJ components did not reach a consensus regarding the OCIO's methodology for allocating these costs, in FY 2020, the WCF Board approved the transition to the Rate Memo methodology. We found, however, that JMD has not documented its justification or procedures for the cost allocation methodology and has not established a process to reassess its methodology to ensure that it accounts for changes to IT costs and services.

WCF Board and CIO Council Operations Can Be Improved

In addition to the WCF Board, OCIO collaborates with the Chief Information Officer (CIO) Council—made up of DOJ component CIOs and IT personnel—to evaluate the provision and administration of IT services throughout the Department. We found that JMD has not kept adequate records of formal meetings and decisions by either the WCF Board or the CIO Council, as required. Moreover, these entities have not consistently coordinated their evaluation of how new IT initiatives approved through the CIO Council would impact total WCF IT service portfolio costs. We believe that the CIO Council and WCF Board should be engaged in decisions related to DOJ-wide IT initiatives. Coordination between these entities would enhance long-term financial planning and support for IT services. However, there are no formal requirements to facilitate coordination between the CIO Council and WCF Board and there are no internal controls to ensure that all stakeholders are involved in decisions that affect enterprise-wide IT services and costs.

JMD Should Improve Coordination with DOJ Components

Throughout the audit, DOJ components continuously expressed a need for clarification to understand JMD's process for identifying cost estimates and billing amounts for WCF IT services. We found that the financial information for budgeted and actual IT service portfolio costs was not always complete, accurate, or timely. These financial management deficiencies not only increase the risk of fraud, waste, and abuse for DOJ components, but also may result in additional effort by OCIO personnel to resolve customer issues and to duplicate efforts in recording financial transactions. For example, providing financial requirements too late to make prudent financial decisions has resulted in at least one DOJ component reprioritizing funds from mission-critical purposes to pay for unexpected IT service portfolio costs. These deficiencies also place DOJ components at risk of non-compliance with certain funding-related laws, such as the risk that DOJ components may violate the Anti-deficiency Act—which prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation—if their bills are larger than anticipated and they do not have sufficient funds available. In turn, JMD has continually raised concerns about delays in DOJ components processing of financial agreements and has seen very little improvement.

JMD and OCIO executive management acknowledged the need to improve policies and communication practices and noted that its primary focus has been the provision of IT services. Yet, despite questions and frustration from components on WCF IT costs, JMD has not effectively advanced customer relations and provided opportunities for feedback. While JMD has taken steps to improve OCIO financial management, we believe that JMD should improve its efforts to coordinate with DOJ components and provide them with clear, comprehensive, and timely information related to WCF IT services and charges.

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Introduction

In 1975, Congress authorized the Department of Justice (DOJ or Department) to establish a Working Capital Fund (WCF) to fund and provide centralized administrative services in an efficient and cost-effective manner.[1] The WCF is a financing mechanism that allows DOJ to generate revenue from the sale of goods and services and recover operating expenses through payments by WCF customers, which are generally DOJ components.[2] Through the WCF, DOJ can sustain these services without any fiscal year (FY) funding limitations. The Assistant Attorney General for Administration (AAG/A) from the Justice Management Division (JMD) is the general manager of the WCF and serves as Chair of the WCF Board of Directors (WCF Board), as outlined in the figure below.

Figure 1

WCF Governance Structure and Stakeholders

WCF Position		Responsible DOJ Entities	WCF Responsibilities
Administration and Oversight	Chair of the Board	AAG/A JMD	Provides a clear vision and strategic direction, while ensuring WCF customers receive the highest quality services at the best possible prices.
	Board Members	9 Members representing the largest DOJ components or customer groups.[a]	Review and approve the necessary strategies, financial plans, and policies for general operations and help ensure the operational and financial integrity and stability of the WCF.
	Secretary of the Board	Deputy Assistant Attorney General (DAAG)/Controller JMD	Serves as financial manager of the WCF and oversees all budgets, directs financial management duties, and makes recommendations to the AAG/A on WCF operations. Responsible for communications, cost modeling, policy, and supporting other WCF DAAGs.
	Budget Staff	JMD Budget	Reviews and monitors all WCF budgets, provides recommendations on funding initiatives and rate changes, and provides oversight functions for the AAG/A and DAAG/Controller.
Service Delivery	Service Portfolio Managers	JMD DAAGs	Each JMD DAAG oversees the following 5 WCF service portfolios through financial management, as well as service delivery and administration: (1) Information Technology; (2) Facilities; (3) Financial Management; (4) Policy, Management, and Procurement; and (5) Human Resources Administration.
Service Users	Customers	DOJ components [b]	Purchase WCF services in support of their respective organizations, hold membership on the WCF Board, and join ad-hoc WCF working groups.
	Working Groups	JMD and DOJ component personnel	Formed at the request of the DAAG/Controller or the WCF Board and comprised of appropriate customers and JMD staff to provide in-depth, expert advice on respective topic areas.

a. The AAG/A and DAAG/Controller are also Board Members.

b. Customers of DOJ's WCF are both DOJ components and external federal agencies. This audit focused on internal DOJ customers.

Source: OIG summary from JMD policy documentation

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[1] 28 U.S.C. § 527 established "a working capital fund for the Department of Justice, which shall be available, without fiscal year limitation, for expenses and equipment necessary for maintenance and operations of such administrative services as the Attorney General, with the approval of the Office of Management and Budget, determines may be performed more advantageously as central services..."

[2] DOJ can enter into agreements with other federal agencies to provide certain goods and services offered through the WCF. Our audit focused solely on internal DOJ customers.

According to JMD policy, the AAG/A is responsible for delegating WCF oversight authority to the WCF Board. In addition to the responsibilities discussed in Figure 1 above, JMD policy states that the role of the WCF Board is to represent the best interests of all WCF customers and the DOJ as a whole, help establish sound management and operational policies, support the AAG/A in decisions on major issues, and vote on material service operations and service management items. JMD policy also specifies the following responsibilities of JMD offices and personnel:

- delivering WCF services, providing technical support, and providing customer billings;
- developing operating plans and rate structures to distribute the costs of services;
- preparing, reviewing, and monitoring all WCF budgets;
- acting as the point of contact for WCF customer inquiries; and
- providing oversight functions including performance and policy monitoring.

As reflected in the graphic, DOJ administers WCF services through the following five portfolios: (1) Financial Management; (2) Human Resources Administration; (3) Facilities; (4) Policy, Management, and Procurement; and (5) Information Technology (IT). Between FYs 2019 and 2022, the WCF IT service portfolio accounted for the second highest costs and presented significant cost variations, as depicted in the Table 1.

Table 1

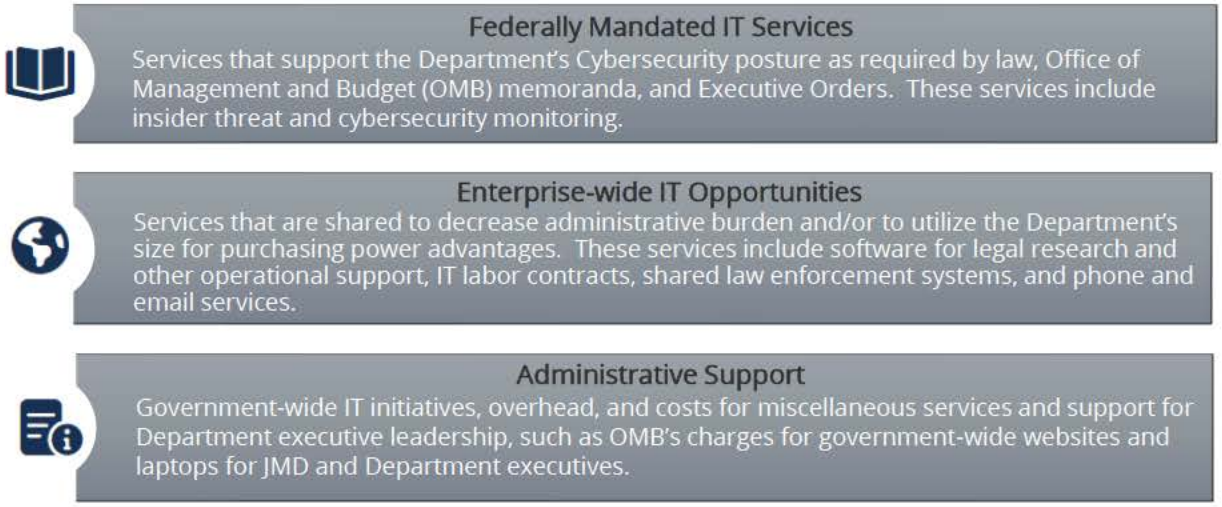
WCF Annual Operating Costs FY 2019 – FY 2022 (in millions)

	Financial Management	Facilities	Policy, Management, and Procurement	Human Resources and Administration	Information Technology	Total
FY 2019	$144	$655	$63	$92	$461	$1,415
FY 2020	$277	$647	$67	$90	$499	$1,580
FY 2021	$281	$744	$6	$91	$615	$1,737
FY 2022	$280	$786	$7	$98	$567	$1,738
Total	$982	$2,832	$143	$371	$2,142	$6,470

Source: OIG analysis of JMD annual operating plans and WCF Board material

IT Service Portfolio – Office of the Chief Information Officer

The WCF IT service portfolio is administered by the DOJ Chief Information Officer (CIO), who is the DAAG for JMD's Office of the CIO (OCIO). Through the IT service portfolio, OCIO provides federally mandated IT services, enterprise-wide IT opportunities, and IT-related administrative support across the Department.

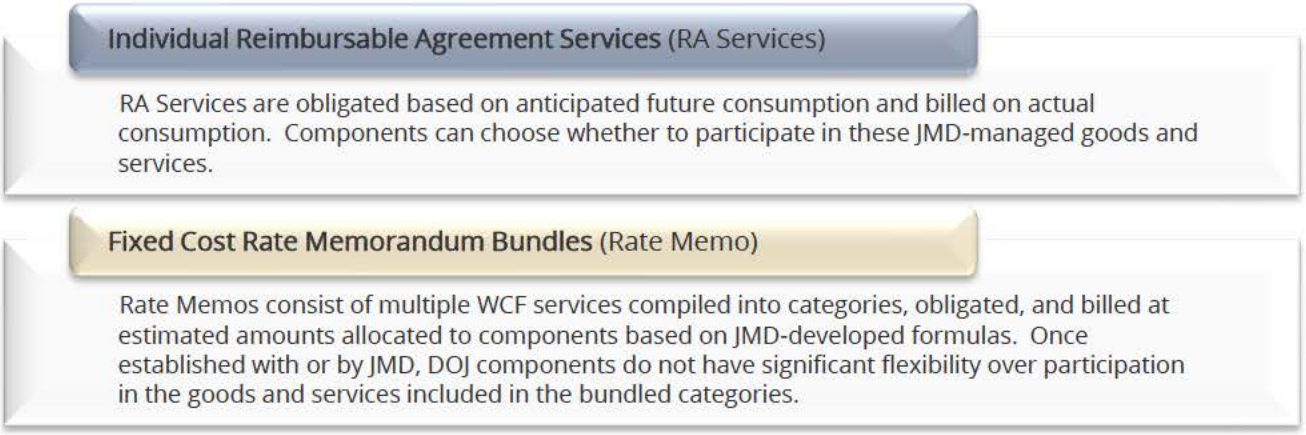


The Department's total IT spending in FY 2021 was $3.2 billion, which is approximately a $1 billion increase from 10 years ago and reflects the rising costs and increasing needs of IT services. The OCIO-managed portion of these costs represented approximately 20 percent of the total and was funded through the WCF, as well as JMD's appropriation from Congress for IT technology modernization and for critical cybersecurity requirements through the Justice Information Sharing Technology (JIST) fund. Because JIST funding applies to OCIO's operations, the CIO has discretion over the use of JIST funding. OCIO generally uses these funds for new IT initiatives but may also use JIST funding to pay for unexpected increases in WCF IT service costs or to assist DOJ components with funding IT projects or requirements. The JIST appropriation has remained relatively consistent, increasing from $32 million in FY 2019 to $38 million in FY 2022.

WCF Budgeting and Cost Allocation Procedures

In FY 2019, JMD converted WCF financial operations to the Unified Financial Management System (UFMS) and updated practices for administering WCF costs.[3] Specifically, JMD, with approval from the WCF Board, developed a streamlined process for managing costs through the WCF, which entailed administering certain WCF services through individual Reimbursable Agreements (RA) and other services through a mechanism called a Rate Memorandum.

