



# Audit Report



OIG-18-024

RESOURCE MANAGEMENT

Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs to Improve Its Reimbursable Agreement Process

December 8, 2017

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

ADA	Antideficiency Act
ARC	Administrative Resource Center
CFPB	Consumer Financial Protection Bureau
DO	Departmental Offices
Fiscal Service	Bureau of the Fiscal Service
GAO	Government Accountability Office
GSA	General Services Administration
IAA	interagency or intra-agency agreements
IPAC	Intra-governmental Payment and Collection
JAMES	Joint Audit Management Enterprise System
OBT	Office of Budget and Travel
OFM	Office of Financial Management
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
SEC	Securities and Exchange Commission
SF	Standard Form
SOP	standard operating procedure
TFM	Treasury Financial Manual
Treasury	Department of the Treasury

*The Department of the Treasury  
Office of Inspector General*

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December 8, 2017

Kody Kinsley  
Assistant Secretary for Management  
Department of the Treasury

This report presents the results of our audit of Department of the Treasury (Treasury) Office of Budget and Travel's (OBT) controls over processing transactions for reimbursable agreements with other Treasury and non-Treasury bureaus and offices. We performed this audit in response to concerns about a potential Antideficiency Act (ADA) violation.<sup>1</sup> The objective of our audit was to assess the circumstances surrounding the potential ADA violation and whether transactions to transfer funds between Treasury offices and bureaus, as well as non-Treasury entities, were done in accordance with laws, regulations, policies, procedures, and respective reimbursable agreements. The scope of the audit included fiscal year 2015 funds transferred between Treasury and the offices/bureaus it serves through OBT's reimbursable agreement process.

To accomplish our objective, we obtained an understanding of the circumstances surrounding the potential ADA violation, as well as the procedures and controls related to OBT's execution of the reimbursable agreement process used by Departmental Offices (DO)<sup>2</sup> to provide goods and services to other Treasury and non-Treasury bureaus and offices. We reviewed applicable laws, regulations, and policies. In addition, we conducted interviews with officials and staff from OBT responsible for the reimbursable agreement process, Treasury DO Operations, and the Bureau of the Fiscal Service (Fiscal Service) Administrative Resource Center (ARC), as well as some of DO's reimbursable agreement customers. We reviewed relevant reports and documents—such as reimbursable agreements, trial balances, and budget reports—and

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<sup>1</sup> ADA is comprised of 31 U.S.C. §1341(a)(1)(A), 31 U.S.C. §1341(a)(1)(B), 31 U.S.C. §1342, and 31 U.S.C. §1517(a), as further described herein.

<sup>2</sup> DO is Treasury's headquarters bureau responsible for providing leadership in economic and financial policy, financial intelligence and enforcement, and general management. The offices within DO are composed of divisions headed by Assistant Secretaries and Under Secretaries who are primarily responsible for policy formulation and overall management of Treasury.

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surveyed DO's fiscal year 2015 customers on OBT's reimbursable agreement process. We conducted our fieldwork from July 2016 through October 2017. Appendix 1 contains a detailed description of our objective, scope, and methodology.

## Results in Brief

During fiscal year 2015, OBT potentially violated the ADA, which prohibits Federal agencies from obligating or expending Federal funds in advance or in excess of an appropriation or apportionment, and from accepting voluntary services. In addition to the ADA, 31 U.S.C. §1301(a), the purpose statute, prohibits the use of appropriations for objects not specified in the appropriation except as otherwise provided by law; and 31 U.S.C. §1502(a), the time statute, prohibits the use of an appropriation or fund outside the period of availability of the appropriation or fund.

OBT potentially violated the ADA by (1) disbursing more than DO's available fund balance with Treasury<sup>3</sup>; (2) incurring obligations<sup>4</sup> and expenditures<sup>5</sup> prior to the respective reimbursable agreements being signed (that is, before a valid Economy Act<sup>6</sup> order was in place to authorize appropriations for those purposes); and (3) using fiscal year 2016 funds for fiscal year 2015 costs related to reimbursable services provided to DO customers.

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<sup>3</sup> The fund balance with Treasury definition for fiscal year 2015 is the same as the definition included in the fiscal year 2017 Treasury Financial Manual (TFM), which is provided at [Treasury Financial Manual Supplement, Part 1, Fiscal Year 2017 Reporting, Supplement Section II, U.S. Standard General Ledger Accounts and Definitions](#).

<sup>4</sup> An obligation represents a binding agreement that will result in expenditures, immediately or in the future.

<sup>5</sup> An expenditure is the actual spending and outlay of money.

<sup>6</sup> 31 U.S.C. §1535. Under the Economy Act, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if the following conditions are met: (1) amounts are available, (2) the head of the ordering agency or unit decides the order is in the best interest of the United States Government, (3) the agency or unit to fill the order is able to provide or get by contract the ordered goods or services, and (4) the head of the agency decides that ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.

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We recommend the Assistant Secretary for Management:

1. Within 60 days of the issuance of this report, finalize OBT's internal review of its fiscal year 2015 records and request a Government Accountability Office (GAO) decision to determine if ADA violations occurred for findings 1, 2, and 3, respectively.
2. Analyze OBT's fiscal year 2016 and 2017 records to determine whether ADA violations occurred.

We also identified the following internal control weaknesses within OBT during our audit: (1) untimely processing of reimbursable agreements; (2) untimely collections of revenue from DO customers; (3) premature loading of DO's reimbursable budget authority prior to reimbursable agreements being signed by both OBT and the respective DO customers; (4) failure to follow close-out policies, procedures, and guidance; (5) lack of adequate training for OBT management and staff; and (6) lack of, or outdated, policies and standard operating procedures (SOPs). In addition, OBT violated the recording statute<sup>7</sup> by not timely obligating costs for annual operating agreements for rent with the General Services Administration (GSA). OBT also violated the Prompt Payment Act<sup>8</sup> by not ensuring: (1) proper funding was available for ARC to pay several invoices timely and (2) ARC paid accrued interest on a late payment for reimbursable services provided to a customer.

It is imperative that the internal control weaknesses are addressed timely because several of them contributed to the other internal control weaknesses, potential ADA violations, and instances of non-compliance with other laws and regulations. According to OBT officials, OBT has taken steps to redesign and implement new controls to address some of these weaknesses. We did not perform any procedures related to the new controls because they were outside the scope of this audit. We plan to review them as part of a follow-up audit that assesses management's corrective actions. We are also performing additional procedures and plan to report on OBT's overhead process and compliance with the Economy Act in a separate report.

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<sup>7</sup> 31 U.S.C. §1501

<sup>8</sup> 31 U.S.C. §3901-07

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We recommend the Assistant Secretary for Management ensure OBT:

3. Develops, revises, and/or finalizes office-wide manuals, policies, and SOPs to ensure:
  - a. adequate documentation of all processes and procedures for budget formulation and execution, as well as reimbursable agreements;
  - b. the signing of reimbursable agreements before periods of performance begin;
  - c. timely billing of and revenue collection from DO customers;
  - d. recording of DO's reimbursable budget authority in the appropriate funds and timely recording of obligations and expenditures of reimbursable funds related to DO's customers subsequent to the signing of reimbursable agreements;
  - e. ongoing communication between OBT and DO customers to effectively monitor OBT's execution of the goods and services provided, available funding, and collection of revenues against reimbursable agreements; and
  - f. adequate supervision of OBT staff in the performance of budget formulation and execution duties, as well as the monitoring of reimbursable agreements that OBT is responsible for executing and servicing.
4. Distributes to OBT management and staff, and provides training on, new or revised OBT policies and SOPs and timely notifies them of any modifications to the reimbursable agreement process.
5. Complies with the DO Reimbursable Agreement Policy (October 2010) by reviewing and updating the procedural manual<sup>9</sup> that addresses roles, responsibilities, and activities associated with each phase of the reimbursable agreement lifecycle, as necessary, at least once every 2 years.

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<sup>9</sup> The procedural manual in place during the scope of our audit was Treasury DO's *Reimbursable Agreement Manual* (October 22, 2010).

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6. Performs an analysis to determine whether advances should be obtained from DO customers at the time reimbursable services are ordered.
  7. Develops a mandatory training program to ensure that all OBT management and staff are properly trained on budget execution and formulation, the reimbursable agreement process, and the requirements of applicable laws, regulations, policies, and guidance.

As part of our reporting process, we provided a draft of this report to Treasury to obtain management's views and comments. In a written response, provided in its entirety in appendix 2, management concurred with our recommendations and outlined planned corrective actions. In response to the recommendations relating to the potential ADA violations, management stated that it has asked the Office of Management and Budget (OMB) for an opinion related to finding 1, and will provide us a copy of the opinion and management's proposal regarding further action with respect to GAO within 7 days of receipt of OMB's opinion. Management will request a GAO decision regarding findings 2 and 3 within 60 days of the issuance of this report. Management further stated that it will complete an analysis of OBT's fiscal years 2016 and 2017 records as part of an internal review of OBT's reimbursable process, and will notify us if any ADA violations are identified. Management will begin this review within 60 days of the issuance of this report and will finalize the review by September 30, 2018.

In response to our recommendations relating to the internal control weaknesses and instances of noncompliance with other laws and regulations, management stated that it (1) will further develop, revise, and/or finalize office-wide manuals, policies, and SOPs related to OBT's role in reimbursable processing no later than September 30, 2018; (2) has made completed SOPs available to all OBT management and staff, including storing them in a central location; (3) will review and update its reimbursable agreement policy, as necessary, at least once every 2 years, beginning in fiscal year 2018; (4) will analyze the feasibility of obtaining advances from DO customers by June 30, 2018; and (5) has taken significant steps since fiscal year 2015 to improve the job-related training for OBT staff.

