



December 2022

COMMERCE WORKING CAPITAL FUND

Policy and
Performance Measure
Enhancements Could
Help Strengthen
Management

GAO Highlights

Highlights of [GAO-23-104624](#), a report to congressional committees

Why GAO Did This Study

Consolidating and sharing services within and among agencies is one way agencies can operate more efficiently. Such shared services may be financed or supported through a centralized WCF to conduct business-like activities within and between federal agencies.

The Joint Explanatory Statement for the Consolidated Appropriations Act, 2020, includes a provision for GAO to review Commerce's WCF. This report examines (1) how the WCF and the services it supports have changed since GAO's last review in 2011, including any changes related to the COVID-19 pandemic; and (2) the extent to which Commerce is applying key operating principles for effective WCF management.

GAO reviewed Commerce policies, documents, and budget data, and interviewed Commerce officials. GAO also interviewed selected service providers and officials from the Census Bureau, the National Oceanic and Atmospheric Administration, and the International Trade Administration about their experiences as WCF customers. GAO selected these customers and service providers because they represented the largest share of the WCF's total activity.

What GAO Recommends

GAO is making four recommendations to Commerce, including that Commerce more clearly document certain policies, create additional performance measures, and create a process to regularly review performance measures. Commerce agreed with the recommendations and plans to implement them.

View [GAO-23-104624](#). For more information, contact Jeff Arkin at (202) 512-6806 or ArkinJ@gao.gov.

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COMMERCE WORKING CAPITAL FUND

Policy and Performance Measure Enhancements Could Help Strengthen Management

What GAO Found

Created in 1944, the Department of Commerce's Working Capital Fund (WCF) supports services that are performed more efficiently when centralized. WCFs may also allow agencies to benefit from economies of scale and take advantage of specialized expertise. Since GAO's last review in 2011, obligations in Commerce's WCF have increased from \$145 million in fiscal year 2011 to \$269 million in fiscal year 2021.

The funding increase reflects the 2016 creation of a new Enterprise Services office to consolidate certain shared services (such as acquisitions and human capital), increased information technology spending (for cybersecurity, labor, and products), and inflation. Officials said the COVID-19 pandemic had a minimal effect on WCF spending.

Commerce has taken many steps to incorporate GAO's key operating principles for effective WCF management, but opportunities exist to further strengthen its management in some areas (see table).

Commerce's Implementation of Key Operating Principles for Effective Working Capital Fund (WCF) Management

Key Principle	Summary of Commerce's Implementation
Clearly delineate roles and responsibilities	Commerce has defined most of the key roles and responsibilities involved with managing the fund, but has not documented the process for determining how a particular activity is funded. Commerce officials said they have an informal process for deciding what activities Commerce funds through the WCF. However, clearly documenting that process would promote greater transparency and consistency over time.
Ensure self-sufficiency by recovering the agency's actual costs	Commerce generally has a transparent rate-setting and billing process to recover its actual costs, but has not documented its process for managing the WCF's unexpended balance. Commerce officials stated that they have not documented this process because they want to maintain flexibility in operating the fund. However, clearly documenting it would promote greater transparency and consistency, and help ensure the self-sufficiency of the fund.
Measure performance	Commerce has performance measures for many of its WCF services. However, Commerce does not have performance measures for the overall management of the WCF. There is also inconsistent monitoring of existing performance measures for WCF services. Commerce officials said they believe the existing performance measures for specific WCF services are sufficient to evaluate the performance of the fund. However, additional performance measures and more consistent monitoring of performance would give Commerce a fuller picture and clearer understanding of the WCF's effectiveness and help identify potential improvements.
Build in flexibility to obtain customer input and meet customer needs	All three WCF customers GAO interviewed—the Census Bureau, the National Oceanic and Atmospheric Administration, and the International Trade Administration—stated that they have opportunities to provide input about services in a timely manner.