[3] UFMS is the Department's financial management system, to which DOJ components, including JMD, have been converting from disparate systems for the past 14 years.



According to JMD, managing and monitoring individual RAs is resource intensive. The advantage of using the Rate Memo methodology is that it reduces the number of individual RAs sent to each customer for WCF services, thus increasing efficiencies and reducing the administrative burden associated with monitoring a large volume/number of individual RAs for each customer for each individual WCF service. JMD personnel explained that transitioning the IT service portfolio to UFMS lagged behind the other WCF portfolios because of significant process issues. As a result, the IT service portfolio was updated to the JMD streamlined Rate Memo allocation process in FY 2020. As of FY 2022, JMD established three IT service portfolio Rate Memos: the Enterprise IT Services Bundle, the Law Enforcement Services Bundle, and the Software Licenses Bundle.[4]

Prior Reviews

In FY 2012, the Government Accountability Office (GAO) issued a report entitled, "Department of Justice, Working Capital Fund Adheres to Some Key Operating Principles but Could Better Measure Performance and Communicate with Customers."[5] The GAO made three recommendations to improve the management of DOJ's WCF, including providing opportunities for two-way substantive communications with customers and developing performance measures for the fund. All recommendations were closed prior to the initiation of the OIG's audit.

Additionally, the WCF is included in the OIG's audit of DOJ's annual financial statements. In FY 2019, the OIG reported a material weakness which included a deficiency related to the WCF data conversion to UFMS. JMD was able to record adjusting journal entries to correct the relevant accounting information for purposes of the financial statements.[6] However, the data within the legacy system was not compatible with the system

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[4] The Enterprise IT Services Rate Memo included 22 services in FY 2020 and FY 2021 when it was first implemented, but in FY 2022 OCIO consolidated one of the legacy services into another service. The Law Enforcement Services Rate Memo included four services. The Software Licenses Rate Memo included 12 services. See Appendix 2 for a list of FY 2022 OCIO services, descriptions, and allocation methods.

[5] U.S. Government Accountability Office (GAO), Department of Justice Working Capital Fund Adheres to Some Key Operating Principles but Could Better Measure Performance and Communicate with Customers GAO-12-289 (January 2012), https://www.gao.gov/assets/gao-12-289.pdf (accessed July 2022).

[6] DOJ OIG, Audit of the U.S. Department of Justice Annual Financial Statements Fiscal Year 2019 Audit Report 20-016 (December 2019), https://www.oversight.gov/sites/default/files/oig-reports/a20016.pdf (accessed July 2022).

requirements in UFMS, which resulted in incomparable historic data. As such, we did not obtain and review substantive information and compare historic practices of the WCF prior to FY 2019.

OIG Audit Approach

The objectives of our audit were to: (1) evaluate if JMD has established an effective and efficient management structure for the IT service portfolio of the WCF; and (2) determine if JMD's process for the provision, reconciliation, and administration of cost allocations within the IT service portfolio is supported, equitable, and transparent. The scope of our audit was FY 2019 through FY 2022.[7]

To achieve our objectives, we reviewed policies and procedures associated with WCF operations, OCIO operations, and approved annual operating plans. Additionally, we obtained WCF Board and CIO Council meeting materials and analyzed the contents to examine JMD's governance, oversight, and communication practices related to the WCF and Department-wide IT projects. We also reviewed a sample of transactions to determine whether costs were appropriate. Finally, we interviewed personnel from JMD and personnel from other DOJ components. We met with Finance and/or IT personnel from the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Antitrust Division, Federal Bureau of Prisons (BOP), Office of the Community Oriented Policing Services, Drug Enforcement Administration (DEA), Executive Office for Immigration Review, Federal Bureau of Investigation (FBI), Federal Prison Industries, Executive Office for United States Attorneys (EOUSA), National Security Division (NSD), Office of Justice Programs (OJP), and U.S. Marshals Service (USMS). Appendix 1 contains further details on our audit objectives, scope, and methodology.

[7] Our review of FY 2022 WCF IT services generally related to FY 2021 activities that generated the FY 2022 WCF operating plan and FY 2022 activities resulting from the WCF Board meeting to approve the FY 2022 WCF operating plan, and did not include actions taken by JMD for the development of the FY 2023 WCF operating plan.

Audit Results

DOJ components have recognized the necessity and benefit of JMD providing centralized IT services through the WCF. However, we have concerns that IT services provided through the WCF may not meet the statutory intent of providing centralized services and that inefficiencies within the WCF management structure have increased the risk that cost allocations may not be supported, equitable, and transparent. While JMD develops and presents IT service cost allocations to the WCF Board for review and approval, we found that the six largest DOJ components have consistently paid more than 80 percent of the approximately $120 to $160 million total mandatory WCF IT service costs simply by having more personnel and higher budget authorities and not because their actual use or consumption is proportionally large. According to JMD, components with more personnel have a direct implication on IT expenses and reflect a higher IT risk to the Department, yet we found that some large components do not use certain IT services for which they are being charged. Moreover, JMD has not documented its justification or procedures for the IT service portfolio cost allocation methodology and has not established a process to reassess its methodology to ensure that it accounts for changes to IT costs and services. Additionally, we found that the WCF Board and the CIO Council on WCF IT services have not consistently coordinated to evaluate the financial impacts of IT service decisions on DOJ components, which has caused friction between financial and IT executives at DOJ components and JMD. Over the past 4 years, JMD has taken steps to improve OCIO financial operations and enhance clarity for IT services, including augmenting OCIO financial management staff and consulting with DOJ components on IT service cost issues. However, we found that DOJ components do not have sufficient and timely information to fully understand and adequately plan for the costs and requirements related to WCF IT services, which increases the potential risk that DOJ components may waste funds and may not comply with funding-related statutory requirements. We believe that JMD should enhance its administration of WCF IT services through documenting clear and complete policies, increasing coordination with DOJ components, and improving financial management practices.

Coordination between JMD and the WCF Board

While JMD is responsible for the management and administration of the WCF, it relies on the WCF Board for oversight of WCF services and costs. According to JMD's WCF Governance Update Handbook (WCF Handbook), which is the governing policy for the WCF Board, the WCF Board supports the AAG/A in WCF decisions and only has authority to the extent delegated by the AAG/A. JMD officials emphasized that the WCF Board plays a vital role in approving JMD's proposed WCF budgets; reviewing JMD's suggested additions, enhancements, or elimination of WCF services; and resolving cost and service-related concerns. JMD officials have specifically pointed to the WCF Board's approval of the costs and services associated with the IT service portfolio as evidence that the WCF Board—not JMD—makes the ultimate determination on costs and services. Moreover, according to JMD, all WCF services, costs, and methodologies that the OIG audited were developed based on decisions reviewed and approved by the WCF Board.

Although we understand that the WCF Board's decision-making role is extremely important, we also recognize that the WCF Board relies on JMD to facilitate WCF processes and to provide Board members with complete, clear, and timely information to make prudent decisions. Yet we found, through discussions with WCF Board members and a review of WCF Board documentation, that WCF Board members had differing opinions on the effectiveness of coordination between the Board and JMD. For instance, while certain WCF Board members thought that JMD had improved transparency, other members expressed a need for enhanced clarity of what costs and services JMD included in the WCF IT service portfolio. Further, we were

told that while WCF Board members understood that the WCF Board was responsible for assessing the reasonableness and equitability of the costs and allocations, JMD does not always provide sufficient information to fully understand the estimated costs for WCF services charged to components. Certain WCF Board members also told us that JMD controls WCF processes, and that members are often not given enough time to adequately review and perform due diligence before approving the WCF operating plan. Nevertheless, they feel compelled to vote for these operating plans in order to ensure that a WCF budget is finalized before the end of each fiscal year.

According to JMD, its goals are to provide transparency related to WCF operations, promote efficiency of services provided by the WCF, and ensure that customers receive significant value for the money. While these goals are notable, the aforementioned issues highlight the need for enhanced accountability and coordination between JMD and the WCF Board in order to improve transparency and oversight and to maintain the operational and financial integrity and stability of the WCF. As such, we believe that enhanced coordination can take place during JMD's resolution of recommendations provided in this report, as it will have to work in concert with the WCF Board to improve management and oversight of the WCF IT services portfolio. In particular, the report section titled, "WCF Board and CIO Council Operations Can be Improved," discusses additional matters related to JMD's role in improving coordination between the WCF Board and Department stakeholders regarding IT initiatives and services.

JMD Should Evaluate and Define WCF Centralized Services

The WCF's authorizing statute established the WCF for administrative services that the Attorney General determines may be performed more advantageously as centralized services.[8] As a result of our review of IT services included in the WCF and discussions with JMD and DOJ component personnel, we identified several IT services that did not appear to be centralized services or to provide a direct benefit to the DOJ components billed by JMD.

We asked JMD whether the Department had obtained a legal definition for a centralized service or whether the Department had ever submitted to OMB a list of such services for approval, as required by the authorizing statute. JMD's Controller noted that the Department may have established such guidance when the WCF was established in 1975, but that JMD did not maintain any documentation of OMB's approval or memorialize in formal policy its actions or procedures for identifying centralized services. JMD personnel also noted that the AAG/A has the authority to carry out this responsibility, which is conducted through the WCF Board approving the services included in the annual WCF operating plan. JMD personnel further explained that each year JMD submits to OMB an apportionment request, which seeks authority for DOJ components and JMD to conduct reimbursement transactions to execute the total funding requirements approved by the WCF Board for the upcoming fiscal year. JMD stated that this approved authorization by OMB officials "indicates their support for the underlying services determined by the Department to be more advantageously provided by the WCF as central services." We reviewed the FY 2021 apportionment request and found that it only presented WCF financial information at a very high level. It did not present a list of centralized services that JMD provided to other components and their associated costs. Therefore, although JMD requests and receives approval from OMB to conduct intra-agency financial transactions, this approval process does not appear to meet the statutory intent of requiring the Attorney General to determine and

[8] 28 U.S.C. § 527

OMB to approve what will be provided as a centralized service through the WCF. Thus, we determined that JMD officials did not provide adequate documentation to verify compliance with the statute.

A JMD executive stated that the Department considers a centralized service to be any service that is more efficiently pursued enterprise-wide, regardless of whether the service is provided to all DOJ components. Additionally, the Controller and the Department CIO said that the WCF pays for expenses that are related to WCF service overhead and institutional corporate-type expenses, such as those expenses that support certain JMD and Department executive leadership offices. However, we found that, generally, corporate-type expenses are associated with the management of the entire Department and do not necessarily reflect centralized service costs or the indirect costs associated with those centralized services. We identified the following examples of corporate-type expenses charged to all DOJ customers through the WCF, despite the fact that not all DOJ components use or directly benefit from them, which is how centralized services generally work.

Unclassified Equipment and Support

Through OCIO, JMD provides unclassified equipment (such as computers and printers) and IT support to Department executive leadership offices, such as the Office of the Attorney General and JMD. Between FY 2020 and FY 2022, JMD billed DOJ components over $20 million for these IT-related services.

e-Discovery Services

Through OCIO, JMD conducts analysis to obtain electronically available information to answer Freedom of Information Act (FOIA) and other legal requests directed to Department executive leadership offices, such as the Office of the Attorney General and JMD. OCIO does not provide this service to each DOJ component because components have internal mechanisms to support FOIA requirements. Between FY 2020 and FY 2022, JMD billed DOJ components over $15 million for e-Discovery services.

Various officials from DOJ components expressed to us their concern that Department executive leadership and JMD expenses are included in the WCF. These officials questioned the appropriateness of using components' appropriated funds to pay for these expenses. Moreover, certain officials stated that JMD had not addressed why it does not use or seek additional appropriated funding for these expenses. In particular, the Department receives a General Administration appropriation to fund corporate-type expenses. The DOJ budget request to Congress specifically lists Department executive leadership offices and JMD as recipients of the funding and specifies that the primary mission of the General Administration appropriation is to support the Attorney General and DOJ senior policy-level officials in managing Department resources and developing policies.

When we asked JMD personnel about how JMD used the General Administration appropriation, they said that while it covers some corporate-type expenses, the General Administration appropriation is not sufficient to pay for all corporate-type expenses that JMD incurs. Therefore, JMD pays for these costs through the WCF. JMD personnel further stated that all DOJ components receive an indirect benefit from fully functional and equipped DOJ executive leadership offices. However, they acknowledged that JMD does

not have clear criteria for deciding when to designate costs to the General Administration appropriation and when to designate them to the WCF.