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Management's response and planned corrective actions meet the intent of our recommendations. We have summarized the response in the recommendation sections of this report. While we recognize that management does not have control over the receipt of OMB's opinion relating to finding 1, we request management record a target date as to the receipt of the opinion in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

Additionally, management responded that it does not agree that providing services to another agency while the final terms of a reimbursable agreement are being negotiated constitutes a potential ADA violation. However, as discussed further in finding 2 below, it is our position that DO's appropriation was not available to fund the reimbursable services provided to other agencies without a valid Economy Act order, such as a signed reimbursable agreement, in place. Management's response also discusses its views as to whether negative fund balance with Treasury, a proprietary account, constitutes an ADA violation; and therefore, as stated above, is seeking OMB's opinion relating to this issue. As discussed further in finding 1 below, our conclusions were based on consultation with Treasury Office of Inspector General (OIG) Counsel, as well as review of applicable guidance and prior GAO reports of ADA violations relating to negative cash balances.

## Background

OBT, formerly known as the Office of Financial Management (OFM), is part of Treasury DO, and is housed within Treasury Management and Budget. OBT has three primary functions: budget formulation, funds control and execution; travel<sup>10</sup>; and data and analytics and reports. As part of the budget formulation, funds control and execution function, OBT executes the annual development of the reimbursable agreement process that DO uses to provide goods and services to other Treasury and non-Treasury

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<sup>10</sup> OBT approves all travel vouchers, processes Visa/Passport authorizations, reviews and coordinates non-Federal source travel approvals, performs required travel audits, and oversees the travel and purchase card programs for DO. It also oversees Treasury-wide travel policy which includes producing travel guidance for all Treasury travel and representing Treasury in government-wide travel forums.

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Federal agencies (customers or requesting agencies) pursuant to reimbursable agreements, also known as interagency or intra-agency agreements (IAAs). The reimbursable agreement provides funding for the goods and services received by other agencies.

When customers (as the requesting agencies) order goods or services included in their respective reimbursable agreements, OBT, acts on behalf of DO (as the servicing agency), to obtain the goods and services from other agencies or contractors. ARC, on behalf of OBT in its execution of the reimbursable agreement process, pays agencies or contractors for the goods and services obtained by DO's customers. Subsequently, ARC, on behalf of OBT, initiates reimbursements from DO's customers (the requesting agencies) that are owed to DO based upon the billing frequency within each reimbursable agreement and after the receipt of sufficient information from OBT. For example, through OBT's execution of the reimbursable process, DO (as the requesting agency) will obtain and pay for leased office space from GSA (the servicing agency providing a good or service). DO (as the servicing agency) then provides this office space to DO's customers (the requesting agencies).

Through OBT's execution of the reimbursable agreement process, DO provides reimbursable goods or services under the Economy Act. In fiscal year 2015, OBT served approximately 34 Treasury and non-Treasury Federal agencies, which included the processing of approximately 73 reimbursable agreements. According to Treasury's Reimbursable Agreement Manual, the reimbursable agreement process has a four phase life cycle including (1) negotiation; (2) execution; (3) billing; and (4) closeout.

DO receives direct appropriated government funds, as well as funding for reimbursable services, based on anticipated collections from reimbursable agreements with its customers. The Apportionment and Reapportionment Schedule Standard Form (SF)-132 (SF-132) received by OBT from OMB reports available budgetary resources, including whether they derive from direct appropriations or anticipated reimbursable authority. OBT uses two funds to record its budgetary resources, both of which include direct appropriations and reimbursable authority. The direct appropriation authority within the "0101 fund" is primarily used for Treasury DO's salaries and expenses; while the direct appropriation

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authority within the "1804 fund" is used for Office of Terrorism and Financial Intelligence administrative expenses. Both the "0101 fund" and the "1804 fund" also include reimbursable authority for goods and services provided by DO (as the servicing agency) to its customers (the requesting agencies) through OBT's execution of the reimbursable agreement process.

Upon receipt of an appropriation warrant<sup>11</sup>, DO's Salaries and Expenses direct appropriation authority is recorded in the budget authority and fund balance with Treasury accounts within the respective fund, and is immediately available for both obligations and expenditures. In addition, the anticipated collections for reimbursable services on the SF-132s are recorded as anticipated reimbursable authority within the respective fund. However; this anticipated reimbursable authority does not become realized and available for obligation until the reimbursable agreements are signed by both OBT officials (and in some cases other DO officials) and the respective DO customers. At this time, ARC, acting under the direction of OBT, loads the realized reimbursable budget authority into DO's respective funds within Oracle, the accounting system used to record transactions.

Collections from customers (as the requesting agencies) for goods and services provided by DO (as the servicing agency) are recorded as an increase in DO's fund balance with Treasury account within the respective reimbursable authority funds. On the other hand, expenditures to pay the other Federal agencies or contractors (the servicing agencies) for goods and services for DO's customers (as the requesting agencies) are recorded as a decrease in the fund balance with Treasury account. Accordingly, the fund balances with Treasury in both the appropriation and reimbursable authority funds represent the amount of funding available for disbursements.

The loading of DO's reimbursable budget authority by ARC, under the direction of OBT, after the reimbursable agreements are signed by OBT officials (and in some cases other DO officials), and DO customers is key to ensuring payments and collections are

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<sup>11</sup> Congress passes annual appropriation acts, which provide budget authority to obligate and expend funds for specific purposes. After reconciliation with OMB, a Treasury representative prepares and issues an appropriation warrant to agencies that establishes the amount and period of availability of monies the agency is authorized to withdraw from Treasury's central accounts.

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processed timely through the Intra-governmental Payment and Collection (IPAC) System.

The IPAC system allows Federal program agencies to exchange accounting information and transfer funds from one agency to another for various interagency transaction types (buy/sell, fiduciary, and other miscellaneous payment and collection transactions). This system establishes standardized interagency payment, collection, and adjustment procedures through an internet-based application. Operating under Fiscal Service, ARC provides a full range of administrative services for various Federal agencies, including performing accounting functions (transactional level) and managing IPAC transactions. For example, ARC receives IPACs (billings/invoices), on behalf of OBT, to pay other Federal agencies (e.g. GSA) (the servicing agency) for goods or services ordered for DO's customers (as the requesting agencies). In addition, ARC, on behalf of OBT, uses the IPAC system to initiate the collection of reimbursable funds from DO's customers (the requesting agencies).

OBT and the Internal Revenue Service, the procurement services provider for DO, record the obligations for goods and services in a system (PRISM) that interfaces with Oracle. In some cases, OBT submits a miscellaneous obligation form to ARC to record a manual obligation. The obligation contains details of the amount, the authorized approver, and the accounting string designated for each customer. By the time the IPACs are received by ARC for payment and recording in its financial system (Oracle), funds have already been automatically withdrawn through the Government-wide Accounting system upon initiation of the IPAC.

After receiving the IPAC, ARC forwards a form showing actual expenses to the Contracting Officer's Representative or point of contact for approval, and once approved, the expenses are posted in Oracle to draw down the obligation. Upon approval, ARC records the transaction (that is, expenditure) as a paid obligation in the correct accounting string in Oracle. However, if no obligation or accounting string is provided or approval is not received timely from the Contracting Officer's Representative, the transaction is recorded in the default accounting string within the DO appropriation fund. Subsequently, ARC initiates the reimbursement

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via IPAC, on behalf of OBT, to collect the amount recorded in the corresponding paid obligation account from the customers (the requesting agencies) based on the billing frequency provided in each reimbursable agreement.

## **Audit Results**

### **Potential ADA Violations**

During fiscal year 2015, OBT potentially violated the ADA, which prohibits Federal agencies from obligating or expending Federal funds in advance or in excess of an appropriation or apportionment, and from accepting voluntary services. Specifically, the ADA prohibits Federal employees from taking the following actions:

- making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law (31 U.S.C. § 1341(a)(1)(A));
- involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law (31 U.S.C. § 1341(a)(1)(B));
- accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property (31 U.S.C. § 1342); and
- making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by agency regulations (31 U.S.C. § 1517).

In addition to the ADA, the purpose statute, 31 U.S.C. § 1301(a), prohibits the use of appropriations for objects not specified in the appropriation except as otherwise provided by law; and the time statute, 31 U.S.C. § 1502(a), prohibits the use of an appropriation or fund outside the period of availability of the appropriation or fund.

As discussed in the following three findings, OBT potentially violated the ADA by (1) disbursing more than DO's available fund

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balance with Treasury; (2) incurring obligations and expenditures prior to the respective reimbursable agreements being signed (that is, before a valid Economy Act order was in place to authorize appropriations for those purposes); and (3) using fiscal year 2016 funds for fiscal year 2015 costs related reimbursable services provided to DO's customers.

## **Finding 1                      Disbursements Exceeded Available Fund Balances**

During fiscal year 2015, we found that OBT potentially violated 31 U.S.C. §1341(a)(1)(A) of the ADA by disbursing more than the available fund balance with Treasury within DO's appropriation and reimbursable authority funds. As discussed above, the fund balance with Treasury in both the appropriation and reimbursable funds represent the amount of funding available for disbursing. More specifically, DO's Salaries and Expenses fund disbursements exceeded the aggregate available fund balance with Treasury in the "0101 fund" for the months ending July and August 2015. In addition, the aggregate fund balances were negative throughout September 2015, and as of month-end, until manual adjustments were made during early October 2015.

We discuss in greater detail, in finding 5, how OBT was untimely in its collection of revenues for reimbursable services provided to DO customers, resulting in a lower fund balance with Treasury within DO's reimbursable authority fund being available for disbursing.<sup>12</sup> Therefore, as DO disbursements occurred prior to the collection of revenues, OBT used funds from the DO fiscal year 2015 appropriation fund to cover some of the costs of the fiscal year 2015 reimbursable services provided to DO's customers. Moreover, the disbursements for reimbursable services occurred prior to reimbursable agreements being signed and the respective reimbursable authority funds becoming available. These actions resulted in the following negative month-end fund balances in DO's "0101 fund" and "1804 fund":

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<sup>12</sup> As discussed in the background section, collections from DO's customers (the requesting agencies) for goods and services provided by DO (as the servicing agency) through OBT's execution of the reimbursable agreement process are recorded as an increase in DO's fund balance with Treasury account within the reimbursable funds.