Source: GAO. | [GAO-23-104624](#)

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Abbreviations

ASA	Assistant Secretary for Administration
CFO	Chief Financial Officer
ES	Enterprise Services
FY	fiscal year
ITA	International Trade Administration
MOU	Memorandum of Understanding
NOAA	National Oceanic and Atmospheric Administration
OCIO	Office of the Chief Information Officer
OSFM	Office of the Secretary Financial Management
S&E	Salaries and Expenses
WCF	working capital fund

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December 13, 2022

The Honorable Jeanne Shaheen
Chair
The Honorable Jerry Moran
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Matt Cartwright
Chair
The Honorable Robert Aderholt
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
House of Representatives

Given the fiscal pressures facing the federal government, consolidating and sharing services—such as payroll or information technology services—within and among agencies is one way agencies can operate more efficiently. Shared services may also allow agencies to benefit from economies of scale and take advantage of specialized expertise.¹ Such shared services may be financed or supported through a working capital fund (WCF), which are primarily used to conduct business-like activities within and between federal agencies.

The Department of Commerce’s WCF was created in 1944 for the payment of salaries, support services, and other expenses that are performed more advantageously when centralized.² In a 2011 report on Commerce’s WCF, we found that Commerce had incorporated some key principles for effective WCF management.³ However, we also made

¹We have previously reported on federal shared services initiatives. See GAO, *Streamlining Government: OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan*, [GAO-19-94](#) (Washington, D.C.: Mar. 7, 2019).

²15 U.S.C. § 1521.

³GAO, *Intragovernmental Revolving Funds: Commerce Departmental and Census Working Capital Funds Should Better Reflect Key Operating Principles*, [GAO-12-56](#) (Washington, D.C.: Nov. 18, 2011).

recommendations for Commerce to update its guidance, revise its financial systems, establish performance measures, and examine opportunities to consolidate certain WCF services. Commerce has since implemented those recommendations.

The Joint Explanatory Statement for the Consolidated Appropriations Act, 2020, includes a provision for us to review Commerce's WCF.⁴ This report examines (1) how the Commerce WCF and the services it supports have changed since our last review in 2011, including any changes related to the COVID-19 pandemic; and (2) the extent to which Commerce is applying key operating principles for effective WCF management.

To address our first objective, we reviewed Commerce documents and budget data for fiscal years (FY) 2011 through 2021, and interviewed Commerce officials. In addition, we reviewed documentation related to selected WCF service providers and customers and conducted semistructured interviews with agency staff. We selected three Commerce WCF service providers:

- the Office of the Chief Information Officer,
- the Office of the General Counsel, and
- Enterprise Services, which provides services such as human capital and acquisitions services.

We also selected three customer bureaus within Commerce:

- the National Oceanic and Atmospheric Administration (NOAA),
- the Census Bureau, and
- the International Trade Administration (ITA).

We based our selection of service providers and customers on our analysis of annual budget data, including actual obligations from FY 2019 through FY 2021.⁵ We reviewed data from these 3 years as a timely snapshot of the most recent WCF activity given the time of our review. To

⁴Pub. L. No. 116-93, 133 Stat. 2317 (2019); 165 Cong. Rec. 10613, 10965 (2019).

⁵Obligations are definite commitments that create a legal liability of the government for the payment of goods and services ordered or received. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another.

assess the reliability of the data, we reviewed related Commerce budget documentation and data, traced the data to other source documents, and discussed the reliability of the data with Commerce officials. We determined these data were sufficiently reliable for our purposes.

We selected these service providers and customers because they accounted for the majority of obligations in the WCF. The three service providers accounted for 54 percent of WCF obligations (an average of \$140 million per year) from FY 2019 through FY 2021. The three customers accounted for 58 percent of WCF obligations (an average of \$152 million per year) during the same time period. Although the experiences of the selected service providers and customers are not generalizable to the experiences of all Commerce WCF service providers or customers, they provide illustrative examples of experiences that these groups have had with the WCF.

To address our second objective, we assessed Commerce's management of the WCF using our four key operating principles for WCF management, as described later in this report, and federal standards for internal control.⁶ We reviewed Commerce's policies and procedures, statutes governing the WCF, financial audits of the WCF, and budget documents for FY 2011 through FY 2021. We interviewed Commerce officials to discuss their roles and responsibilities for managing the WCF. We also interviewed the three service providers and three customers listed above to obtain their perspectives on services provided, billing and payment methods, and communication with the WCF's managers.

We conducted this performance audit from November 2020 to December 2022 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.