While JMD is authorized to recover operational costs associated with WCF-related activities, JMD performs many functions outside of the WCF and current WCF processes do not adequately separate personnel and associated overhead costs related to JMD functions outside of the WCF. Government accounting principles do note that both direct and indirect costs of services should be allocated to the beneficiary (whether that is a JMD entity or a DOJ component); however, those principles do not describe in detail the appropriate treatment for corporate-type expenses.

As such, JMD should establish a clear basis for including services and their associated costs in the WCF, to include a formal justification and criteria for which services may be performed more advantageously as centralized services and other services that JMD considers appropriate for the WCF. We recommend that JMD, in consultation with the WCF Board, implement a policy identifying the criteria for including a service within the WCF. Once the criteria are formalized, JMD should ensure that services currently included in the WCF are appropriate, meet the documented criteria, and are clearly presented to the WCF Board for discussion of any necessary changes.

JMD Should Ensure that Cost Allocations are Supported, Equitable, and Transparent

In general, the WCF allows JMD to be reimbursed for enterprise-wide shared IT services and provides DOJ components an option to purchase IT goods and services through OCIO. However, OCIO's revision of its cost allocation methodology and implementation of JMD's Reimbursable Agreement/Rate Memo Procedure policy in FY 2020 following the transition to UFMS impacted how IT service costs were allocated and components' control over purchased services.

The Department CIO acknowledged that historically the WCF IT service portfolio costs were complex and not clearly understood by DOJ components. When OCIO transitioned to the Rate Memo methodology, the CIO invited JMD Budget Staff, JMD Finance Staff, and DOJ components to provide input into OCIO's implementation process and updated allocation of WCF IT service costs. Certain DOJ component CIOs with whom we spoke stated that this process resulted in increased transparency. However, according to OCIO officials, even though all DOJ components were invited to these meetings, not all components attended. We verified that not all DOJ components participated in OCIO's meetings, which would have impacted the components' ability to provide OCIO with valuable feedback.

One result of the transition to the Rate Memo methodology and the revision of the cost allocation process was OCIO's creation of the Enterprise IT Services Rate Memo, which was the combination of costs for 22 different IT services. OCIO categorized this Rate Memo as mandatory, meaning all components would be charged for the services regardless of participating in or electing to purchase all 22 services. Although OCIO engaged DOJ components during the development of this methodology, a consensus was not reached and only 4 of the 21 components involved in the transition process approved the methodology, while the remaining components requested other methods or did not vote at all. OCIO personnel have acknowledged that using the selected methodology has resulted in "winners and losers" in cost allocations and expressed frustration that components have not offered alternative solutions. Yet, because JMD did not document complete meeting records that captured all DOJ component discussions, we were unable to assess DOJ components' overall opinions, criticisms, agreement, or questions related to these changes.

We identified various concerns with OCIO's implementation of the Enterprise IT Services Rate Memo. First, DOJ components have questioned why OCIO included IT services that do not benefit all DOJ components equally and for which some components have elected to decline. While this is similar to the issues discussed above associated with the justification and appropriateness of including corporate-type costs related to JMD and DOJ executive leadership services, the concern here pertains to the reasonableness of how these IT enterprise costs are allocated and charged to DOJ components. DOJ components have referred to the costs associated with this Rate Memo as "taxes" or costs that JMD could not otherwise fund without components' financial contributions. Below are two examples of services in the Enterprise IT Services Rate Memo that were charged to—but not used by—all components.

Justice Security Operations Center (JSOC)

JSOC is responsible for continuously monitoring the Department's networks to prevent, detect, and respond to cyber-attacks. While some smaller DOJ components rely entirely on the Department's JSOC services, we were told that large DOJ components do not utilize JSOC or do so as a secondary defense while running their own operations center. For instance, the FBI's security operations center and JSOC coordinate frequently, but the FBI did not elect to have the Department monitor its activities in the same way it monitors other components due, in part, to the FBI's classified computing environment.

Security Analytics Service

Through this service, OCIO collects and reviews data of people logging into certain DOJ systems. However, neither the FBI nor NSD elected to receive this service because of unique circumstances associated with their classified computing environments.

Second, OCIO combined the total of all overhead costs into one service within the Enterprise IT Services Rate Memo which is allocated directly to components even though the overhead costs are not a service provided to components but rather support the services OCIO provides to components. For example, OCIO's combined overhead calculation included expenses for OCIO personnel who manage legal research software agreements. Therefore, rather than only components that participate in the legal research service sharing these personnel expenses these expenses are charged to all components. Thus, this methodology may result in inequitable cost allocations to DOJ components.

Third, OCIO developed a weighted average formula to allocate the Enterprise IT Services Rate Memo costs to DOJ components. This formula relied on the following: (1) number of personnel requiring cybersecurity awareness training, (2) workstation count, (3) enacted full-time equivalent count, and (4) budget authority. Based on our review of government cost accounting standards for allocating internal service costs, the weighted average formula method used by OCIO is the least preferred because it is the least precise assignment of costs.[9] OCIO's methodology relies, in part, on components' budget authority, which JMD personnel stated represents a customer's availability to pay. Availability to pay, however, is not a measure of consumption nor is it related to how much a customer should pay for participating in services. We found

[9] The Department's WCF activities are covered by Statement of Federal Financial Accounting Standards 4 (SFFAS 4): Managerial Cost Accounting Standards and Concepts. SFFAS 4 states that costs should be assigned by either (listed in the order of preference): directly tracing costs wherever economically feasible, assigning costs on a cause-effect basis, or allocating costs on a reasonable and consistent basis. For more information on our scope and methodology, see Appendix 1.

that OCIO's allocation methodology has ultimately resulted in larger-sized components paying a larger share of costs simply by having more personnel and higher budget authorities and not because their actual use or consumption is proportionally large. According to JMD, the size of a component's workforce has a direct implication on its IT expenses, yet as discussed in the examples above, we found that some large components do not use certain IT services for which they are being charged. Moreover, JMD documentation did not include any presentation to components that offered a comprehensive comparison of historic cost allocations that were generally based on use of IT services and allocations included in the Rate Memo. JMD also did not document its justification or procedures for the updated IT service portfolio cost allocation methodology. As demonstrated in the following table, the six largest DOJ components have consistently paid more than 80 percent of the total costs for the mandatory services included in the Enterprise IT Services Rate Memo.

Table 2

Enterprise IT Service Rate Memo Cost Allocations by Component ($ in millions)[a]

	FY 2020		FY 2021		FY 2022	
	Cost Allocation	% of Total	Cost Allocation	% of Total	Cost Allocation	% of Total
FBI	$ 36.3	30%	$ 54.8	36%	$ 55.4	35%
BOP	$ 23.3	20%	$ 34.2	23%	$ 35.7	22%
EOUSA	$ 12.6	11%	$ 12.8	8%	$ 14.3	9%
DEA	$ 11.4	10%	$ 11.7	8%	$ 12.7	8%
USMS	$ 8.3	7%	$ 8.7	6%	$ 9.5	6%
ATF	$ 5.9	5%	$ 6.3	4%	$ 6.8	4%
All Others	$ 21.4	18%	$ 22.1	15%	$ 25.5	16%
Total Rate Memo	$ 119.2	100%	$ 150.6	100%	$ 159.9	100%

a. The total percentages may not equal 100 percent due to rounding.

Source: OIG analysis of the FY 2020 through FY 2022 Annual Operating Plans

When we followed up with various components on OCIO's implementation of the Enterprise IT Services Rate Memo, one component expressed concerns that OCIO included IT service costs that were previously paid for using other funding sources. OCIO officials told us that there were no new costs included in the Enterprise IT Services Rate Memo and that the transition realigned shared costs that were previously embedded in other services. However, because OCIO recognized that the implementation of the Enterprise Services IT Rate Memo had a significant impact on certain components, in FY 2020 JMD did not bill the FBI and BOP their full costs identified through the Rate Memo allocation methodology and used other funding sources to cover the shortfall. Had JMD charged the full amount of the Enterprise Services IT Rate Memo costs, we assessed that the FBI likely would have paid over $50 million, and the BOP would have paid over $30 million based on estimates in the annual operating plan. The higher billed amount became effective in FY 2021, which provided those components more planning time to budget for the cost increase.

We discussed OCIO's allocation methodology with JMD and were told that the Enterprise IT Services Rate Memo methodology was OCIO's initial attempt at adopting the Rate Memo process, but now after several years, it may need to be adjusted. Although we recognize that OCIO invited stakeholders to participate in

OCIO's process for developing this Rate Memo and that the WCF Board approved the IT service portfolio operating plan at the time, given the deficiencies we identified, we believe that JMD should reevaluate the allocation methodology for the Enterprise IT Services Rate Memo to ensure that costs are appropriately distributed among DOJ components and to account for changes in IT costs and services. Therefore, we recommend that JMD review the cost allocation methodology implemented through the Enterprise IT Services Rate Memo and update, as necessary, to ensure that component cost allocations are sensible, equitable, and commensurate with the benefits of the services provided.

In addition to the allocation deficiencies, we found that JMD's Reimbursable Agreement/Rate Memo Procedure policy for implementing the Rate Memo methodology did not include specific criteria for expenses to be included. However, the policy identified that Rate Memos should be used for "basic activities" such as rent. We believe that using rent as an example in the guidance implies that "basic activities" are traditionally stable and predictable costs, which generally would not include IT costs because, as stated by the Department CIO, IT costs can be more variable and harder to predict. Therefore, OCIO did not have sufficient guidance to decide what IT services should be included in Rate Memos when in FY 2020 it created the Enterprise IT Services Rate Memo, and in FY 2022 it created two additional Rate Memos.

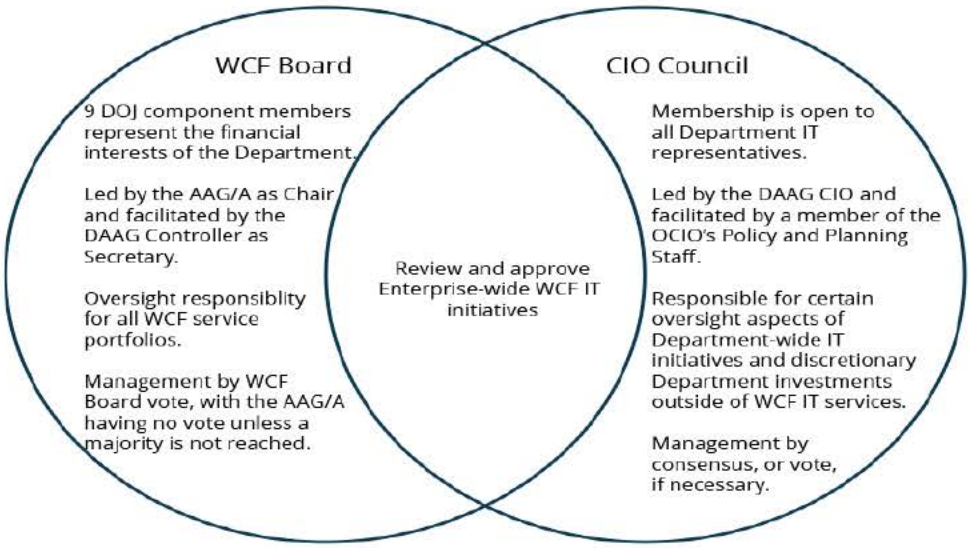
During our review of OCIO's three Rate Memos, we found that it was not apparent that OCIO applied a consistent approach when selecting IT services to include in the Rate Memos, nor was it apparent that these IT services reflect "basic activities." Moreover, when we asked OCIO if it had developed a formalized methodology for identifying services to be included in its Rate Memos and what services would remain as individual RAs, we were told that the determination for what IT services to include in the Rate Memos was not documented. However, OCIO personnel stated that the decision on what services would be transitioned to Rate Memos was based on OCIO's determination that the costs were stable and the services were not optional, but acknowledged that formal documentation and policy could be improved. Because the transition of an IT service from an individual RA to a Rate Memo results in a fixed cost rate that limits DOJ components' control over costs, JMD should ensure that it has adequate guidance that identifies the services that are eligible for a Rate Memo. We therefore recommend that JMD: (1) update its policy to include specific criteria for identifying "basic activities" appropriate to be included in a Rate Memo, and (2) reevaluate OCIO's Rate Memos to ensure that the selected services reflect a consistent approach and "basic activities."