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- *Reimbursable authority (0101 fund)*—Throughout both fiscal years 2015 and 2016,<sup>13</sup> the month-end balances ranged from negative \$1.0 million to negative \$31.1 million.
  - *Appropriation (0101 fund)*—The August 2015 month-end balance was negative \$6.4 million.
  - *Reimbursable authority (1804 fund)*—Throughout both fiscal years 2015 and 2016, the month-end balances ranged from negative \$16.6 thousand to negative \$3.1 million.

The appropriation fund balances with Treasury in “fund 1804”, as well as the respective aggregate balances when combined with the above reimbursable authority fund balances with Treasury in “fund 1804” were not negative. However, disbursements exceeded the aggregate available fund balance with Treasury in the “0101 fund”. The combined reimbursable authority and appropriation fund balances totaled negative \$9,880,317 as of the month ending July 2015 and negative \$26,062,403 as of the month ending August 2015. Furthermore, the daily aggregate balance remained negative throughout September 2015 and was negative \$7,914,409 for the month ending September 2015. By October 7, 2015, the September 2015 month ending balance was negative \$12,047,458 until it became positive \$3,482,507 after manual adjustments were made on October 8, 2015.

The negative fund balances in both DO’s appropriation and reimbursable authority funds, and the combining of these funds, is the result of disbursing more funds than were available—a potential ADA violation. Section 20.11 of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (2014), specifies that, when authorized to incur obligations against customers, the account may not be disbursed into a negative position. Section 20.13 of OMB A-11 clarifies that, under the Economy Act, advances and reimbursements from other Federal government appropriations are available for obligation but not for disbursement until they are received.

When this potential ADA violation was presented to OBT Management and DO’s Office of General Counsel (OGC), based on

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<sup>13</sup> During fiscal year 2016, collections and disbursements for fiscal year 2015 reimbursable services were posted to the fiscal year 2015 trial balances.

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their initial internal review, they asserted that they do not consider negative fund balance with Treasury in either the appropriation or the reimbursable authority funds to be an issue because they view them as one fund. They further stated that there is no Treasury policy to indicate a formal subdivision of funds under the appropriation. However, even if viewed as one fund, as noted above we identified aggregate negative month-end fund balances with Treasury for both July and August during fiscal year 2015, and for September prior to the manual adjustments. Furthermore, if GAO determines that the line items on the SF-132 are interpreted as formal subdivisions of funds, there are additional potential ADA violations throughout fiscal years 2015 and 2016 for the reimbursable authority fund and for August 2015 in the appropriation fund.

## **Finding 2**

### **Obligations and Expenditures Incurred Prior to Reimbursable Agreements Being Signed**

We found that, during fiscal year 2015, through OBT's execution of the reimbursable agreement process, OBT incurred obligations and expenditures on behalf of DO prior to the respective reimbursable agreements being signed (that is, without a valid Economy Act order). As a result, OBT potentially violated 31 U.S.C. §1341(a)(1)(B) of the ADA by involving the government in obligations to pay money before funds had been appropriated for those purposes and without a valid statutory exception.

We discuss in greater detail, in finding 6, the implications of loading budget authority before reimbursable agreements are in effect. During fiscal year 2015, ARC, acting under the direction of OBT, loaded budget authority for 17 reimbursable agreements that were not in effect at the time of loading because they had not been signed by the budget officials. Through OBT's execution of the reimbursable agreement process, OBT incurred obligations and expenditures on behalf of DO totaling \$1,652,929 against 15 of the 17 unsigned reimbursable agreements. In addition, during fiscal year 2015, OBT routinely approved the use of DO's appropriated funding to temporarily cover the costs of reimbursable services, such as rent incurred by DO on behalf of its customers. Subsequently, the costs were moved from the DO appropriation fund to the reimbursable authority fund throughout the year as the

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reimbursable agreements were signed, the respective budgetary resources were loaded, and the related obligations were recorded in the Oracle system.

DO's appropriation was included in the fiscal year 2015 Consolidated and Further Continuing Appropriations Act, which specified that funds were to be used for DO's necessary expenses.<sup>14</sup> In addition, the purpose statute (31 U.S.C. §1301(a)) states, "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." Therefore, absent statutory authority, appropriations may only be used for what is stated in the appropriation. DO's appropriation was not available to fund the reimbursable services provided to other agencies without a valid Economy Act order in place.

The Economy Act is the statutory authority that authorizes an agency to place orders, make contracts, or provide services for another agency. However, until certain requirements under the Economy Act are satisfied, the anticipated budgetary authority is not yet realized. There must first be an agreement of terms and amounts. The amounts must be available and obligated by the customer agency; and therefore, a determined amount to be obligated must be agreed upon. The Economy Act also requires an "order or contract." Without evidence that the recipient agency has placed an order or acceded to the conditions under which the agency will provide a service, there is no "order or contract" or statutory exception to the ADA.

When this potential ADA violation was presented to OBT Management and DO's OGC, based on their initial internal review, they asserted that the basic authority to perform work for another agency is provided by the Economy Act itself and is not contingent

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<sup>14</sup> The fiscal year 2015 Consolidated and Further Continuing Appropriations Act (Public Law 113-235, December 16, 2014) directs fiscal year 2015 DO appropriations to be used "For necessary expenses of the Departmental Offices, including operation and maintenance of the Treasury Building and Annex; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities; and Treasury-wide management policies and programs activities...."

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on a written agreement. They further stated that relevant guidance requires a written agreement, but not because one is required before work can begin. Rather, an agreement is required because the recording statute, 31 U.S.C. §1501, authorizes the agency supported by an Economy Act arrangement to record an obligation on its books only if there is a signed order.

OBT Management and DO's OGC also discussed that the GAO's *Principles of Federal Appropriation Law*,<sup>15</sup> also known as the Redbook, states that in an "appropriate case," such as where there has been a longstanding support arrangement, work may begin before a written agreement is in place for a particular fiscal year. They further discussed that the Redbook guidance, as well as Government-wide practice, makes clear that all that is required is an implied contract, i.e. an understanding by both parties that the services are being provided on a reimbursable basis.

Furthermore, a contract requires agreement—a meeting of the minds.<sup>16</sup> Where the services are provided before the recipient agency has either ordered them or agreed to them, there is no evidence of agreement. As we discuss in finding 4, the Director of OBT cited customer disputes as a reason for some of the reimbursable agreements not being signed. Furthermore, according to customer surveys, some of the reimbursable agreements were not signed because of disagreements over terms and amounts. Therefore, we do not believe that an "appropriate case" or a valid statutory exception existed. Without an exception, such as an Economy Act agreement authorizing the use of the appropriated funds for another agency's purposes, the obligations and expenditures constitute a potential ADA violation.

In interviews, the Director of OBT and an official from ARC confirmed the practice of using DO appropriated funds to temporarily cover the reimbursable services provided to DO customers during the period prior to the reimbursable agreements being signed and budget authority becoming available. Both the Director of OBT and official from ARC explained that they anticipate all reimbursable agreements will be signed and feel it is acceptable to use DO's appropriated funds. However, the

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<sup>15</sup> Third Edition, Volume III (Sept. 2008).

<sup>16</sup> Restatement (Second) of Contracts § 3 (1981).

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requirement for a valid Economy Act order stands, and OMB Circular No. A-11, states:

*“You may not obligate against anticipated budgetary resources before they are realized even though the anticipated budgetary resources have been apportioned.... If you incur an obligation against an anticipated budgetary resource, such as anticipated spending authority from offsetting collections, then you will have a violation of the Antideficiency Act.”*

OBT incurred obligations and expenditures without the evidence of an agreement considered valid under the Economy Act and before the respective budgetary resources became realized in accordance with OMB Circular No. A-11, resulting in the performance of unauthorized reimbursable services and potential ADA violations.

### **Finding 3**

#### **Fiscal Year 2016 Funds Used To Pay for Fiscal Year 2015 Reimbursable Services Costs**

During fiscal year 2015, OBT potentially violated 31 U.S.C. §1341(a)(1)(A) of the ADA, and the time statute, 31 U.S.C. §1502(a), by using fiscal year 2016 funds to pay for certain fiscal year 2015 costs for reimbursable services provided to the Consumer Financial Protection Bureau (CFPB). Charging fiscal year 2015 costs to the fiscal year 2016 fund is not within the period of availability for fiscal year 2016 funds and, therefore, prohibited by 31 U.S.C. §1502(a). In addition, there was an insufficient fund balance with Treasury available to cover the costs of these charges during the period in which the obligations were incurred in fiscal year 2015.

During review of DO’s trial balance, we identified a Citibank fiscal year 2015 charge for services provided to CFPB that was initially and partially paid with fiscal year 2016 funding. The charges were subsequently reclassified from the fiscal year 2016 fund to the fiscal year 2015 fund once additional funding became available on CFPB’s fiscal year 2015 reimbursable agreement. More specifically, as of December 16, 2015, there was an unpaid October 2015 Citibank invoice for CFPB reimbursable costs, totaling \$143,717, due on November 6, 2015. These costs were incurred by DO,

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during September 2015 on behalf of CFPB for conferences and events held in fiscal year 2015. However, there were insufficient funds available on CFPB's reimbursable agreement to cover these costs, which resulted in only approximately \$73,210 being paid out of fiscal year 2015 funds in December 2015. In January 2016, OBT directed ARC to pay the remaining balance of \$70,507 for fiscal year 2015 costs using CFPB's fiscal year 2016 reimbursable funding until the fiscal year 2015 reimbursable agreement could be modified. However, the fiscal year 2015 CFPB reimbursable agreement was not modified to add the additional funding until September 2016, a year after the costs were incurred. Subsequently, on September 29, 2016, once additional funding became available, an OBT employee sent an email to ARC instructing ARC to perform a reclassification transaction to post the charges to the fiscal year 2015 reimbursable fund. Emails and interviews confirmed that the charges were posted to the fiscal year 2016 CFPB reimbursable service funding temporarily to avoid paying interest until the reimbursable agreement could be modified to add additional funding.