Background

WCFs, like other intragovernmental revolving funds, generally do not receive annual appropriations from Congress. Rather, they operate as self-sustaining accounts that conduct regular cycles of business-like activities and that may receive advances or reimbursements from other

⁶GAO-12-56 and GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

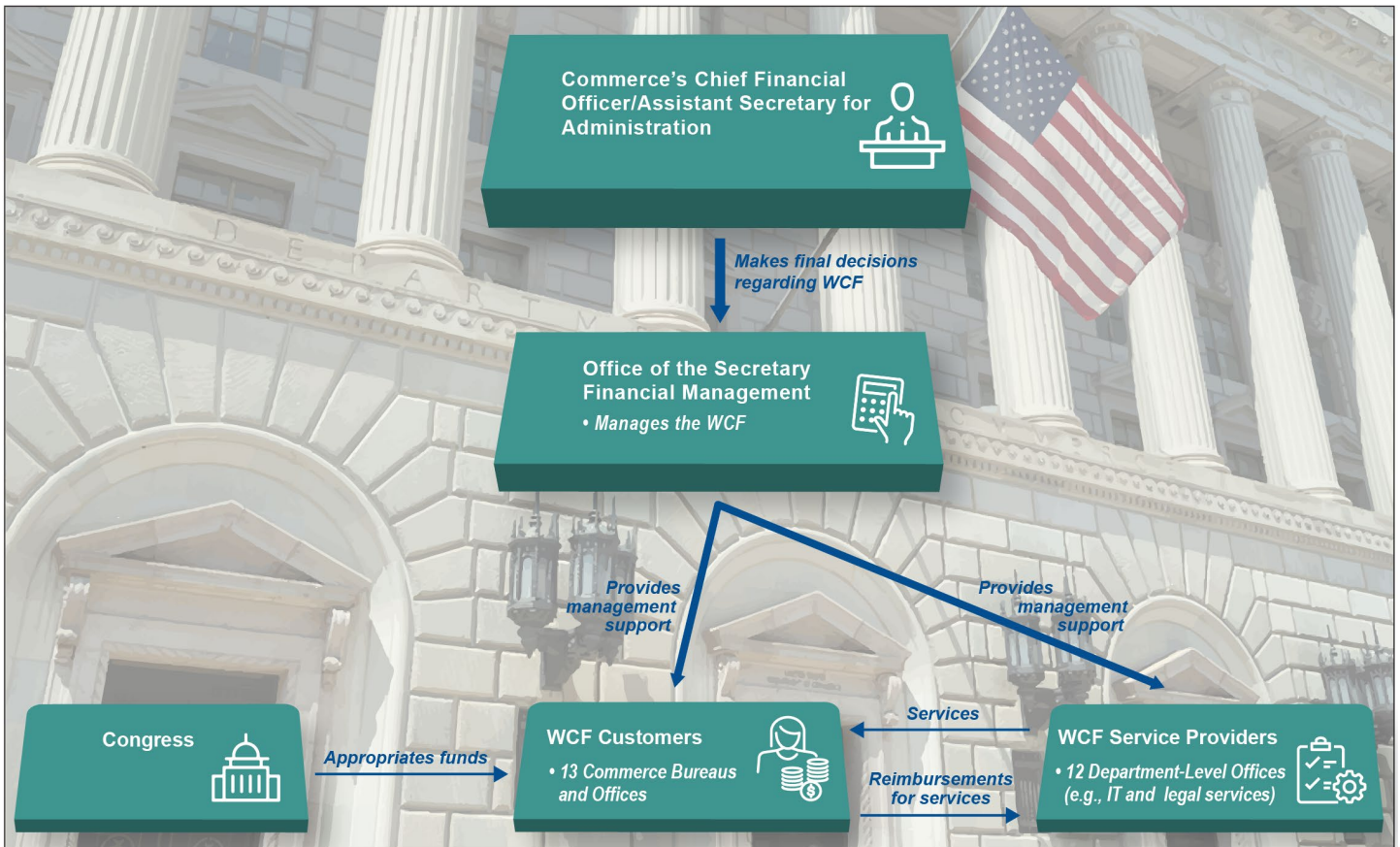
federal accounts. The market-like atmosphere promoted by WCF-supported services can create incentives for federal customers and managers to exercise cost control and economic restraint.