WCF Board and CIO Council Operations Can be Improved

As part of the WCF governance structure, DOJ components representing the largest customers and customer groups are an integral part of approving the overall financial strategies of the WCF. The CIO Council, which is led by the Department CIO and is comprised of DOJ component CIOs and IT personnel, has some responsibility for overseeing financial and operational decisions related to enterprise-wide IT services. For example, the CIO Council serves as a mechanism for developing and documenting Department-wide IT processes and addressing common issues impacting component IT programs and resources. As demonstrated in the figure below, the WCF Board and the CIO Council have shared responsibilities over the administration of Department-wide IT services.

Figure 2

WCF Board and CIO Council Governance Information



Source: OIG analysis of WCF Board and CIO Council governance documentation

Both the WCF Board and CIO Council provide a critical interface between OCIO's provision of IT services and DOJ components' use and funding of these services through the WCF. Thus, coordination between these entities is essential to ensure that the enterprise IT initiatives approved by the CIO Council are effectively communicated to the WCF Board for inclusion in future financial strategies.

Documentation of Key Decisions and Approvals Should be Maintained

JMD has governing documents establishing the roles and responsibilities of the WCF Board and CIO Council. Specifically, JMD's WCF Governance Update Handbook (WCF Handbook) is the governing policy for the WCF Board that includes the Board's purpose, membership, voting practices, meeting requirements, and annual agenda items. The CIO Council has a charter that includes an overview of the Council's purpose, scope of operations, roles and responsibilities, membership, and procedures. We found that JMD did not ensure that it met requirements for the WCF Board and CIO Council that would have provided relevant information to decision-makers.

For example, the WCF Handbook requires that the WCF Board meet quarterly. However, between FY 2019 and FY 2021, JMD only conducted 5 of the required 12 WCF Board meetings. JMD officials explained that the reason for the lack of meetings was twofold: (1) the COVID-19 pandemic restrictions led JMD to transition from in-person to virtual meetings or, on occasion, to provide written updates instead; and (2) JMD Budget Staff, who are responsible for preparing and running the WCF Board meetings, experienced resource constraints. While we understand that the COVID-19 pandemic disrupted schedules, WCF Board meetings are critical avenues for JMD to formally convey information to customer representatives about the state of WCF operations, including any changes to planned services and material cost increases or decreases. In fact, through discussions with WCF Board members and review of meeting minutes, we found that WCF Board members had expressed concerns regarding certain aspects of JMD's administration of the WCF and

the lack of transparency into certain WCF IT services and costs. We also found that at the September 2021 meeting, the WCF IT services portfolio was approved with a vote of five "yes" to four "no." However, meeting minutes were not taken, only a record of the votes, which did not indicate whether the significant number of "no" votes was discussed.

According to the CIO Council Charter, the CIO Council is supposed to meet monthly, prepare and distribute meeting minutes, and vote by consensus. However, OCIO did not document any meeting minutes for the CIO Council during the period covered by our audit. According to OCIO, instead of minutes, OCIO relies on agendas and materials that OCIO prepares and distributes prior to each meeting. Yet, when we requested these documents for a sample of eight meetings that occurred between FY 2019 and May 2022, OCIO was only able to provide materials for six meetings. During our review of OCIO materials, we found that the information included an overview about certain operational matters within the WCF's IT services portfolio, such as progress on certain IT contracts and cybersecurity threats monitored by OCIO. While we believe that this information is valuable and represents the CIO Council achieving part of its mission, we also noted that there was no evidence of CIO Council members providing input on any OCIO-presented decisions or items in an attempt to reach consensus on those matters, as directed by the Charter. We believe that inadequate documentation on decisions, questions, and follow-up impedes stakeholders' ability to review component input on OCIO's IT initiatives.

Given that the WCF Handbook and the CIO Council Charter include specific requirements for achieving oversight responsibilities, we believe that JMD should ensure that these requirements are followed. We also believe that holding meetings and documenting decisions and issue resolution between JMD and the components are imperative for stakeholder accountability and transparency. Without such documentation, JMD has not provided WCF Board members or CIO Council members with sufficient information to ensure they fully understand and are held accountable for WCF IT-related decisions. We recommend that JMD evaluate its processes and implement internal controls to ensure that all responsibilities outlined in the WCF Board and CIO Council governing documents are fulfilled and decisions are appropriately documented.

Enhanced Coordination between the WCF Board and CIO Council Would be Beneficial for DOJ

The Department CIO is the liaison between the WCF Board and CIO Council. According to the Department CIO, the purpose of this liaison role is to explain proposed IT services to the WCF Board, which the WCF Board will then vote to fund. Neither the Department CIO nor the CIO Council have control over WCF Board priorities and decisions. Therefore, although the CIO Council may endorse a high-cost IT initiative, there is no guarantee that the WCF Board will also approve the necessary funding. This has caused friction among financial and IT executives at DOJ components and JMD because, according to the Department Controller, who is also the Secretary for the WCF Board, the CIO Council may agree with plans for implementing IT initiatives without full consideration of how that initiative would impact the total WCF IT services portfolio costs. Alternatively, a CIO Council member explained that they do not get to see the WCF operating plan before it is presented to the WCF Board, therefore, they cannot ensure the costs are expected, needed, and in line with budgets prior to the WCF Board voting. Additionally, members of the CIO Council stated that historically OCIO did not request CIO Council input about final decisions related to IT initiatives.

In FY 2021, OCIO enhanced its efforts to coordinate with both entities on compliance with Executive Order 14028, which required federal agencies to implement Zero Trust Architecture as a method to mitigate

the risk of the advanced cyber threat environment.[10] DOJ components said that OCIO coordinated extensively with the CIO Council on the process to pilot, research, and fund the software licenses and support for Zero Trust Architecture. In addition, the Department CIO met with the WCF Board to explain OCIO's plan of action to support the Zero Trust Architecture implementation costs. To account for this new enterprise-wide service, OCIO requested an enhancement to its FY 2022 JIST funding appropriation for the initial implementation of this service and planned to transition the expenses for Zero Trust Architecture to the WCF in the future. However, the Department's full request for JIST funding enhancements was not approved by Congress. As a result, OCIO requested and received approval to use Unobligated Balance Transfer funding to support the initial implementation.[11] Nevertheless, because OCIO's JIST funding request was not fulfilled, the costs for this service will likely be incorporated into the WCF sooner than originally anticipated, which would increase DOJ components' WCF IT service charges more abruptly.

This example demonstrates an improvement from previous interactions between the CIO Council and WCF Board on IT initiatives, yet it also highlights the challenges associated with long-term financial planning for IT services. We believe that the CIO Council and WCF Board should be engaged in decisions related to DOJ-wide IT initiatives, and coordination between these entities would enhance long-term financial planning and support for WCF IT services. However, there are no formal requirements to facilitate coordination between the CIO Council and WCF Board and there are no internal controls to ensure that all stakeholders are involved in decisions that affect IT services and costs. Therefore, we recommend that JMD implement a formal process for the CIO Council and WCF Board of Directors to coordinate to improve collaboration and information sharing about the financial and service provision aspects of implementing IT initiatives.

JMD Should Improve Coordination with DOJ Components

Providing IT services to DOJ components through the WCF is beneficial because it provides costs savings and resource efficiencies. However, officials from every DOJ component with whom we spoke identified at least one WCF IT service for which they did not fully understand why JMD charged them or how JMD determined the costs. Although JMD has established a formal process for updating DOJ components on their expected WCF costs, we found that the financial information provided to components for budgeted and actual IT service portfolio costs was not always complete, accurate, or timely.

The development of and approval process for WCF costs takes place throughout the year, but significant decisions affecting customers' individual expected costs are made between June and September for the upcoming year's WCF service costs. As part of this process, JMD's Budget Staff collaborates with OCIO to create an annual operating plan that captures all WCF IT services provided and total estimated costs that will be charged to customers. JMD uses this operating plan to develop a Summary of Expected Charges for DOJ

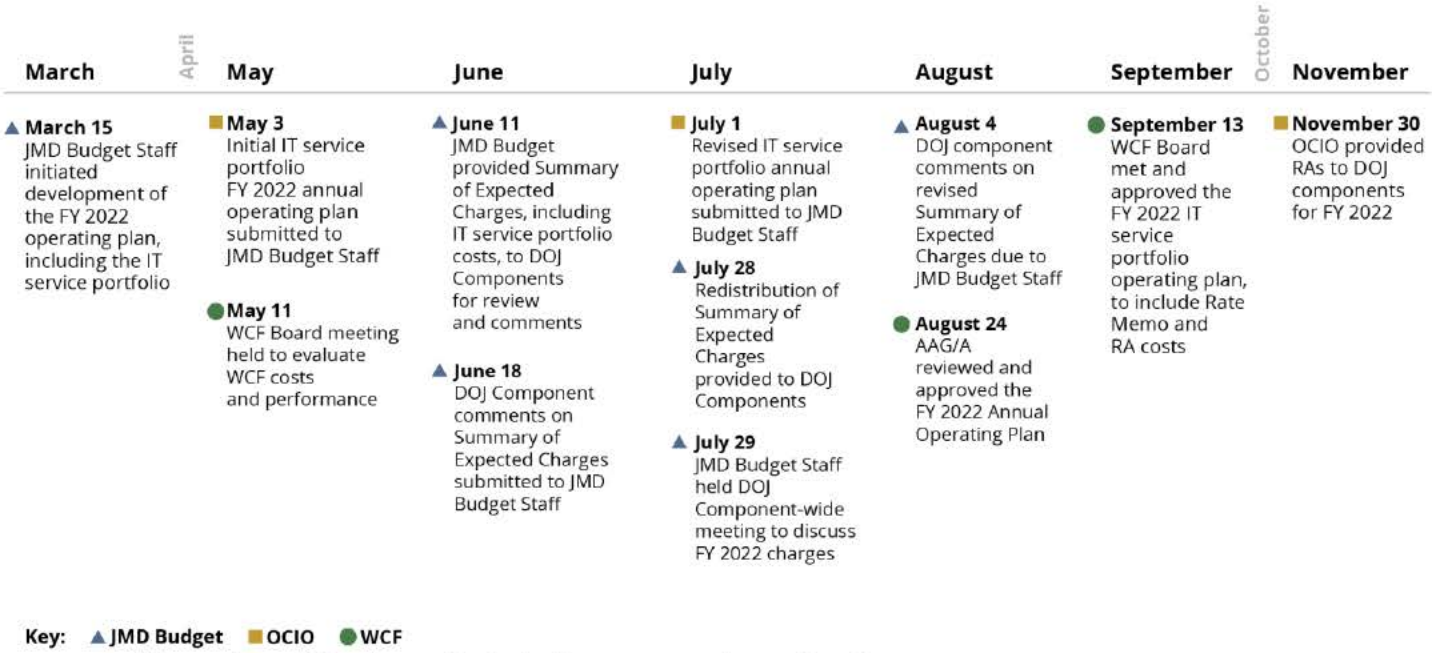
[10] Executive Order on Improving the Nation's Cybersecurity, dated May 12, 2021, https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/

[11] Unobligated Balance Transfers occur when DOJ components do not expend their total appropriation within the required number of years. These funds are transferred to JMD, which can then make them available for use on Department projects in need of funding.

components, which review this information and submit any concerns to JMD, as further outlined in Figure 3.[12]

Figure 3

JMD and OCIO's FY 2022 Annual Operating Plan Timeframe



Source: OIG illustration of timeframe included in WCF Board meeting documents

Summary of Expected Charges

OCIO's estimate for all WCF IT services is used to develop the aforementioned Summary of Expected Charges that each DOJ component receives to effectively budget and plan for WCF costs. These projections include all costs, including Reimbursable Agreements and Rate Memo charges. According to JMD officials, over the last several years JMD reduced the details provided to components in the Summary of Expected Charges because compiling the information was complex and burdensome and JMD did not perceive that DOJ components were interested in getting such voluminous information. As of FY 2022, JMD provided components with estimates for IT service costs, but did not provide details on what was included within those costs or justification for cost fluctuations from the previous fiscal year. According to certain DOJ components, the current construct of the Summary of Expected Charges does not fit their needs, as demonstrated in the following examples.

[12] Figure 3 depicts the OIG's illustration of the FY 2022 operating plan timeframe based on WCF Board documentation. Although not included in this documentation, JMD personnel explained that DOJ components are able to discuss upcoming WCF charges at any time throughout the process.