Upon further review, we discovered the funds failure was a result of OBT not including CFPB's fiscal year 2015 rent and salaries for conferences and events support in its fiscal year 2015 reimbursable agreement with CFPB. In addition, the rent obligation was not recorded in the system until August 2015. OBT failed to include the salaries and rent in the initial CFPB reimbursable agreement, but still charged these expenses against the CFPB accounting string within OBT's fiscal year 2015 reimbursable fund. The inclusion of these salaries and unobligated rental charges caused insufficient funds when the final credit card charges were posted on September 30, 2015.

When this potential ADA was presented to OBT Management and DO's OGC, based on their initial review, they asserted that they do not consider the use of fiscal year 2016 funds to pay for fiscal year 2015 costs to be a potential ADA violation because they believe there were fiscal year 2015 funds available at the time the obligation was incurred. They based this assertion on there being budgetary authority available as of the month ending September 2015. However, as discussed in finding 1, in addition to no funds being available on the CFPB fiscal year 2015 reimbursable

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agreement, no funds were available in the aggregated appropriation and reimbursable authority fund. A negative fund balance with Treasury remained throughout and as of month-end for September 2015 until manual adjustments were made on October 8, 2015. Obligations for these costs were incurred during September 2015, when funds were not available, and then partially paid with fiscal year 2016 funds, outside the period of availability, constituting a potential ADA violation.

## Recommendations

We recommend the Assistant Secretary for Management:

1. Within 60 days of the issuance of this report, finalize OBT's internal review of its fiscal year 2015 records and request a GAO decision to determine if ADA violations occurred for findings 1, 2, and 3, respectively.

### Management Response

Management concurs with our recommendation but plans to first seek an opinion from OMB related to finding 1 before determining further action with respect to GAO. Management will request a GAO decision regarding findings 2 and 3 within 60 days of the issuance of this report.

Additionally, Management stated in its response that it does not agree that providing services to another agency while the final terms of a reimbursable agreement are being negotiated constitutes a potential ADA violation. Management also discussed its views as to whether negative fund balance with Treasury, a proprietary account, constitutes an ADA violation; and therefore, as stated above, is seeking OMB's opinion relating to this issue.

### OIG Comment

Management's response and planned corrective actions meet the intent of our recommendation. While we recognize that management does not have control over the receipt of OMB's opinion relating to finding 1, we request that management record a

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target date as to the receipt of the opinion in JAMES, Treasury's audit recommendation tracking system.

Relating to providing services prior to the final terms of the reimbursable agreements being finalized as signed, DO's appropriation was not available to fund the reimbursable services provided to other agencies without a valid Economy Act order, such as a signed reimbursable agreement, in place. As discussed further above in finding 2, to be a valid Economy Act order, there must first be an agreement of terms and amounts. If final terms are still being negotiated, there is no evidence that there is an agreement. In addition, as discussed in finding 4 below, there were several reimbursable agreements not signed until many months into fiscal year 2015, which does not support the fact that only final terms were being negotiated prior to services being provided.

Relating to management's views as to whether negative fund balance with Treasury, a proprietary account, constitutes an ADA violation, our conclusions were based on consultation with Treasury OIG Counsel, as well as review of applicable guidance and prior GAO reports of ADA violations relating to negative cash balances. We also performed an analysis of budgetary accounts, and agree that there was adequate budgetary authority to engage in Economy Act orders. However, it is our understanding that exceeding available fund balances with Treasury, a proprietary account, also constitutes an ADA violation.

2. Analyze OBT's fiscal year 2016 and 2017 records to determine whether ADA violations occurred.

### Management Response

Management concurs with our recommendation and stated that it will complete an analysis of OBT's fiscal year 2016 and 2017 records as part of an internal review of OBT's reimbursable process, and will notify us if any ADA violations are identified. Management will begin this review within 60 days of the issuance of this report and will finalize the review by September 30, 2018.

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OIG Comment

Management's response and planned corrective action meet the intent of our recommendation.

## **Internal Control Weaknesses in the Reimbursable Agreement Process and Other Instances of Non-Compliance with Laws and Regulations**

We identified the following internal control weaknesses within OBT during our audit: (1) untimely processing of reimbursable agreements; (2) untimely collections of revenues from DO's customers; (3) premature loading of DO's reimbursable budget authority prior to the agreements being signed by both OBT and the respective customers (requesting agencies); (4) failure to follow close-out policies, procedures, and guidance; (5) lack of adequate training for OBT management and staff; and (6) lack of, or outdated, policies and SOPs. We noted that several of these internal control weaknesses contributed to the other control issues, potential ADA violations, and instances of non-compliance with other laws and regulations.

OBT officials told us that OBT has already taken steps to redesign and implement new controls to address some of these weaknesses. We did not perform any procedures relating to these steps because they were outside the scope of this audit. We plan to review them as part of a follow-up audit that assesses management's corrective actions. We are also performing additional procedures and plan to issue a subsequent report on OBT's overhead process and compliance with the Economy Act.

In addition to the internal control weaknesses, we found that OBT was not in compliance with the recording statute and the Prompt Payment Act during fiscal year 2015. OBT violated the recording statute by not timely obligating the total costs of annual operating agreements for rent with GSA. OBT failed to comply with the Prompt Payment Act by not ensuring: (1) proper funding was available for ARC to pay several invoices timely and (2) ARC paid accrued interest on a late payment for reimbursable services provided to a customer. Not meeting required payment dates

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resulted in the payment of interest, an unnecessary cost to the Federal government.

#### **Finding 4                      Reimbursable Agreements Processed Untimely**

During fiscal year 2015, OBT was untimely in processing reimbursable agreements with DO customers. Reimbursable agreements are required to be signed by responsible officials (placing them in effect) prior to services being performed. If agreements are not in force, budget authority should not be loaded into the system; and therefore, is not available for obligation. We determined that OBT did not have the majority of fiscal year 2015 reimbursable agreements with DO's customers signed before October 1, 2014, the beginning of the fiscal year, and/or the first day of the performance period, as required by Treasury and DO guidance.

Several policies and procedures define the responsibilities of parties relative to reimbursable agreements and the availability of budget authority. According to the *Treasury Financial Manual* (TFM),<sup>17</sup> work is authorized once both trading partners have signed the agreement. Treasury's *Interagency Agreement Guide*<sup>18</sup> states, "IAAs must be signed by an individual authorized through Treasury Order or Directive or Bureau implementing policy to obligate funding on behalf of the department or bureau organizational element." Treasury DO's *Reimbursable Agreement Manual*<sup>19</sup> further delineates:

*"Work cannot be performed until the RA [Reimbursable Agreement] is signed and guarantees have been entered. Signature dates must be the same as or prior to the begin date of the period of performance for the reimbursable agreement."*

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<sup>17</sup> TFM Volume 1, Part 2, Chapter 4700, Appendix 10 (*Intragovernmental Transaction Guide*), Section 9.4.1, "Business Rules for Initiation" (May 2013). The appendix was revised on July 2015; however, the sections and requirements referred to in this document did not change.

<sup>18</sup> Section 8, "Obligation Authority" (March 2013).

<sup>19</sup> Section (V) (A), "Negotiation of a Reimbursable Agreement" (Oct. 2010).

We also confirmed with the Director of OBT and DO's OGC that budget authority is available after the budget officials from both OBT and the customer have signed the reimbursable agreements.

We reviewed the 73 signed reimbursable agreements in place during fiscal year 2015<sup>20</sup> to determine the effective date based on the date the last budget official signed the agreement.<sup>21</sup> Table 1 shows the number of fiscal year 2015 reimbursable agreements and the month they were signed, that is when they became effective.

**Table 1. Fiscal Year 2015 Reimbursable Agreements, by Month of Signature**

<b>Month of Signature</b>	<b># Reimbursable Agreements</b>
<b>Fiscal Year 2014</b>	
September	4
<b>Fiscal Year 2015</b>	
October	11
November	10
December	10
January	3
February	3
March	7
April	3
May	10
June	1
July	3
August	7
September	1
<b>Total</b>	<b>73</b>

Source: OIG analysis of reimbursable agreements.

<sup>20</sup> An initial reimbursable agreement for one customer was not signed by any responsible officials from OBT. However, for this agreement, a modification was signed by the OBT budget officer and the servicing agency contracting official. Therefore, we considered the agreement signed as of the latest budget officer's signature on the modification.

<sup>21</sup> Some of the agreements did not include signatures for the designated funding officials. For those agreements, we considered the OBT budget officer's signature and the signature of the customer representative as indication of budget authority. In instances where the customer's funding official signed, but did not date the signature, we considered the OBT budget officer's signature date to be the date of both signatures.

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We noted that 69 (94.5 percent) of the 73 reimbursable agreements were signed after October 1, 2014, the beginning of the fiscal year. More than a third of all agreements had not been signed until the last 6 months of fiscal year 2015. Reimbursable agreements should be signed before or on the first day of the period of performance for the reimbursable agreement. However, 64 (87.7 percent) of the 73 reimbursable agreements were not signed on or prior to the first day of the performance period.<sup>22</sup>

Reimbursable agreements are in effect only with signature prior to services being performed. Without the reimbursable agreements being signed by the proper responsible officials, there is risk that required services will not be performed timely or, as we noted during this audit, unauthorized services will be performed. It may also lead to other control weaknesses and potential ADA violations.