Example 1

USMS personnel stated that when they received the FY 2022 Summary of Expected Charges, they found that their total estimated Enterprise IT Service Rate Memo costs increased by 13 percent over FY 2021 projections, but JMD did not provide enough information to pinpoint the source of the increase. When the USMS received additional information and performed further review, the USMS disagreed with some of the cost drivers and JMD's subsequent cost allocation. Ultimately, USMS personnel stated they had to divert funds that were allocated for mission needs to pay for the increase.

Example 2

ATF personnel stated that they identified a substantial increase in the estimated costs for certain IT software licenses. When ATF received and reviewed additional information, ATF found that the estimated costs included approximately 3,000 more licenses than needed.

As noted in the above timeline, as part of the FY 2022 operating plan cycle, JMD provided DOJ components only 1 week to formally review the Summary of Expected Charges and provide feedback, contest changes, and resolve issues. JMD personnel stated that communication can take place at any time throughout the process and that components can review and contest charges; however, we believe the lack of information provided and short timeframe to assess changes in WCF costs contributes to the risk that DOJ components may waste funds by inadvertently committing to purchase more WCF IT services than required. Therefore, we recommend that JMD evaluate procedures for providing components with expected charges to ensure components have sufficient information to evaluate the use and associated costs for IT services, as well as enough time to provide feedback and obtain support for any discrepancies.

Financial Agreements

According to JMD policy, DOJ components must sign annual RAs for WCF services before services start at the beginning of the fiscal year or within 45 calendar days of receipt of these agreements after the WCF Board approves the annual operating plan. This policy further requires that all annual agreements must be signed, and obligations recorded in UFMS by the last day in October of each fiscal year. We found that OCIO is not executing financial agreements in a timely manner and in accordance with JMD policy. The FY 2022 financial agreements for the IT service portfolio were provided to DOJ components around November 30, 2021, or 2 months after the start of both the fiscal year and the provision of services covered by the agreements. Through conversations with JMD officials and our review of WCF Board meeting minutes, we found that OCIO has struggled to provide timely financial agreements and that the timing of the FY 2022 agreements was an improvement from previous years. JMD personnel explained that DOJ components are responsible for signing and returning their RAs and establishing the associated obligation in UFMS. We found that JMD has consistently raised the issue with the WCF Board that DOJ components are not processing RAs timely once they are issued by JMD.

DOJ components told us that although they have an idea of the total WCF costs when they receive the Summary of Expected Charges, there have been drastic differences between those proposed figures provided during the summer and the final WCF Board-approved costs in the fall. DOJ component representatives further stated that they are not provided adequate time to fully review and question these changes in required obligation amounts identified in the RAs, as illustrated in the below examples.

Example 1

EOIR personnel noted that they use the Summary of Expected Charges in their own budgeting process, but have seen some significant cost changes between drafts. EOIR personnel said that there was an increase of several million dollars between the first and second draft of the FY 2022 Summary of Expected Charges, and when they submitted questions to the JMD outreach email address listed on the document, they did not receive a reply. EOIR personnel noted that they would have to wait for JMD to issue financial agreements for the final amounts, and that this process makes it more difficult to accurately plan for its own budgetary needs.

Example 2

DEA did not sign an FY 2021 RA for 11 months because it contained an error that would have resulted in DEA over-obligating significant funds. DEA informed OCIO of the issue and OCIO agreed that the RA was inaccurate, but OCIO did not correct and resend the RA. OCIO personnel noted that because the RA would ultimately be billed only for the actual costs DEA would not have been billed the agreement amount. However, obligating funds over the amount necessary means that DEA would not have had those funds available for other mission-specific needs.

Providing components with financial requirements too late for them to make prudent financial decisions does not facilitate the effective and efficient financial management of Department resources. This could result in customers reprioritizing funds from potentially mission-critical purposes to pay for unexpected IT service portfolio costs. In turn, JMD personnel explained that DOJ components do not have to wait to obligate funds, as the annual operating plan that is approved by the WCF Board should reflect the anticipated costs for WCF services. Additionally, without a signed RA, JMD personnel are unable to record costs at a sufficiently detailed level for decision-making and must manually adjust entries once the RAs are signed, which increases the risk for error and wastes OCIO personnel time. Because of the risks to both OCIO and DOJ components, we recommend that OCIO implement policies and internal controls to improve its process for facilitating timely and accurate RAs.

WCF IT Service Billing Procedures

JMD policies state that customer billings should be submitted monthly but no less frequently than quarterly, and service usage and product orders—as documented in vendor invoices or other service measurement reports—are to be used in the preparation of customer billing statements. Additionally, supporting documentation is to be included with the billing statements sent to customers. We identified several components that said billing data from JMD is lacking or not transparent and invoices are not timely.

Example 1

According to OJP personnel, in FY 2022 OCIO sent OJP telecommunications bills that reflected services provided in FYs 2020 and 2021. These individuals stated that these bills represented cost adjustments to services that were previously provided to OJP, and that OJP could not confirm the charges because there were no backup documents provided to support the increased cost. OJP personnel noted the risk that there may not be sufficient FY 2020 and FY 2021 funds still available to pay these bills because the billed amounts exceeded the obligation.

Example 2

According to ATF personnel, in FY 2022, OCIO sent them revised RAs for IT services that were provided in FY 2019. Through these RAs, OCIO asked ATF to obligate an additional $1 million for these services but did not provide detailed documentation to support the additional charges. OCIO officials told us that the original RAs signed by ATF in FY 2019 did not reflect the correct costs for ATF's use of the IT services, but OCIO did not identify this shortfall until FY 2022 despite having the usage information available in FY 2019.

We believe that OCIO's imprecise and untimely practice for billing WCF IT service expenses increases the risk that DOJ components could violate the Anti-deficiency Act—which prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation—if their bills are in excess of the original RA obligation and they do not have sufficient funds to pay for expenses.[13] When we asked JMD personnel how they helped mitigate this risk, we were told that JMD relies on DOJ components' flexibility in using no-year funding sources or remaining FY appropriated funding to pay for excess expenses. JMD personnel stated that when DOJ components do not process their RAs timely, that it impacts JMD's ability to provide timely bills for services in UFMS. We found that in FY 2020 JMD personnel informed the WCF Board that it would take efforts to improve timely billing but could only do so once DOJ components signed their RAs and processed their obligations in UFMS. Although we noted that DOJ components have 5 years to make upward or downward adjustments to existing obligations from their expired appropriated funds and may have the ability to use no-year funding sources, JMD should improve financial practices for tracking expenses and billing customers. Additionally, as JMD improves the timeline in which it provides RAs to DOJ components and enhances the information provided for review, we believe that JMD will be able to better coordinate with DOJ components to ensure that RAs are processed by these components in a more timely manner. We recommend that JMD implement a procedure to ensure that the billing process is completed timely and that customers receive complete information on any changes or unanticipated charges.

Determination and Transparency of the Total Costs for WCF IT Services

As part of evaluating its performance and to ensure that the WCF is appropriately recovering costs, OCIO's documented process states that it will track WCF IT service expenses and compare the actual costs to the budgeted amounts. Additionally, accounting for the total cost of services is required by government cost accounting standards.[14] However, prior to FY 2021, OCIO did not ensure that WCF IT service transactions were properly coded to a specific IT service and OCIO had to manually review and assign costs to services. Consequently, not all expenses were appropriately tracked by OCIO. In FY 2021, OCIO implemented a system control in UFMS that required OCIO personnel to identify the WCF IT service for each expense and allowed OCIO to improve its process for tracking the actual cost for DOJ component-funded portions of a WCF IT service. However, we found that OCIO has not fully implemented this process for all funding sources and has not consistently evaluated actual costs to budgeted amounts for each WCF IT service.

[13] 31 U.S.C. § 1341

[14] SFFAS 4 states that the full costs of resources that directly or indirectly contribute to the production of outputs (e.g., services) should be assigned to outputs.

Specifically, OCIO is not adequately tracking WCF IT expenses paid with outside funding, such as the Justice Information Sharing Technology Fund (JIST).[15] For instance, OCIO projected that in FY 2021 it would spend $4.7 million from JIST on one of the cybersecurity services within the WCF IT service portfolio. However, OCIO has not established procedures and controls to ensure that JIST funds are tracked to the appropriate WCF IT service. As a result, OCIO has not adequately accounted for this other funding, does not have a complete picture of the actual and total costs of WCF IT services, and has not communicated to DOJ components the extent to which it uses other funding sources to support the WCF services. We believe that it is prudent that OCIO identify and communicate the total cost of WCF IT services to ensure both OCIO and its customers can properly evaluate their own financial positions. Therefore, we recommend that OCIO update its policies or develop guidance to: (1) ensure that all expenses, including those paid for with funding not received from customers, are tracked to the IT service(s) they support; and (2) develop a mechanism to provide DOJ components with total costs of WCF IT services.

JMD Should Continue Efforts to Improve Customer Relations

OCIO's primary mission is to provide IT services to the Department. Various component personnel we spoke with during the audit identified the benefits of WCF IT services and expressed their appreciation that the level of IT services provided by OCIO has remained relatively consistent throughout the significant administrative changes described in this report. However, some DOJ component personnel also remarked that the WCF IT service portfolio costs were a substantial part of their total component IT budget, yet their review and understanding of IT services was limited because of the time, effort, and access to resources needed to unravel the complexity of the IT service costs. Various DOJ component personnel also expressed frustration with the lack of responsiveness from OCIO to obtain additional details and justifications for changes in the costs for certain IT services. We believe that these deficiencies increase the risk of fraud, waste, and abuse and place DOJ components in a precarious position to ensure compliance with financial management practices and requirements.

Within the WCF Handbook, DOJ created various mechanisms to advance customer relations and provide opportunities for feedback. However, we found that JMD has not effectively executed these requirements. According to the WCF Handbook, JMD is supposed to provide a Service Catalog to DOJ components with all services offered, including service descriptions, rates, and performance metrics used to gauge level and quality of service delivery. We found that the DOJ IT Service Catalog lacks necessary details to identify all IT services available and the costs associated with those services, as well as performance metrics. The WCF Handbook also requires that JMD conduct an annual survey of DOJ components to solicit feedback on the transparency and understanding of WCF rate structures and fund management and provide customers with a standard, formal mechanism to communicate opinions, experiences, suggestions, approval, and critique of WCF services and operations. JMD did not initiate or conduct an annual survey during the scope of our audit. Instead, JMD officials told us that that it held annual meetings that all DOJ components were invited to attend to discuss new WCF services, changes to service or pricing, and to solicit general feedback.

In FY 2021, at the request of the WCF Board, JMD initiated the development of three working groups comprised of JMD and DOJ component personnel to evaluate and ensure that cost allocations were equitable, determine whether administrative fees are reasonable and necessary, and identify the true cost

[15] JIST funds are specifically appropriated to JMD to address the Department's cybersecurity, IT transformation, and IT architecture and oversight needs.

of selected WCF services. While these working groups demonstrate a positive step towards resolving some of the allocation and communication issues previously noted, the Department Controller told us that although JMD expected WCF Board members to participate, these individuals generally sent delegates to the meetings. In addition, JMD had not documented DOJ Component feedback at these working groups in formal meeting minutes and only memorialized JMD presentations to the working groups.

We reviewed presentation materials and have concerns about what information was provided to these working groups and if it represented a comprehensive overview of fees and costs associated with WCF IT services. For example, in FY 2022, JMD convened two meetings with the working group evaluating administrative fees. The objective of the Administrative Fee Working Group review was to determine whether administrative fees applied to services within the WCF were reasonable, necessary, and allocable when compared to the WCF's general principle of providing quality services in an efficient and cost-effective manner. To accomplish the objective, JMD informed the WCF Board that the working group would: thoroughly review applicable policies; judgmentally select categories of administrative costs for review; examine how the administrative fees were derived and allocated to the various lines of business; explore the impact of any change to the administrative fee structure (cap setting, reduction, or elimination) would impact the fund; and present findings and recommendations to the full WCF Board.