The Director of OBT stated that, ideally, reimbursable agreements should be signed prior to the period of performance. The director provided different explanations as to why the fiscal year 2015 agreements were not timely signed, including the effect of the continuing resolution; customer disputes; staff turnover; and a February 2015 budget apportionment, which separated the Office of Terrorism and Financial Intelligence funding.

According to OBT officials, OBT has since taken steps to redesign and implement new controls to improve the timely signing of reimbursable agreements. The office implemented process changes, including replacing manual processes with systemic processes, such as a reimbursable tool to track all agreements and a signature workflow in SharePoint to ensure tracking of signatures. In addition, according to OBT officials, OBT provided agreements with known recurring costs to customers prior to fiscal year 2016 to provide customers with enough time to sign prior to the start of the services. We did not perform any procedures relating to these process changes because they were outside the

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<sup>22</sup> Of the 73 signed agreements, 18 had a period of performance that began after October 1, 2014. Of these 18 reimbursable agreements, 13 were not signed prior to or on the first day of the period of performance. For the remaining 55 agreements, 51 had not been signed by both budget officials on or prior to the first day of the performance period, which began October 1, 2014.

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scope of this audit, but we plan to review the changes as part of a follow-up audit that assesses management's corrective actions.

## **Finding 5                      Revenues Collected Untimely**

During fiscal year 2015, OBT was untimely in the collection of revenues from DO customers. According to ARC, OBT did not provide ARC timely billing information upon approval of the IPACs, such as the proper accounting strings, resulting in amounts being recorded in the default accounting string rather than the customer's paid obligation account. In addition, OBT was untimely in providing signed and complete reimbursable agreements to ARC. Delays in classifying and recording paid obligations and in providing signed reimbursable agreements prevented ARC's initiation of the collection of revenues through the IPAC process, as follows:

- ARC was unable to begin the collection of revenue for services rendered and expenses incurred under DO's 73 reimbursable agreements until 6 months after the start of fiscal year 2015.
- No collections were initiated for 19 (26 percent) of the 73 fiscal year 2015 reimbursable agreements until fiscal year 2016.
- No collections were made for 2 of the 73 fiscal year 2015 reimbursable agreements during fiscal years 2015 or 2016.

Table 2 shows the first month in which the collection of revenue began for the 71 fiscal year 2015 reimbursable agreements with collections made.

**Table 2. Fiscal Year 2015 Reimbursable Agreements, by Month of First Collection**

<b>Month of 1<sup>st</sup> Collection in Fiscal Year 2015</b>	<b># Reimbursable Agreements</b>
October	0
November	0
December	0
January	0
February	0
March	10
April	1
May	2
June	8
July	3
August	11
September	17
<b>Total</b>	<b>52</b>

<b>Month of 1<sup>st</sup> Collection in Fiscal Year 2016</b>	<b># Reimbursable Agreements</b>
October	1
November	0
December	12
January	0
February	2
March	1
April	0
May	0
June	0
July	0
August	2
September	1
<b>Total</b>	<b>19</b>
<b>Total Reimbursable Agreements</b>	<b>71<sup>1</sup></b>

<sup>1</sup> Two reimbursable agreements incurred expenses, but had no collections as of September 30, 2016.

Source: OIG analysis based on OBT documentation

ARC initiated reimbursement on behalf of OBT for a total of \$105.7 million of the approximately \$107.0 million expenditures related to the fiscal year 2015 reimbursable agreements—including

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\$66.4 million collected in fiscal year 2015 and \$39.3 million in fiscal year 2016. Approximately \$1.3 million remained uncollected during fiscal years 2015 and 2016. According to ARC, as of October 10, 2017, the remaining uncollected balance is \$523,901, out of which \$84,538 was previously billed and is awaiting payment; and \$439,363 is anticipated to be collected in the next billing cycle.

Based on the billing frequency included in each reimbursable agreement, we determined the month when collections for the first expenditures should have been initiated for each of the 73 reimbursable agreements. We compared those to the months in which first collections were actually initiated for each reimbursable agreement for both the "0101 fund" and the "1804 fund". The results of our comparison showed that 70 percent of collections for the "0101 fund" and 90 percent for the "1804 fund" were initiated later than the billing frequency included in the corresponding reimbursable agreements. In some cases, collections began more than 300 days later than the billing frequency prescribed in agreements.

Appendix 10 of the TFM<sup>23</sup> states that agencies should ensure regular billings and collection activities to support positive cash flow. Section 9.1.4 of Appendix 10 requires all IPAC transactions occur no less than 3 business days before the close of the quarter. In addition, Treasury's *Interagency Agreement Guide*<sup>24</sup> states that IPAC transactions generally occur following delivery of products services or at preset intervals. The billing frequency for reimbursable agreements between OBT and DO's customers is typically monthly or quarterly. Treasury DO's *Reimbursable Agreements Policy*, Section (VI)(a)(i)(3), requires that monthly expenditure reports be run to track actuals, invoicing of requesting agencies, and resolution of invoice discrepancies as billing activities.

As stated in the reimbursable agreements, OBT does not allow ARC to initiate advances of the revenue at the time DO customers

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<sup>23</sup> Appendix 10, *Intragovernmental Transaction Guide (IGT)*, Section 9.4.1 (May 2013), was superseded by a revised version dated July 2015; however, the sections and requirements referred to in this document did not change.

<sup>24</sup> Section 9 d.(ii), "Reimbursement."

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order goods and services.<sup>25</sup> Without obtaining advances or collecting revenue timely, OBT, on behalf of DO, incurred many expenditures, as the requesting agency, and used more funds than were available in both its appropriation and reimbursable authority funds to cover the costs of the fiscal year 2015 reimbursable services, resulting in the negative fund balance with Treasury as discussed in finding 1. It is imperative that OBT provide adequate documentation and instructions to ARC to ensure timely collection of revenue from DO's customers to prevent insufficiency of funds to pay obligations and to prevent other potential ADA violations.

## **Finding 6**

### **Budget Authority Loaded Prior to Reimbursable Agreements Being Signed**

During fiscal year 2015, ARC, acting under the direction of OBT, loaded budget authority for 17 reimbursable agreements that had not been signed by both the OBT and requesting agency budget officials and were not in effect. As discussed in finding 4, budget authority is available only after the budget officials from both OBT and DO's customers have signed the reimbursable agreements. We reviewed the 73 fiscal year 2015 reimbursable agreements, identifying their effective dates as the dates the last budget official signed the agreement. Then we compared them to the dates the budget authority was loaded into the system. We determined that the budget authority for 17 agreements was loaded in the system from 4 days to over 11 months prior to signature.

Treasury and OMB policies clearly define the fiscal obligation and the responsibilities of officials in making such obligations. According to Treasury's *Interagency Agreement Guide*,<sup>26</sup> "An order under an IAA creates a fiscal obligation between agencies or bureaus and delineates specific product and/or service requirements, funding information for both trading partners, and authorized signatures to obligate the funding." Section 8 of the guide, "Obligation Authority," directs that "IAAs must be signed by

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<sup>25</sup> Under the Economy Act (31 U.S.C. §1535(b)), "payment may be in advance or on providing the goods or services ordered and shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order".

<sup>26</sup> Section 5 h. "Definitions: Order (Under an IAA)," (March 2013).

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an individual authorized through Treasury Order or Directive or Bureau implementing policy to obligate funding on behalf of the department or bureau organizational element.” In addition, Section 145.6 of OMB Circular No. A-11 states that an agency may not obligate against anticipated budgetary resources before they are realized, even if the anticipated budgetary resources have been apportioned.

Loading reimbursable budget authority without an agreement in place enables obligations and expenditures to be incurred against anticipated budgetary resources that have not been realized, which can also lead to potential ADA violations. For example, as discussed in finding 2, we identified OBT obligations and expenditures incurred for 15 of these 17 unsigned reimbursable agreements, which led to a potential ADA violation. Sufficient internal controls must be put in place to ensure reimbursable agreements are properly signed prior to OBT instructing ARC to load the respective budget authority into the system.

According to OBT officials, OBT has since taken steps to eliminate this weakness by improving internal controls and requirements related to budgetary funding loads and reimbursable agreements. For example, OBT requires a signed reimbursable agreement prior to loading the respective budget authority. In addition, in fiscal year 2017, system controls were implemented to ensure the budget authority load form is populated only if the OBT analyst marks an agreement as signed, then sends it to the OBT Funds Control Team via a SharePoint Workflow. According to OBT officials, a member of the OBT Funds Control Team checks that the form and agreement are both complete before submitting the amount of funding to be loaded to ARC. The ARC budget group also performs a final check to ensure the agreement is signed and the funding loaded is correct before the budget authority load is finalized in the system. We did not perform any procedures relating to these new steps taken by OBT because they were outside the scope of this audit. However, we plan to review them as part of a follow-up audit that assesses management’s corrective actions.

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## Finding 7

### Close-out Policies, Procedures, and Guidance Not Followed

During fiscal year 2015, OBT did not perform the reimbursable agreement close-out procedures required by Treasury DO's *Reimbursable Agreements Policy* (2010), Treasury DO's *Reimbursable Agreements Manual* (2010), and Treasury's *Interagency Agreement Guide* (Second Edition, March 2013). The Director of OBT stated that the cancellation of funds, which occurs 5 years after the funds have been obligated, constitutes an automatic close-out. She also stated that most reimbursable agreements are closed when ARC closes out the obligations. However, ARC stated that it does not perform or have any close-out procedures for OBT's reimbursable agreements.

In a follow-up meeting, the Director of OBT stated that it is almost impossible to close out reimbursable agreements because of the inclusion of overhead, which would require all contracts with overhead to be closed. However, we identified at least 4 reimbursable agreements that were not charged overhead and did not have contracts; however, they were still not closed out.