We found that the presentation materials from these meetings provided information about the 2 percent administrative fee charged by OCIO for certain software license orders requested through the WCF IT service portfolio. JMD's materials contained information that OCIO estimated the total cost to administer certain IT contracts was $3.9 million and it would collect approximately $4.4 million in administrative fees from DOJ components for those contracts. According to the documentation, OCIO personnel stated that any profit resulting from administrative fees collected in excess of the actual administrative costs is used to subsidize other services or support unplanned investments. JMD Budget personnel stated that after this information was presented and explained, DOJ component personnel who comprised the working group did not object to the IT service portfolio fees. According to an announcement by OCIO, as part of the conclusion of this working group, the fee for certain non-license orders would be decreased from 2 percent to 1 percent. However, we also noted that it is unclear if DOJ components were provided relevant information about how or if OCIO differentiates these administrative services and fees from the OCIO overhead charges it includes in Enterprise IT Services Rate Memo to ensure that they are not duplicative. JMD personnel told us that reviewing the structure of OCIO overhead charges was not requested by the DOJ component personnel attending the working group. However, we believe that if JMD wanted to achieve its objective of determining if the administrative fees are reasonable, necessary, and allocable, DOJ component personnel should have been made aware of OCIO's methodology for capturing overhead charges outside the 2 percent administration fee.

In addition to initiating the working groups, JMD took steps to enhance OCIO administrative operations and detailed several staff from JMD's Finance Office to OCIO to evaluate and oversee the financial management of the WCF IT service portfolio. Although these efforts indicate that JMD is making strides to improve OCIO financial management, we believe that JMD needs to improve its efforts to coordinate with DOJ components and to provide them with clear and comprehensive information related to WCF IT services and charges. As such, we recommend that JMD evaluate its processes to ensure that it meets the intended requirements of the WCF Handbook, including the implementation of the annual WCF Customer Survey and the development of a comprehensive IT Service Catalog. We also recommend that JMD and OCIO evaluate the

administrative operations of OCIO, as well as the information and outcomes of the working groups to enhance the financial management structure and access to clear and complete WCF IT service information.

Conclusion and Recommendations

Overall, we found that providing IT services through the WCF is beneficial and DOJ components acknowledged the value and necessity of the WCF IT services. We did, however, identify several improvements that would strengthen the benefits of and customer satisfaction with WCF IT services. First, JMD should better define the framework for the WCF IT service portfolio to ensure only appropriate services are provided through the WCF and service providers and customers have a clear and consistent point of reference for understanding basic operating principles of the WCF. Additionally, JMD should enhance the management and financial practices of the WCF IT service portfolio, so customers receive timely and sufficient information to understand charges for received or future services and to ensure that the amount billed for a service is commensurate with the service received. Lastly, it is important that the governing bodies responsible for the WCF IT service portfolio not only document their individual key decisions and approvals but also coordinate so that both financial and technical assessments are considered in the operation of the WCF. Overall, our report highlights the need for enhanced accountability and coordination between JMD and the WCF Board on decisions related to WCF IT policies, costs, and services. As a result, we make 11 recommendations to improve JMD's administration of shared IT costs through the WCF; we believe JMD should work in concert with the WCF Board to resolve and close these recommendations.

We recommend that JMD, in coordination or consultation with the WCF Board:

1. Implement a policy identifying criteria for the inclusion of a service within the WCF; once the criteria are formalized, JMD should evaluate and ensure that the services currently included in the WCF are appropriate, meet the documented criteria, and are clearly presented to the WCF Board for discussion of any necessary changes.

2. Review OCIO's cost allocation methodology and update as necessary to ensure that component cost allocations are sensible, equitable, and commensurate with benefits of the services provided.

3. Update its policy to include specific criteria for identifying "basic activities" appropriate to be included in a Rate Memo and reevaluate OCIO's Rate Memos to ensure that the selected services reflect a consistent approach and "basic activities."

4. Evaluate its processes and implement internal controls to ensure that all responsibilities outlined in the WCF Board and CIO Council governing documents are fulfilled and decisions are appropriately documented.

5. Implement a formal process for the CIO Council and WCF Board of Directors to coordinate to improve collaboration and information sharing about the financial and service provision aspects of implementing IT initiatives.

6. Evaluate procedures for providing components with their expected charges to ensure that components have sufficient information to evaluate the use and associated costs for IT services, as well as enough time to provide feedback and obtain support for any discrepancies.

7. Ensure that OCIO implements policies and internal controls to improve its process for facilitating timely and accurate RAs.

8. Implement a procedure to ensure that the billing process is completed timely and that customers receive complete information on any changes or unanticipated charges.

9. Ensure that OCIO updates its policies or develops guidance to: (1) ensure that all expenses, including those paid for with funding not received from customers, are tracked to the IT service(s) they support; and (2) develop a mechanism to provide DOJ components with total costs of WCF-related IT services.

10. Evaluate processes to ensure that JMD and OCIO meet the intended requirements of the WCF Handbook, including the implementation of the annual WCF Customer Survey and the development of a comprehensive IT Service Catalog.

11. Evaluate the administrative operations of OCIO, as well as the information and outcomes of the working groups to enhance the financial management structure and access to clear and complete WCF IT service information.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objectives of our audit were to: (1) evaluate if the Justice Management Division (JMD) has established an effective and efficient management structure for the Information Technology (IT) service portfolio of the Working Capital Fund (WCF); and (2) determine if JMD's process for the provision, reconciliation, and administration of cost allocations within the IT portfolio is supported, equitable, and transparent.

Scope and Methodology

The scope of our audit was fiscal year (FY) 2019 through FY 2022. To accomplish our objectives, we reviewed and assessed JMD's compliance with the WCF governing statute and internal policies and procedures, as well as JMD's adherence to financial practices outlined in the Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards 4: Managerial Cost Accounting Standards and Concepts. We obtained and assessed WCF documentation and procedures implemented by the Office of the Chief Information Officer (OCIO) to execute WCF functions and responsibilities, as well as materials associated with oversight and operations of the WCF Board of Directors and (Chief Information Officers) CIO Council, to include materials associated with all five WCF Board meetings and a sample of eight CIO Council meetings that occurred between FY 2019 and FY 2021. We observed one virtual CIO Council meeting in May 2022 and met with JMD officials throughout the audit to verify information and obtain a full understanding of requirements and processes related to the administration of the WCF IT service portfolio.

To evaluate JMD's financial management practices, we selected a judgmental sample of 34 WCF and Justice Information Sharing Technology fund financial transactions, totaling $150.1 million, from the Unified Financial Management System (UFMS) to determine and review costs that were related to the WCF IT service portfolio.[16] We assessed the equity and transparency of WCF IT service portfolio cost allocations by analyzing JMD's Annual Operating Plans and reviewing the purpose and costs associated with a judgmental sample of 18 WCF IT services allocated to DOJ Components through Rate Memos and individual Reimbursable Agreements.[17]

We also met with financial and/or IT personnel from the following DOJ components to review their WCF IT service participation and cost allocations: the Bureau of Alcohol, Tobacco, Firearms and Explosives, Antitrust Division, Federal Bureau of Prisons, Office of the Community Oriented Policing Services, Drug Enforcement Administration, Executive Office for Immigration Review, Federal Bureau of Investigation, Federal Prison Industries, Executive Office of the United States Attorney, National Security Division, Office of Justice Programs, and U.S. Marshals Service. These components were selected based on materiality of WCF IT service portfolio cost allocations, as well as size and mission of the DOJ components to ensure that we obtained a wide variety of perspectives on the necessity of WCF IT services and JMD's management of the

[16] This non-statistical sample design did not allow projection of the test results to the universe from which the sample was selected.

[17] For a full list of WCF IT services and descriptions, see Appendix 2.

WCF IT service portfolio.[18] In total, we interviewed 87 personnel from JMD and DOJ Components. As a result of the COVID-19 pandemic response, we performed our audit fieldwork remotely, except for one site visit to JMD's offices in Washington, D.C.

Statement on Compliance with Generally Accepted Government Auditing Standards

We conducted this performance audit in compliance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of JMD to provide assurance on its internal control structure as a whole. JMD's management is responsible for the establishment and maintenance of internal controls in accordance with OMB Circular A-123. Because we do not express an opinion on JMD's internal control structure as a whole, we offer this statement solely for the information and use of JMD.[19]

As part of our risk assessment, we reviewed JMD's framework for establishing the WCF including relevant policies, procedures, and public information in order to design audit steps necessary to address the objectives of our audit. We assessed the governance structure of the WCF by reviewing WCF Board and CIO Council meeting minutes and interviewing WCF Board members, CIO Council members, and JMD personnel to ensure that management had established an organizational structure, assigned responsibility, and delegated authority to achieve the entity's objectives. We analyzed specific WCF IT services by reviewing relevant information to determine whether management had adequately defined the provision of centralized services, as required in statute, and therefore was meeting the objectives of the WCF. We reviewed DOJ component participation in certain WCF IT services and spoke with DOJ component personnel to evaluate whether JMD had appropriately identified, analyzed, and responded to risk. Finally, we reviewed JMD's financial practices in policy and financial documentation and communications with DOJ components on Reimbursable Agreements and bills to determine whether JMD had implemented and documented adequate control activities, monitoring processes, and communication practices.

The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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[18] Though the Office of the Inspector General (OIG) is also a WCF customer, we excluded the OIG from our audit because Generally Accepted Government Auditing Standards require auditors decline to perform work where impairments to independence can affect, or be perceived to affect, the independence of the audit organization.

[19] This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Compliance with Laws and Regulations

In this audit we also tested, as appropriate given our audit objectives and scope, selected transactions, records, procedures, and practices, to obtain reasonable assurance that JMD's management practices complied with federal laws and regulations for which noncompliance, in our judgment, could have a material effect on the results of our audit. Our audit included examining, on a test basis, JMD's compliance with the WCF governing statute (28 U.S.C. § 527) and the Anti-deficiency Act (31 U.S.C. § 1341), which could have a material effect on DOJ component's operations.

This testing included interviewing JMD and DOJ component personnel, reviewing JMD's policies and procedures, assessing the inclusion of services in the WCF IT service portfolio, and evaluating certain DOJ component's outstanding WCF IT service financial obligations. We did not identify specific non-compliance with these statutes. However, as noted in the Audit Results section of this report, we found that JMD's practices place DOJ components at higher risk for non-compliance.

Computer-Processed Data

During our audit, we obtained information from UFMS. We did not test the reliability of this system as a whole, therefore any findings identified involving information from this system was verified with documentation from other sources.

We assessed the reliability of JMD's data by: (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing auditee officials knowledgeable about the data. The results of our testing showed that the data elements key to our review contained errors related to the categorization of transactions to WCF IT service activity codes. However, through our discussions with OCIO personnel, we noted that a system control was implemented during our audit review period that required OCIO personnel to enter more detailed information about the WCF IT service associated with the cost recorded in UFMS, as noted in the Audit Results section of this report. Therefore, we determined that the data was not sufficiently reliable for the purposes of determining actual WCF IT service costs for the scope of our audit, and, thus, we used the estimated amounts for WCF IT service costs throughout the report.

APPENDIX 2: FY 2022 WCF IT SERVICES

	WCF IT Service Name	OCIO-Provided Description
Enterprise-Wide IT Services Rate Memo	Account Management	Provisioning/de-provisioning of system and network accounts.
	Cyber Security Assessment & Management (CSAM)	Department system of record for end-to-end assessment & authorization.
	eDiscovery	Program to support electronic discovery and Freedom of Information Act (FOIA) requests to DOJ executive leadership and the Justice Management Division (JMD).
	eGov Mandates	Federal mandates requiring DOJ contribution (i.e., Integrated Acquisition Environment, Security Suitability, and Credentialing) to the Office of Management and Budget (OMB). Other passthrough costs include the Office of the Inspector General Federal Information Security Management Act audits.
	Email & Collaboration Service (ECS) Infrastructure	Enterprise messaging and collaboration tools associated with email.
	Enterprise Monitoring Services (EMS)	Enterprise level device monitoring and management for certain hosting and operating system services.
	Federation Services	Federation services helps enable single sign-on access and capabilities through a trusted and centrally managed authentication solution.
	Identity, Credential & Access Management (ICAM)	Integration and management of centralized digital identities, credentials, and access (logical and physical) control into a comprehensive enterprise services program.
	Information Security Continuous Monitoring (ISCM)	Continuous monitoring and security compliance aimed at improving security through pervasive, near-real-time situational awareness, improving regulatory compliance through standard security configurations and out-of-the-box templates for assessing and enforcing compliance.
	Insider Threat	Insider threat protection and prevention.
	Investment & Portfolio Oversight	OCIO investment oversight utilizing a managed service provided by the General Services Administration to federal agencies for the operation and use of an application that allows agencies to collect information in a streamlined fashion and submit the IT budget as required by OMB on a continuous basis.