Procedures for Appendix D of the *Reimbursable Agreements Manual* (Oct. 2010) were not followed or completed. The manual provides specific instructions to be followed by DO, the Funds Control Team, the Bureau of Public Debt (now called Fiscal Service),<sup>27</sup> and the requesting and servicing budget analysts, including the following:

- *“Both the Requesting Agency and CSL [Customer Service Liaison] Budget Analysts are responsible for monitoring agreements approaching closeout and contacting one another to check on status. Agencies shall close out necessary RAs [Reimbursable Agreements] based on the authority referenced in the RA. A new RA is required for an agreement that crosses fiscal years, but does not have multi-year authority (Requesting Agency’s funding availability). Note: Economy Act agreements do not extend*

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<sup>27</sup> Bureau of the Fiscal Service was established on October 7, 2012, with the consolidation of the Bureau of Public Debt and the Financial Management Service.

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*the period of availability for the Requesting Agency's appropriation.*<sup>28</sup>

- *Closeout of an RA involves reconciliation of expenditures and charges, preparing renewals of applicable agreements, and finalizing agreements that are not to be renewed."*

In addition, OBT did not perform close-out procedures in accordance with DO's *Reimbursable Agreement Policy*, dated October 21, 2010. The policy directed OFM, which is OBT's former name, to lead the renewal and close-out activities. This includes finalizing the delivery of goods or services as well as issuing final invoices. Furthermore, Treasury's *Interagency Agreement Guide*, Second Edition (March 2013), directs OBT to perform required close-out functions when notified that the IAA has been completed and final payment has been made.

OBT's non-performance of adequate close-out procedures may lead to the ineffective management of reimbursable agreements by analysts, including the inability for DO customers to de-obligate unused funds. It may also result in customers being charged for inappropriate costs.

## **Finding 8                      OBT Management and Staff Lack Adequate Training**

Based on our interviews and review of fiscal year 2015 OBT training records, there was a lack of adequate job-related training for management and staff as required by several regulations, policies, procedures, and guidance. For example, 5 U.S.C. §4103, *Establishment of Training Programs*, (a), states:

*"In order to assist in achieving an agency's mission and performance goals by improving employee and organizational performance, the head of each agency, in conformity with this chapter, shall establish, operate, maintain, and evaluate a program or programs, and a plan or plans thereunder, for the training of employees in or under the agency by, in, and*

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<sup>28</sup> According to the *Reimbursable Agreements Manual* (Oct. 2010), the Customer Service Liaison Budget Analyst receives the Request for Reimbursable Agreement Form after the DO Point of Contact fills out the applicable information provided by the requesting agency.

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*through Government facilities and non-Government facilities... “*

Without adequate training, OBT staff and management may lack the knowledge of regulations, guidance, and proper procedures related to the administration of reimbursable agreements. Furthermore, it may lead to other internal control weaknesses and potential ADA violations.

We conducted interviews with the current staff of OBT who were responsible for administering the reimbursable agreements during fiscal year 2015. When asked about the job-related training provided by OBT, the staff stated that: (1) analysts do not feel adequately trained prior to being assigned their work duties; (2) no official or job-related training is required before working on reimbursable agreements; (3) unofficial on-the-job training is done with peers to acclimate new employees; (4) analysts reported that the complexity of the reimbursable agreements and reimbursable customers assigned were inconsistent with the assigned staff's level of experience; and (5) there is a lack of consistency in the way reimbursable agreements are managed and monitored among different staff members and teams.

We also noted that most analysts were not familiar with policies, procedures, and guidance governing reimbursable agreements, such as OMB Circular A-11, which provides guidance on preparing the Federal budget and instructions on budget execution. However, the staff stated that training had increased in fiscal years 2016 and 2017, including taking appropriations law training. We did not perform any procedures relating to the increased training because it was outside the scope of this audit. However, we plan to review it as part of a follow-up audit of management's corrective actions.

During our interview, the Director of OBT provided the following insights into training: (1) staff are given portfolios on their first day of work but are monitored by direct supervisors based on their prior experience with budget execution; (2) direct supervisors fill the gaps left by employees' experience and training levels; (3) staff are not required to take budget-related training on a regular basis other than biennial appropriations law training; (4) staff are provided training, but not based on any formal structure; and (5) staff are

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provided multiple on-the-job and in-house trainings related to various tools used in the reimbursable agreement process. In addition, the Director of OBT stated that managers attend Treasury Executive Institute training and senior leaders attend leadership training.

Another OBT official stated that, since fiscal year 2015, OBT has taken significant steps to improve the job-related training for OBT staff. These include launching a formal onboarding and training program for new analysts and managers held in four phases over the first 12 months of their tenure. According to the OBT official, OBT built a resources library, which provides staff with more than 13 training courses and tools for the reimbursable process. In fiscal year 2016, OBT required all OBT staff to attend a seminar on appropriations law and implemented a weekly training curriculum on topics that include the reimbursable agreement process. In fiscal year 2017, OBT produced a desk guide for analysts and managers on developing and processing reimbursable agreements, and all OBT analysts were to be enrolled in an external budget certification program. In July 2017, OBT provided us with the desk guide<sup>29</sup>. We did not perform any procedures relating to the desk guide or steps taken by OBT because they were outside the scope of this audit; however, we plan to review them as part of a follow-up audit that assesses management's corrective actions.

## **Finding 9      Lack of, or Outdated, Policies and SOPs**

During fiscal year 2015, OBT lacked or needed to update its policies and SOPs. By not updating its procedural manual since October 2010, OBT did not follow Treasury DO's *Reimbursable Agreement Policy*, which states:

*Treasury DO shall develop and maintain a procedural manual addressing roles, responsibilities, and activities associated with each phase of the RA [Reimbursable Agreement] lifecycle. The manual will be reviewed and updated as necessary at least once every two years, or more frequently as directed by Director, OFM or designee.*

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<sup>29</sup> DO's Desk Guide: Reimbursable Agreements SOP Supplement (March 20, 2017).

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OBT's policies and procedures should be documented or updated to reflect the processes currently being followed. In response to our request for the current manual, OBT management provided Treasury DO's *Reimbursable Agreement Manual*, dated October 22, 2010. We found inconsistencies between the current processes, as explained by the Director of OBT and OBT management and staff, and those detailed in the manual. For example, most staff were unaware of the overhead calculation process because it was performed by just a few people and not adequately documented. The rent process was performed by only one analyst. In the absence of a SOP, the analyst maintained a personally developed spreadsheet and was the only person with extensive knowledge of the rent process as it relates to reimbursable agreements. OBT staff told us that they make the procedures up as they go along. We noted that the *Treasury Interagency Agreement Guide*, dated March 2013, applies to OBT's reimbursable agreements, but OBT staff were not aware of this guide; and therefore, did not use it.

According to the Director of OBT, changes were made to the procedures during fiscal year 2015; however, OBT did not document them at that time. Another OBT official said that the office began drafting revised SOPs for the reimbursable process and finalized them in mid-fiscal year 2017. In July 2017, OBT provided us with finalized SOPs<sup>30</sup> and a desk guide<sup>31</sup>. We did not perform any procedures relating to the SOPs or desk guide because it was outside the scope of this audit; however, we plan to review them as part of a follow-up audit that assesses management's corrective actions.

Without documented and updated policies and SOPs, there may be: (1) a lack of standardization in the performance of the reimbursable agreement process, (2) ineffective preparation of reimbursable agreements by budget analysts, (3) a lack of staff knowledge of current reimbursable agreement procedures, and (4) increased risk of errors in processing reimbursable agreements. Furthermore, the lack of guidance may lead to other internal control weaknesses and potential ADA violations.

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<sup>30</sup> DO's *Standard Operating Procedure Reimbursable Agreements* (February 3, 2017.)

<sup>31</sup> DO's *Desk Guide: Reimbursable Agreements SOP Supplement Reimbursable Tool* (March 20, 2017).

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## **Finding 10      Costs Not Recorded in Compliance with Recording Statute**

During fiscal year 2015, OBT did not obligate annual operating agreements for rent with GSA in accordance with U.S.C § 1501(a)(1), *Documentary Evidence Requirement for Government Obligations*, which states that:

*“An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of...a binding agreement between an agency and another person (including an agency) that is in writing, in a way and form, and for a purpose authorized by law; and executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.”*

GAO further clarified the matter in Decision B-322160, dated October 3, 2011. GAO determined that the Securities and Exchange Commission (SEC) did not record the entire liability of a lease agreement. The GAO decision states:

*“The recording statute, 31 U.S.C. § 1501(a)(1), requires SEC to record an obligation for its total liability under the contract. Although SEC estimated that its total obligation would be at least \$371.7 million, SEC recorded an obligation for only \$180,000. SEC had no authority to record an obligation for an amount less than its full liability under this contract.”*

GSA operating agreements are contractual obligations for fiscal year costs, and the total obligation for the current year should be recorded when the operating agreements are signed or a new year becomes effective. GSA operating agreements cover multiple years; however, the executing customer agency is only required to obligate the current year rent obligation owed to GSA.<sup>32</sup>

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<sup>32</sup> 41 CFR § 102-85.65 states that an operating agreement obligates the executing customer agency to fund the current-year rent obligation owed GSA, and may not be construed as obligating future year customer agency funds until they are legally available. It further states that a multi-year operating agreement commitment assumes the customer agency will seek the necessary funding through budget and appropriations processes.

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Subsequent years do not mature until they are reached. However, during fiscal year 2015, many costs for reimbursable services, including rent, were classified into a default account. The default account within DO's appropriation fund is used when IPACs are drawn by other Federal agencies and there are no corresponding obligations in the correct account or fund. Because rent was not properly or timely obligated by OBT staff to the correct reimbursable authority fund until August 2015, the expenses were recorded and paid out of the default account for 11 months of the fiscal year.

Although the respective reimbursable agreements were signed, OBT recorded October 2014 through August 2015 rent costs totaling \$19,231,403 to the default account within the appropriation fund as the rent charges were received, rather than the total amount, as required by the recording statute. Subsequently, during August 2015, OBT reclassified these rent costs to the reimbursable authority fund. OBT did not obligate the remaining rent costs until September 2015. Specifically, OBT did not properly obligate \$4,769,143 of DO's annual rent cost in DO's appropriation fund until August 2015. Not obligating the total rent obligations to the proper accounts, or when operating agreements are signed, can lead to OBT over-obligating or over-expending DO's reimbursable authority and appropriation funds and to potential ADA violations. For example, as discussed in finding 3, the untimely obligation of rent to the CFPB accounting string within OBT's reimbursable budget authority fund led to insufficient funds for payment of other reimbursable services costs and to a potential ADA violation.

## **Finding 11**

### **Invoices and Interest Not Paid in Compliance with Prompt Payment Act**

OBT violated the Prompt Payment Act, 31 U.S.C. §3903(a) by not ensuring: (1) proper funding was available for ARC to pay several invoices timely and (2) ARC paid accrued interest on a late payment for reimbursable services provided to CFPB. The Prompt Payment Act states that the required payment date is (a) the date payment is due under the contract for the item of property or service provided, or (b) 30 days after a proper invoice for the amount due is received if a specific payment date is not established

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by contract. The Prompt Payment Act also requires the head of an agency to pay an interest penalty if payment on the amount due is not made by the required payment date.

As discussed in finding 3, we found that ARC was unable to timely pay a Citibank invoice, dated October 3, 2015, in the amount of \$143,717 due to OBT's failure to monitor and over-obligation of the CFPB reimbursable agreement. The invoice for reimbursable costs for conferences and events held in fiscal year 2015, which OBT obtained on behalf of CFPB, was due on November 6, 2015. Due to insufficient funds, the invoice was paid in two payments and interest was not paid on these amounts:

- \$73,210 was paid 52 days late, on December 28, 2015, and should have accrued prompt-payment interest estimated at \$251.36.<sup>33</sup>
- \$70,507 was paid 80 days late, on January 25, 2016, and should have accrued prompt-payment interest estimated at \$378.47.

We made inquiries with the Office of Fiscal Accounting Operations within ARC, which processes transactions on behalf of OBT, to determine whether interest had been paid on the invoices discussed in this section. ARC stated, "For this transaction, we did not calculate, create, and pay an additional interest invoice due to an oversight." After we brought this issue to their attention, according to OBT Management and DO's OGC, ARC rectified and paid interest on the CFPB invoices and applied that interest to the fiscal year 2015 CFPB accounting string.

According to email documents, the late payments of these charges were due to failing funds. The initial CFPB agreement did not include costs for salaries related to conferences and events or rent, yet these costs were charged and posted against CFPB's reimbursable agreement. The inclusion of the salaries and unobligated rental charges caused insufficient funds when the final credit card charges were posted on September 30, 2015. In

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<sup>33</sup> Interest rate of 2.375 percent during July 1, 2015 through December 31, 2015 from the Federal Register Volume 80, Number 131, January 9, 2015, pages 39482–39483, and an Interest Rate of 2.5 percent during January 1, 2016 through June 30, 2016 from the Federal Register Volume 80, Number 251, December 31, 2015, page 81880.

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separate interviews, the Director and Deputy Associate Director of OBT confirmed the late payments.

We also identified 115 instances in fiscal year 2015 and 34 instances in fiscal year 2016 where DO paid interest in accordance with 31 U.S.C. §3902(a). Interest paid in fiscal year 2015 totaled \$3,050 and \$586 in fiscal year 2016. The number of days that interest was paid ranged from 1 day to 149 days throughout both years. Although the interest was paid by ARC as required, it would not have accrued had OBT ensured the related payments were made timely by ARC. This constitutes non-compliance with the Prompt Payment Act. It is imperative that charges are paid by the required payment dates to avoid the payment of interest and unnecessary costs to the Federal government.

## Recommendations

We recommend the Assistant Secretary for Management, ensure OBT:

3. Develops, revises, and/or finalizes office-wide manuals, policies, and SOPs to ensure:
  - a. adequate documentation of all processes and procedures for budget formulation and execution, as well as reimbursable agreements;
  - b. the signing of reimbursable agreements before periods of performance begin;
  - c. timely billing of and revenue collection from DO customers (requesting agencies);
  - d. recording of DO's reimbursable budget authority in the appropriate funds and timely recording of obligations and expenditures of reimbursable funds related to its customers (requesting agencies) subsequent to the signing of reimbursable agreements;
  - e. ongoing communication between OBT and DO customers to effectively monitor OBT's execution of the goods and services provided, available funding, and collection of revenues against reimbursable agreements; and

- 
- f. adequate supervision of OBT staff in the performance of budget formulation and execution duties, as well as the monitoring of reimbursable agreements that OBT is responsible for executing and servicing.

#### Management Response

Management concurs with our recommendation and stated that OBT drafted revised SOPs for the reimbursable process between fiscal years 2016 and 2017. Management also stated that it will further develop, revise, and/or finalize office-wide manuals, policies, and SOPs related to OBT's role in reimbursable processing by no later than September 30, 2018.

#### OIG Comment

Management's response and planned corrective action meet the intent of our recommendations.

4. Distributes to OBT management and staff, and provides training on, new or revised OBT policies and SOPs and timely notifies them of any modifications to the reimbursable agreement process.

#### Management Response

Management concurs with our recommendation and stated it has (1) taken significant steps to improve the job-related training for OBT staff since fiscal year 2015, including, but not limited to, building a resources library which includes training and tools provided to staff on the reimbursable process; and (2) made completed SOPs available to all OBT management and staff, including storing them in a central location on OBT's SharePoint site.

#### OIG Comment

Management's response and corrective actions already taken meet the intent of our recommendation. We emphasize the importance of continuing to maintain the SharePoint site to ensure any new or updated policies going forward are made

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available to all OBT management and staff, and that any necessary training related to them is provided timely.

5. Complies with DO Reimbursable Agreement Policy (October 2010) by reviewing and updating a procedural manual that addresses roles, responsibilities, and activities associated with each phase of the reimbursable agreement lifecycle, as necessary, at least once every 2 years.

Management Response

Management concurs with the recommendation and stated that it will review and update its policy, as necessary, at least once every 2 years, beginning in fiscal year 2018.

OIG Comment

Management's response and planned corrective action meet the intent of our recommendation. For clarification, management will need to update its procedural manual (not its policy) that is required to be updated in compliance with DO's Reimbursable Agreement Policy.

6. Performs an analysis to determine whether advances should be obtained from DO customers at the time reimbursable services are ordered.

Management Response

Management concurs with our recommendation, and stated that it will analyze the feasibility of obtaining advances from DO customers by June 30, 2018.

OIG Comment

Management's response and planned corrective action meet the intent of our recommendation.

7. Develops a mandatory training program to ensure that all OBT management and staff are properly trained on budget execution and formulation, the reimbursable agreement process, and the

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requirements of applicable laws, regulations, policies, and guidance.

Management Response

Management concurs with the recommendation and stated it has taken significant steps to improve the job-related training for OBT staff since fiscal year 2015, as discussed further in finding 8 above, and in management's response included in appendix 2.

OIG Comment

Management's response and corrective actions already taken meet the intent of our recommendation. We emphasize the importance of ensuring the training program remains active and is updated, as appropriate.

\* \* \* \* \*

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-5776; Dan Gerges, Audit Manager, at (202) 927-0195; or Olivia Scott, Audit Manager, at (202) 927-1084. Major contributors to this report are listed in appendix 3.

/s/

Susan Barron  
Audit Director

The objective of our audit was to assess the circumstances surrounding a potential Antideficiency Act (ADA) violation and whether transactions to transfer funds between the Department of the Treasury (Treasury) offices and bureaus, as well as non-Treasury entities, were done in accordance with laws, regulations, policies, procedures, and respective reimbursable agreements. The scope of the audit included fiscal year 2015 funds transferred between Treasury and the offices/bureaus it serves through the Office of Budget and Travel's (OBT) reimbursable agreement process. We conducted our fieldwork in Washington, DC from July 2016 through October 2017.

To accomplish our objective, we took the following actions:

- reviewed applicable laws, regulations, guidance, policies, and procedures;
- gained and documented our understanding of the circumstances surrounding the alleged ADA violation and OBT's reimbursable agreement process;
- conducted approximately 55 interviews of officials and staff from OBT, the Departmental Offices' Office of General Counsel, and the Bureau of the Fiscal Service Administrative Resource Center, as well as some customers;
- conducted a survey of all 34 DO customers associated with the 73 fiscal year 2015 reimbursable agreements and analyzed the 52 responses received;
- reviewed numerous relevant reports and documentation, including reimbursable agreements, trial balances, budget reports, customer agreement reports, and emails;
- reviewed training records for OBT management and staff;
- compared the dates that fiscal year 2015 budget authorities were loaded into the accounting system to the dates that reimbursable agreements were signed;
- compared the dates that fiscal year 2015 obligations and expenditures were incurred to the dates that reimbursable agreements were signed;
- performed testing on all 73 reimbursable agreements to determine the timeliness of collections of revenue from customers;
- segregated and analyzed the fiscal year 2015 default account transactions by tracing the reclassification of transactions from

the default account to the proper accounting strings within the system

- traced the fiscal year 2015 Consumer Financial Protection Bureau Citibank charge card transactions by determining when charge card transactions were due, whether they were paid from the appropriate fund, and whether interest was accrued and paid
- reviewed reports showing the interest accrued and paid by OBT during fiscal years 2015 and 2016
- reviewed the fiscal year 2015 General Services Administration (GSA) and OBT operating agreements related to rent
- performed a walkthrough of the process for billing DO customer rents, including reviewing whether the total rent obligation was properly and timely recorded into the system and reviewing GSA Intra-governmental Payment and Collections
- traced OBT's fiscal year 2015 balances on its Office of Management and Budget SF-132s, *Apportionment and Reapportionment Schedule*, to OBT's trial balance

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Appendix 2  
Management Response



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

NOV 29 2017

Deborah L. Harker  
Assistant Inspector General for Audit  
Office of the Inspector General  
U.S. Department of the Treasury  
875 15<sup>th</sup> Street, NW  
Washington, DC 20005

Dear Ms. Harker:

We appreciate the opportunity to review and respond to the Treasury Office of Inspector General's (OIG) draft audit report regarding Treasury's Office of Budget and Travel's (OBT) Reimbursable Agreement Process.