	WCF IT Service Name	OCIO-Provided Description
	Justice Cloud Optimized TIC Service (JCOTS)	Managed service to optimize security and access to cloud service providers using Trusted Internet Connection facilities with two fully redundant and backup sites.
	Justice Security Operations Center (JSOC)	24x7x365 DOJ Security Operations Center to prevent, detect, and respond to cyber-attacks across the entire enterprise. Services include Network and Security Monitoring, Event Analysis, Cyber Threat Monitoring, analyses, mitigation, Enterprise security tools, Incident Response, Component Outreach, Vulnerability Patch Requirements, Metrics and Trend Analysis, Network Forensics, Intelligence Community Relations.
	Legacy Email system[20]	Prior to all DOJ components participating in "Email and Collaboration Services," certain DOJ components used legacy systems. Although included in the FY 2020 and FY 2021 Rate Memos, OCIO consolidated this service with ECS above in FY 2022.
	Network Operations	24x7x365 network operation and maintenance, including professional services and isolated buffer zone between DOJ networks and the public internet. Required for troubleshooting network outages.
	OCIO Operations Charges	Indirect costs required to operate OCIO services. This includes federal and contract labor, JMD management, and other administrative costs.
	Personnel Accountability & Assessment System (PAAS)	Enterprise emergency alert system that enables DOJ to alert personnel, receive responses from personnel and report on personnel responses and safety. PAAS provides components the ability to send alerts and receive responses to their personnel via phone (voice and text), email, desktop, and mobile application.
	Security Analytics Service	The Security Analytics Service is an enterprise-wide platform used for the collection, correlation and analysis of system data. The service provides tailored views to the JSOC and components with information and alerts to support the mission.
	Service Desk	24x7x365 operation providing Tier I & Tier II, and Executive Support Group (Department executive leadership offices) help desk support.

[20] Although this service was initially included in OCIO's combination of 22 services to create the Enterprise IT Services Rate Memo in FY 2020, this service was consolidated with another service in FY 2022 after DOJ components transitioned out of this system.

WCF IT Service Name		OCIO-Provided Description
	Telecom Voice - Switchboard	24x7x365 professionally managed telephone operator service providing the public with direct customer service and a single phone number for calling DOJ.
	Unclassified Workstations	Provides personal computing and productivity software services to Department executive leadership offices & JMD users.
	Web Services	Provides public and internal websites for the Department and components, web development, posting of information, content management, and guidance on federal policies. Provides application management for JMD and Departmental systems.
Law Enforcement IT Services Rate Memo	Civil Applicant System (CAS)	The CAS electronically captures and documents the fingerprints and biographical data of civil applicants for DOJ components (or other participating Federal agencies), political appointees, and contracting staff. The CAS software then transmits information to the Federal Bureau of Investigation's Integrated Automated Fingerprint Identification System as part of background investigations.
	Joint Automated Booking System (JABS)	JABS is a computer system that helps federal law enforcement agencies book, identify, and share information quickly about persons in federal custody. JABS supports DOJ law enforcement components.
	Justice Web Interface to NCIC (JWIN)	JWIN securely provides authorized agencies access to the National Crime Information Center (NCIC) and Interstate Identification Index (III), National Instant Criminal Background Check System (NICS), and the International Justice and Public Safety Network.
	Classified	Classified computing services provide the equipment and support for Department Secret and Top Secret environments.
Software Licenses Rate Memo	Computer Assisted Legal Research (CALR-5) Orders	Services include on-line computerized access to complete legal, news, financial, public record, dockets and related information databases; full-text search and retrieval capability within individual databases and across databases; and related support services for the DOJ component organizations and personnel worldwide.
	Enterprise License Agreements (ELA) Orders	11 specific software licenses identified by OCIO to be administered via Rate Memo.

	WCF IT Service Name	OCIO-Provided Description
Individual RAs	Enterprise License Agreements (ELA) Orders	Specific software licenses OCIO administers through Individual RAs.
	Orders - IT Services Orders	Several IT contracts, in which DOJ components can opt to participate.
	Hosting	Core Enterprise Facility-DC, Core Enterprise Facility-E&W support data center services Mainframe – computer to host critical applications (e.g., bulk data, enterprise resource planning) Storage – Data storage Operating systems
	Justice Enterprise File Sharing (JEFS)	System for internal and external file sharing with key stakeholders and third party organizations (e.g., expert witnesses, co-counsel, and local law enforcement officers) and to support mobile and offline access to files regardless of location or device.
	Telecommunications Orders	Justice Unified Telecommunications Network (JUTNet) Orders, and associated administrative services that support the DOJ wide area network Analog, equipment & installation, tolls, cellular, executive voice conferencing, voicemail, telecommunications contracts, and associated administrative support Mobile data management Voice over IP (VoIP) and VoIP Equipment & Installation

APPENDIX 3: Justice Management Division's Response to the Draft Audit Report

U.S. Department of Justice

Washington, DC 20530

MEMORANDUM TO: Carol Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: Melinda Rogers
Deputy Assistant Attorney General
Chief Information Officer
Department of Justice

MELINDA ROGERS Digitally signed by MELINDA ROGERS Date: 2022.09.22 17:12:48 -04'00'

SUBJECT: Audit of the Justice Management Division's Administration of Shared Information Technology Costs through the Working Capital Fund

This memorandum answers the recommendations from the Office of the Inspector General's (OIG) report titled "Audit of the Justice Management Division's Administration of Shared Information Technology Costs through the Working Capital Fund." We appreciate the opportunity to respond.

Recommendation 1: Implement a policy identifying criteria for the inclusion of a service within the WCF; once the criteria are formalized, JMD should evaluate and ensure that the services currently included in the WCF are appropriate, meet the documented criteria, and are clearly presented to the WCF Board for discussion of any necessary changes.

JMD concurs with the recommendation. JMD will work with the WCF Board to develop service inclusion criteria and review with the WCF Board the extent to which the current and future WCF services align with those criteria. JMD notes that final decision on the incorporation of services into the WCF is the responsibility of the Board within the WCF's governance model.

Recommendation 2: Review OCIO's cost allocation methodology and update as necessary to ensure that component cost allocations are sensible, equitable, and commensurate with benefits of the services provided.

JMD concurs with the recommendation. OCIO will work with JMD Budget Staff to ensure criteria are developed and documented for how WCF services are defined, reviewed, and approved by the WCF Board.

For foundational corporate services and Department-wide IT infrastructure, OCIO's current cost allocation methodology attempts to achieve equitability by allocating weight equally across four variables: 1) IT laptops, servers, and workstations; 2) total users (feds and contractors) as self-reported by Components; 3) budget authority; and 4) enacted FTEs. As is currently the case, the OCIO will work with JMD Budget Staff to ensure services and allocation methodologies are vetted with the WCF Board and Components.

Recommendation 3: Update its policy to include specific criteria for identifying "basic activities" appropriate to be included in a Rate Memo and reevaluate OCIO's Rate Memos to ensure that the selected services reflect a consistent approach and "basic activities."

JMD concurs with the recommendation. Within the context of Board-approved WCF policy, OCIO will reevaluate the services billed under a Rate Memo to ensure that they comply with established policy and Board decisions.

Within the Rate Memo, OCIO currently provides many foundational corporate services, along with overall IT infrastructure services for the entire Department. These "Enterprise IT" services, along with other Rate Memo services were vetted with Components prior to adoption. OCIO will work with Budget Staff to ensure criteria are documented for all Rate Memo services and adhere to those criteria.

Recommendation 4: Evaluate its processes and implement internal controls to ensure that all responsibilities outlined in the WCF Board and CIO Council governing documents are fulfilled and decisions are appropriately documented.

JMD concurs with the recommendation. JMD will take steps to improve the documentation and subsequent publication of meeting minutes associated with WCF Board and CIO Council meeting minutes with an emphasis on any decisions that are made at each meeting. JMD will reevaluate WCF Board and CIO Council governance documents to ensure that the requirements and responsibilities align with the day-to-day management of both organizations and update accordingly.

Recommendation 5: Implement a formal process for the CIO Council and WCF Board of Directors to coordinate to improve collaboration and information sharing about the financial and service provision aspects of implementing IT initiatives.

JMD concurs with the recommendation. JMD will better align the functions of the Board and the Council by facilitating bi-annual joint meetings between the Board and Council to discuss funding considerations associated with IT initiatives of the WCF. JMD will document and publish meeting minutes associated with each meeting, with an emphasis on any decisions that are made.

Recommendation 6: Evaluate procedures for providing components with their expected charges to ensure that components have sufficient information to evaluate the use and associated costs for IT services, as well as enough time to provide feedback and obtain support for any discrepancies.

JMD concurs with the recommendation. JMD is already in the process of reviewing with the WCF customers how to improve communication and information sharing to improve the WCF customer's ability to evaluate the use and costs of all WCF services, including IT services.

However, JMD believes it has already addressed the OIG's recommendation to provide additional time for WCF customers to review their expected charges and services. During the just completed FY23/24 operating plan development cycle:

- On June 21, 2022, the JMD's issued draft summary of charges reflecting discussions with WCF customers about cost allocation methodologies and other facets of the WCF that occurred over the preceding eight months.

- Between June 27 and July 1, the JMD hosted four separate meetings for all WCF customers to discuss their charges by portfolio. In these meetings, JMD service providers presented their services and charges to WCF customers and responded to questions.

- JMD dedicated July 5-15 to answer specific questions from WCF customers regarding their charges. During this time, customers engaged with JMD service providers, including setting up one-on-one meetings with specific service providers to discuss their charges. The OCIO was heavily engaged in these discussions.

- After more than nine weeks of review and discussion with WCF customers, the JMD provided the second round of the summary of charges on August 18, one week ahead of the Board meeting on August 25.

JMD does not believe it is either practical or necessary to provide more than nine weeks for WCF customers to review their charges. Issuing the initial summaries before June would curtail the discussions JMD has with the WCF customers regarding which services and cost allocation methodologies should be included in the upcoming WCF operating plan and preclude the latest information affecting services and rates from being communicated. Issuing the second round of summary of charges earlier would similarly curtail the discussions JMD has with the WCF customers regarding their specific charges.

Recommendation 7: Ensure that OCIO implements policies and internal controls to improve its process for facilitating timely and accurate RAs.

JMD concurs with the recommendation. Beginning in FY21 and continuing in FY22, OCIO has taken steps to automate the generation and delivery of reimbursement agreements to its customers. OCIO has an internal target to issue all reimbursement agreements within 30 days of the formal AAG/A approval of the annual WCF Operating Plan and will work to update its internal policy to reflect this target as a requirement, along with required countersignature and return timelines for customers. OCIO will continue generating reimbursement agreements based on the approved operating plan numbers for each service and customer.

Recommendation 8: Implement a procedure to ensure that the billing process is completed timely and that customers receive complete information on any changes or unanticipated charges.

JMD concurs with the recommendation. In conjunction with WCF Board approval, OCIO will continue to evaluate services as candidates for fixed-price Rate Memo within the approved criteria. These Rate Memos are billed on a quarterly basis and are fixed amounts, so this has and will continue to remove uncertainty around timing and amount of billing. For those services that continue to be billed based on actual cost or consumption, the OCIO has taken the following steps:

- Services that are billed based on actual cost were converted to the UFMS direct agreement model in FY22 so that specific obligations and expenses directly associated with the performance of a service are linked to the customers funding agreement.
    - In FY23, the OCIO will move from a quarterly to monthly billing cycle to improve the timeliness.
    - Since these agreements are directly linked to the costs of the services in UFMS via the direct agreement model, the accuracy of billing will be improved as well.
- For consumption-based services like telecom and hosting, OCIO provides a dashboard that details actual usage and projections for the remainder of the fiscal year. The dashboard allows customers to see how their consumption is trending, in advance of billing, versus the initial operating plan estimates.
- For consumption-based services like telecom and hosting, OCIO performs a true-up analysis in the June/July timeframe of each fiscal year so that revised agreements can be sent to customers. The revised agreements add or reduce funding based on an analysis of consumption to date by customers.
- JMD notes that timely billing also requires approved and processed reimbursable agreements to be returned by customers in a timely manner. JMD will work with Components to develop and adhere to defined timelines.
- Existing DOJ policy does require that DOJ customers have 45 days from the time that agreements, based on board approved amounts, are issued to either sign or dispute those amounts with the Department's Controller. Adherence to these existing dispute processes and timetables by the WCF customers will support the timely recording and billing of WCF services. JMD will explore enforcement options with the WCF Board to drive greater compliance across the WCF customer base.

Recommendation 9: Ensure that OCIO updates its policies or develops guidance to: (1) ensure that all expenses, including those paid for with funding not received from customers, are tracked to the IT service(s) they support; and (2) develop a mechanism to provide DOJ components with total costs of WCF related IT services.

JMD concurs with the recommendation. Beginning in FY22 OCIO implemented an additional control in UFMS by creating an activity code identifier for each major service and requiring code on all WCF budget nodes, obligations, and spending documents. This enabled

OCIO to budget by service and track spending against each service. OCIO will continue to refine and improve its use of UFMS to accurately track and report IT service expenses.

Recommendation 10: Evaluate processes to ensure that JMD and OCIO meet the intended requirements of the WCF Handbook, including the implementation of the annual WCF Customer Survey and the development of a comprehensive IT Service Catalog.

JMD concurs with the recommendation. In FY23, OCIO will ensure that the requirements of the WCF Handbook are met. OCIO will gather feedback via the CIO Council, the WCF Board/Working Group discussions, and the annual WCF customer survey. Inputs will be used to update and maintain the IT Service Catalog.

Recommendation 11: Evaluate the administrative operations of OCIO, as well as the information and outcomes of the working groups to enhance the financial management structure and access to clear and complete WCF IT service information.

JMD concurs with this recommendation. JMD will work with the WCF Board to evaluate OCIO's cost development and allocation processes. When conducting future working groups, JMD will document the working group findings and share them with the WCF Board for concurrence that working group objectives have been met.

APPENDIX 4: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Report

The Office of the Inspector General (OIG) provided a draft of this audit report to the Justice Management Division (JMD). JMD's response is incorporated as Appendix 3 of this final report. In response to our draft audit report, JMD concurred with our recommendations and discussed the actions it will or has taken in response to our findings. As a result, the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for JMD, in coordination or consultation with the WCF Board of Directors (WCF Board):

1. **Implement a policy identifying criteria for the inclusion of a service within the Working Capital Fund (WCF); once the criteria are formalized, JMD should evaluate and ensure that the services currently included in the WCF are appropriate, meet the documented criteria, and are clearly presented to the WCF Board for discussion of any necessary changes.**

   Resolved. JMD concurred with our recommendation. JMD stated in its response that it will work with the WCF Board to develop service inclusion criteria and review with the WCF Board the extent to which the current and future WCF services align with those criteria. JMD noted that within the WCF governance model, the WCF Board will have final decision on the incorporation of services into the WCF. As a result, this recommendation is resolved.

   This recommendation can be closed when JMD provides evidence that, in coordination with the WCF Board, it implemented a policy identifying criteria for the inclusion of a service within the WCF and ensured that services currently included in the WCF are appropriate and meet the documented criteria.

2. **Review the Office of the Chief Information Officer's (OCIO) cost allocation methodology and update as necessary to ensure that component cost allocations are sensible, equitable, and commensurate with benefits of the services provided.**

   Resolved. JMD concurred with our recommendation. JMD stated in its response that OCIO will work with JMD Budget Staff to ensure that: (1) criteria are developed and documented for how WCF services are defined, reviewed, and approved by the WCF Board; and (2) services and allocation methodologies are vetted with the WCF Board and components. As a result, this recommendation is resolved.

   This recommendation can be closed when JMD provides evidence that it reviewed OCIO's cost allocation methodology and updated it, as necessary, to ensure that component cost allocations are sensible, equitable, and commensurate with benefits of the services provided.

3. **Update its policy to include specific criteria for identifying "basic activities" appropriate to be included in a Rate Memo and reevaluate OCIO's Rate Memos to ensure that the selected services reflect a consistent approach and "basic activities."**

   Resolved. JMD concurred with our recommendation. JMD stated that OCIO will reevaluate the services billed under a Rate Memo to ensure that those services comply with established policy and WCF Board decisions. In addition, OCIO will work with JMD Budget Staff to ensure criteria are documented for all Rate Memo services. Therefore, this recommendation is resolved.

   Although JMD's response includes actions to address part of this recommendations, JMD stated that it will rely on the current WCF policy that the OIG reviewed during the audit. However, as noted in the report, we found that JMD's Reimbursable Agreement/Rate Memo Procedure policy did not contain specific criteria for identifying a basic activity. We believe that it is prudent for JMD to reevaluate this policy in light of the OIG findings to ensure that it includes specific criteria for what WCF IT services should be considered for a Rate Memo.

   This recommendation can be closed when JMD provides evidence that it has updated its policy to include specific criteria for identifying "basic activities" appropriate to be included in a Rate Memo and reevaluate OCIO's Rate Memos to ensure that the selected services reflect a consistent approach and "basic activities."

4. **Evaluate its processes and implement internal controls to ensure that all responsibilities outlined in the WCF Board and CIO Council governing documents are fulfilled and decisions are appropriately documented.**

   Resolved. JMD concurred with our recommendation. JMD stated that it will take steps to improve the documentation and subsequent publication of meeting minutes for the WCF Board and CIO Council meetings, with an emphasis on any decisions that are made at each meeting. Additionally, JMD stated that it will reevaluate and update the WCF Board and CIO Council governance documents to ensure that the requirements and responsibilities align with the day-to-day management of the organizations. As a result, this recommendation is resolved.

   This recommendation can be closed when JMD provides evidence that it has evaluated its processes and implemented internal controls to ensure that all responsibilities outlined in the WCF Board and CIO Council governing documents are fulfilled and decisions are appropriately documented.

5. **Implement a formal process for the CIO Council and WCF Board of Directors to coordinate to improve collaboration and information sharing about the financial and service provision aspects of implementing IT initiatives.**

   Resolved. JMD concurred with our recommendation. JMD stated that it will better align the functions of the WCF Board and CIO Council by facilitating bi-annual joint meetings to discuss funding considerations for IT initiatives of the WCF. JMD stated that it will document and publish meeting minutes, with an emphasis on any decisions that are made. As a result, this recommendation is resolved.

This recommendation can be closed when JMD provides evidence that it has implemented a formal process for the CIO Council and WCF Board of Directors to coordinate to improve collaboration and information sharing about the financial and service provision aspects of implementing IT initiatives.

6. **Evaluate procedures for providing components with their expected charges to ensure that components have sufficient information to evaluate the use and associated costs for IT services, as well as enough time to provide feedback and obtain support for any discrepancies.**

Resolved. JMD concurred with our recommendation. JMD stated that it is in the process of reviewing with WCF customers how to improve communication and information sharing to improve the WCF customer's ability to evaluate the use and costs of all WCF services. Therefore, this recommendation is resolved.

JMD's response also noted that it believes it has already addressed part of the OIG's recommendation to provide additional time for WCF customers to review their expected charges and services. Specifically, JMD outlined the fiscal year (FY) 2023 operating plan timeline, which highlighted that JMD provided DOJ components 9 weeks to review costs. JMD stated that it does not believe it is either practical or necessary to provide more than 9 weeks for WCF customers to review their charges. While we appreciate JMD's provision of information from the latest WCF operating plan development cycle and their assessment of a 9-week timeframe for feedback, we believe that JMD should coordinate with the WCF Board to evaluate the process and obtain concurrence that the most recent cycle provided sufficient time for components to provide feedback and obtain support for discrepancies.

This recommendation can be closed when JMD provides evidence that it has evaluated procedures for providing components with their expected charges to ensure that components have sufficient information to evaluate the use and associated costs for IT services, as well as enough time to provide feedback and obtain support for any discrepancies.

7. **Ensure that OCIO implements policies and internal controls to improve its process for facilitating timely and accurate Reimbursable Agreements (RA).**

Resolved. JMD concurred with our recommendation. JMD stated that OCIO has taken steps to automate the generation and delivery of RAs to customers, and that OCIO will work to update its internal policy to reflect a requirement of issuing all RAs within 30 days of the formal Assistant Attorney General for Administration (AAG/A) approval of the annual WCF operating plan. JMD stated that OCIO will continue generating RAs based on the approved operating plan numbers for each service and customer. As a result, this recommendation is resolved.

This recommendation can be closed when JMD provides evidence that OCIO has implemented policies and internal controls to improve its process for facilitating timely and accurate RAs.

8. Implement a procedure to **ensure that the billing process is completed timely and that customers receive complete information on any changes or unanticipated charges.**

   Resolved. JMD concurred with our recommendation. JMD stated that, in conjunction with the WCF Board, OCIO will continue to evaluate services as candidates for the fixed-price Rate Memo within the approved criteria. JMD stated that because Rate Memos are billed on a quarterly basis and are fixed amounts they have and will continue to remove uncertainty around timing and amount of billing. In terms of consumption-based services billed through an RA, JMD noted that OCIO has taken steps that it believes has improved billing timelines and accuracy, such as utilizing Unified Financial Management System (UFMS) in FY 2022 to ensure that obligations and expenses are linked to funding agreements and developing dashboards that allow customers to evaluate their consumption and costs for certain IT services. However, JMD's response also acknowledged that timely billing also requires approved and processed RAs to be returned by customers in a timely manner and JMD will work with components to develop and adhere to defined timelines. Therefore, this recommendation is resolved.

   We believe that through the evaluation of services included in the Rate Memos, as well as the various steps OCIO is taking to assess and enhance the timeliness and accuracy of consumption-based services billed through an RAs, JMD has demonstrated a commitment to improve WCF IT billing processes. This recommendation can be closed when JMD provides evidence that it has implemented a procedure to ensure that the billing process is completed timely and that customers receive complete information on any changes or unanticipated charges.

9. **Ensure that OCIO updates its policies or develops guidance to: (1) ensure that all expenses, including those paid for with funding not received from customers, are tracked to the IT service(s) they support; and (2) develop a mechanism to provide DOJ components with total costs of WCF-related IT services.**

   Resolved. JMD concurred with our recommendation. JMD stated that OCIO implemented an additional control in UFMS by creating an activity code identifier for each major service and requiring that code on all WCF budget nodes, obligations, and spending documents, which enabled OCIO to budget and track spending by service. JMD also noted that OCIO will continue to refine and improve its use of UFMS to accurately track and report IT service expenses. Therefore, this recommendation is resolved.

   While we appreciate OCIO's efforts to accurately track and report IT services expenses, JMD's response did not specifically address the need to ensure that all funding is tracked and provided to components. We recognize that OCIO is continuing to refine and improve its process and believe that through these efforts JMD can ensure that OCIO implements the UFMS control for all funding sources to adequately track WCF IT expenses paid with outside funding, such as the Justice Information Sharing Technology Fund (JIST), and to consistently evaluate actual costs to budgeted amounts for each WCF IT service.

   This recommendation can be closed when JMD provides evidence that OCIO has updated its policies or develops guidance to: (1) ensure that all expenses, including those paid for with funding not

received from customers, are tracked to the IT service(s) they support; and (2) develop a mechanism to provide DOJ components with total costs of WCF-related IT services.

10. **Evaluate processes to ensure that JMD and OCIO meet the intended requirements of the WCF Handbook, including the implementation of the annual WCF Customer Survey and the development of a comprehensive IT Service Catalog.**

    Resolved. JMD concurred with our recommendation. JMD stated that in FY 2023, OCIO will ensure that the requirements of the WCF Handbook are met, and that OCIO will gather feedback from the CIO Council, WCF Board and WCF Working Group discussions, and annual WCF customer surveys. JMD noted that it will use this feedback to update and maintain the IT Service Catalog. As a result, this recommendation is resolved.

    This recommendation can be closed when JMD provides evidence that it has evaluated processes to ensure that JMD and OCIO meet the intended requirements of the WCF Handbook, including the implementation of the annual WCF Customer Survey and the development of a comprehensive IT Service Catalog.

11. **Evaluate the administrative operations of OCIO, as well as the information and outcomes of the working groups to enhance the financial management structure and access to clear and complete WCF IT service information.**

    Resolved. JMD concurred with our recommendation. JMD stated that it will work with the WCF Board to evaluate OCIO's cost development and allocation process. In addition, JMD stated that when it conducts future working groups, JMD will document working group findings and share them with the WCF Board for concurrence that working group objectives have been met. As a result, this recommendation is resolved.

    This recommendation can be closed when JMD provides evidence that it has evaluated the administrative operations of OCIO, as well as the information and outcomes of the working groups to enhance the financial management structure and access to clear and complete WCF IT service information.