In FY 2015, Departmental Offices (DO) dealt with significant and unexpected challenges to its appropriation, as Congress passed a late funding bill that split the account into two separate funds. At that time DO, in alignment with Treasury's strategy to reduce Government costs through shared services, was servicing a significant population of other government customers, providing an estimated \$140 million worth of reimbursable services compared to its \$298.3 million appropriated budget. When Congress passed a budget that split apart the account, DO lost over \$112 million in budget authority and needed to re-design a new accounting structure and recode thousands of lines of funding to a new account. This process could not begin until February once the apportionment was received and in place, over five months into the fiscal year.

Despite these challenges, DO did not obligate or expend federal funds in excess of the amount of available budget authority and spent its funds as intended by Congress. Since FY 2015, Management has fully documented and trained employees on the new processes required to execute the revised account structures.

Management agrees with the Treasury OIG findings that, in FY 2015 our processes and training needed improvement, as well as the OIG's recommendation to seek an independent assessment of the potential findings of Anti-Deficiency Act (ADA) violations from the Governmental Accountability Office (GAO). Management has consulted with the Treasury Office of General Counsel who, along with Management, does not agree with the OIG that providing services to another agency while the final terms of a reimbursable agreement are being negotiated (particularly an agreement which is negotiated on an annual basis) constitutes a potential ADA violation. If that were the case, DO and other federal government providers would be periodically unable to pay the salaries of many federal employees supporting Economy Act functions, putting many important federal functions at risk. However, Management agrees to partner with the OIG to seek an independent assessment from the GAO.

Management is currently seeking the Office of Management and Budget's (OMB's) views on the OIG's conclusion that a negative Fund Balance with Treasury (FBWT), a proprietary account, constitutes a violation of the ADA. Specifically, the OIG report asserts that Treasury potentially violated the ADA by "*disbursing more than the available fund balance with Treasury within DO's appropriation and reimbursable authority funds.*" This assertion was based on an analysis of proprietary reporting in FY

Appendix 2  
Management Response

*reimbursable authority funds.*” This assertion was based on an analysis of proprietary reporting in FY 2015 on United States Standard General Ledger (USSGLs) account balances for July and August month-end reporting, rather than an analysis of Treasury’s budgetary authority, obligations, and expenditures. This account had adequate budgetary authority to engage in Economy Act transactions and the negative FBWT reporting was due to timing differences between payments between government accounts and collections and posting errors that were later corrected. Management reserves the option to further seek GAO’s opinion on this matter. If the OIG’s potential finding is confirmed, Management believes that there would be significant impact, and perhaps unintended consequences, across government.

With respect to the findings on internal controls, Management agrees that in FY 2015 the Office of Budget and Travel (OBT) needed to improve its training and internal controls related to the reimbursable interagency agreement process. In FY 2015, the OBT management team was actively reviewing and redesigning its entire set of internal controls related to the reimbursable process. The majority of these changes were implemented in the summer of FY 2015, in time to provide the FY 2016 reimbursable agreements to customers. Further, between FY 2016 and FY 2017, the office updated its reimbursable standard operating procedures (SOPs) requisite with the changes implemented at that time. Management believes the totality of these internal changes—particularly as they focus on systemic traceability and accountability—will ensure that reimbursable agreements generally go through a regimented intake, tracking, processing, and signature process prior to the period of performance. Management also requires all OBT staff to take an appropriations law refresher course annually.

Management agrees that the Prompt Payment Act and the recording statute were violated. We will share these findings with the accountable offices within and external to OBT.

**Specific Responses**

Management will address the specific recommendations contained in the report as follows:

1. Within 60 days of the issuance of this report, finalize OBT’s internal review of its FY 2015 records and request a Government Accountability Office (GAO) decision to determine if ADA violations occurred for findings 1, 2, and 3, respectively.

Management concurs with these recommendations with an amendment related to finding 1, stated here. Management has asked OMB for an opinion regarding finding 1. Within seven days of receiving OMB’s opinion, Management will provide to OIG a copy of the opinion and Management’s proposal regarding further action with respect to GAO. Management will request a GAO decision regarding findings 2 and 3 within 60 days of the issuance of the report.

Management will perform an internal review of the reimbursable process as it was conducted in FY 2015, FY 2016, and FY 2017, including a review of the internal controls in place during those periods, and will notify the OIG if any ADA violations are identified. (Such findings will be subject to the opinion or determination of the OMB and GAO as to whether findings 1, 2, and 3 constitute ADA violations.) Management will begin this review within 60 days of the issuance of this report and will finalize the review by September 30, 2018. Management will provide OIG with responsive findings as a result of this review.

Appendix 2  
Management Response

2. Analyze OBT's FY 2016 and FY 2017 records to determine whether ADA violations occurred.

Management concurs with this recommendation and will notify the OIG if any ADA violations are identified. (Such findings will be subject to the opinion or determination of the OMB and GAO as to whether findings 1, 2, and 3 constitute ADA violations). Management will complete an analysis of the FY 2016 and FY 2017 records as a part of the review referenced in Recommendation 1.

3. Develops, revises, and/or finalizes office-wide manuals, policies, and SOPs to ensure:
  - a. adequate documentation of all processes and procedures for budget formulation and execution, as well as reimbursable agreements;
  - b. the signing of reimbursable agreements before periods of performance begin;
  - c. timely billing of and revenue collection from DO customers;
  - d. recording of DO's reimbursable budget authority in the appropriate funds and timely recording of obligations and expenditures of reimbursable funds related to DO's customers subsequent to the signing of reimbursable agreements;
  - e. ongoing communication between OBT and DO customers to effectively monitor OBT's execution of the goods and services provided, available funding, and collection of revenues against reimbursable agreements; and
  - f. adequate supervision of OBT staff in the performance of budget formulation and execution duties, as well as the monitoring of reimbursable agreements that OBT is responsible for executing and servicing.

Management concurs with this recommendation. Management agrees that the policies and procedures related to OBT's roles in reimbursable agreement processing that were first drafted in FY 2010 were not consistently used within OBT in FY 2015. Between FY 2016 and FY 2017, the office drafted revised SOPs for the reimbursable process. Management will further develop, revise, and/or finalize office-wide manuals, policies, and SOP's related to OBT's role in reimbursable processing by no later than September 30, 2018.

4. Distributes to OBT management and staff, and provides training on, new or revised OBT policies and SOPs and timely notifies them of any modifications to the reimbursable agreement process.

Management concurs with this recommendation. In FY 2015, the staff within OBT needed more adequate job related training on budget execution and formulation, the reimbursable agreements process, and the Anti-Deficiency Act. Since the latter part of FY 2015, Management has taken significant steps to improve the job related training for OBT staff. At the end of FY 2015, OBT launched a formal on boarding and training program for new staff with four phases covering the analysts' and managers' first 12 months. Additionally, OBT built a resources library which includes multiple trainings and tools provided to staff on the reimbursable process. In FY 2016, all OBT staff were required to attend an external, two-day appropriations law seminar delivered by the Chief Financial Officer of the Federal Bureau of Prisons and staff from Treasury's Office of the General Counsel. Finally, in FY 2017 OBT produced a desk guide for analysts and managers on developing and processing reimbursable agreements. In FY 2017, OBT execution analysts enrolled in external training classes to obtain a budget certification. This program will include additional appropriations law training. Completed SOPs are made available to all OBT management and staff and are stored in a central location on the OBT SharePoint site.

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Management Response

5. Complies with the DO Reimbursable Agreement Policy (October 2010) by reviewing and updating the procedural manual that addresses roles, responsibilities, and activities associated with each phase of the reimbursable agreement lifecycle, as necessary, at least once every two years.

Management concurs with this recommendation and will review and update this policy as necessary, at least once every two years, beginning in FY 2018.

6. Performs an analysis to determine whether advances should be obtained from DO customers at the time reimbursable services are ordered.

Management concurs with this recommendation and will analyze the feasibility of obtaining advances from DO customers by June 30, 2018.

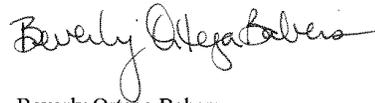
7. Develops a mandatory training program to ensure that all OBT management and staff are properly trained on budget execution and formulation, the reimbursable agreement process, and the requirements of applicable laws, regulations, policies, and guidance.

Management concurs and is in compliance with this recommendation. Please see our response to Recommendation 4.

We appreciate OIG's in-depth review of Treasury's Office of Budget and Travel's (OBT) Reimbursable Agreement Process.



Kody H. Kinsley  
Assistant Secretary for Management



Beverly Ortega Babers  
Deputy Assistant Secretary for  
Management and Budget

Appendix 3  
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Deputy Secretary  
Assistant Secretary for Management  
Deputy Assistant Secretary for Management and Budget  
Deputy Chief Financial Officer  
Office of Strategic Planning and Performance Improvement  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

**Office of Budget and Travel**

Director

**Office of Management and Budget**

Office of Inspector General Budget Examiner  
Treasury Budget Examiner

**United States Senate**

Committee on Homeland Security and Governmental Affairs  
Committee on Finance  
Committee on Appropriations  
Committee on the Budget

**U.S. House of Representative**

Committee on Oversight and Government Reform  
Committee on Financial Services  
Committee on Appropriations  
Committee on the Budget

**Government Accountability Office**

Comptroller General of the United States



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