Funds in the Commerce WCF are used to provide centralized services to Commerce's 13 bureaus and offices.⁷ The WCF supports a range of services delivered from 12 department-level offices, including services such as IT, human capital, security, and legal services.⁸ Customers either pay in advance or reimburse the fund depending on the terms of the agreement. The WCF's statutory authority requires it to be reimbursed on the basis of rates that are estimated or actual charges for personal services, materials, equipment (including maintenance, repairs, and depreciation), and other expenses. Commerce's Office of the Secretary Financial Management (OSFM) has primary responsibility for managing and overseeing the WCF. Figure 1 provides an overview of how Commerce's WCF operates.

⁷The 13 customers are the Bureau of the Census, the Bureau of Economic Analysis, the Bureau of Industry and Security, Departmental Management, the Economic Development Administration, ITA, the Minority Business Development Agency, the National Technical Information Service, the National Telecommunications and Information Administration, the National Institute of Standards and Technology, NOAA, the Office of the Inspector General, and the U.S. Patent and Trademark Office.

⁸The 12 service providers are the Office of Acquisition Management, the Office of the Chief Financial Officer and Assistant Secretary for Administration, the Office of the Chief Information Officer, the Chief of Staff, the Office of Civil Rights, Enterprise Services, the Office of Facilities and Environmental Quality, the Office of Financial Management, the Office of the General Counsel, the Office of Human Resources Management, the Office of Intelligence and Security, and the Office of Privacy and Open Government.

Figure 1: Department of Commerce Working Capital Fund (WCF) Overview



Source: GAO analysis of Department of Commerce documentation, and Blvdone/stock.adobe.com. | GAO-23-104624

In 2011, we identified four key operating principles that offer a framework to effectively manage WCFs.⁹ To identify these key principles, we reviewed relevant government-wide guidance on business operating principles, internal controls, managerial cost accounting, and performance management. We also met with staff from the Office of Management and Budget and officials responsible for managing WCFs, and reviewed our prior work in related areas.

⁹GAO-12-56.

Working Capital Fund (WCF) Key Operating Principles

- **Clearly delineate roles and responsibilities:** Appropriate delineation of roles and responsibilities in an accessible format promotes a clear understanding of who is accountable for specific tasks or duties.
- **Ensure self-sufficiency by recovering the agency's actual costs:** Transparent and equitable pricing methodologies allow agencies to ensure that rates charged recover actual costs and reflect customers' service usage.
- **Measure performance:** Performance measures at both the management and service level that are aligned with goals can be used to evaluate whether, and if so how, WCF activities are contributing to the achievement of goals and highlight areas to make improvements.
- **Build in flexibility to obtain customer input and meet customer needs:** Opportunities for customers to provide input about WCF services, or voice concerns about needs, in a timely manner enable agencies to regularly assess whether customer needs are being met or have changed.

Source: GAO. | GAO-23-104624

Incorporating these principles in written guidance can help agencies promote consistent application of management processes and provide a baseline to assess and improve management processes. Moreover, agencies can use the guidance as a training tool for new staff and as an information tool for customers, program managers, stakeholders, and reviewers. See appendix I for a full description of these key operating principles.

Changes Since 2011 Include Consolidated Shared Services and Increased WCF Spending

Commerce Began to Consolidate Shared Services under Enterprise Services in FY 2016

In FY 2016, Commerce created a new office called Enterprise Services (ES) to consolidate certain shared services for customers across the department. Commerce began planning this new shared services model in 2014 after a study of mission-support services across the department reported dissatisfaction with the cost, timeliness, and quality of certain services. In 2015, Commerce completed an assessment of four areas of mission-support services: acquisitions, human capital, financial management, and IT. That assessment identified specific services in each of those four areas that would benefit from being consolidated under a new shared services model. As part of its assessment, Commerce talked to customers of these services and identified opportunities to improve efficiency by transitioning to the new model. Commerce determined that this new model, which became known as ES, would potentially reduce costs, provide higher-quality services, and improve customer service.

ES currently provides the following services:

- human capital services, including services related to payroll and benefits, learning management, and processing personnel action requests;
- acquisitions services; and
- limited IT services, such as printing services.

Although ES now performs these services, it did not fully replace other service providers in the WCF. For example, while ES provides some human capital services, the department's Office of Human Resources Management continues to provide other services, such as developing department-wide human capital policies and strategies.

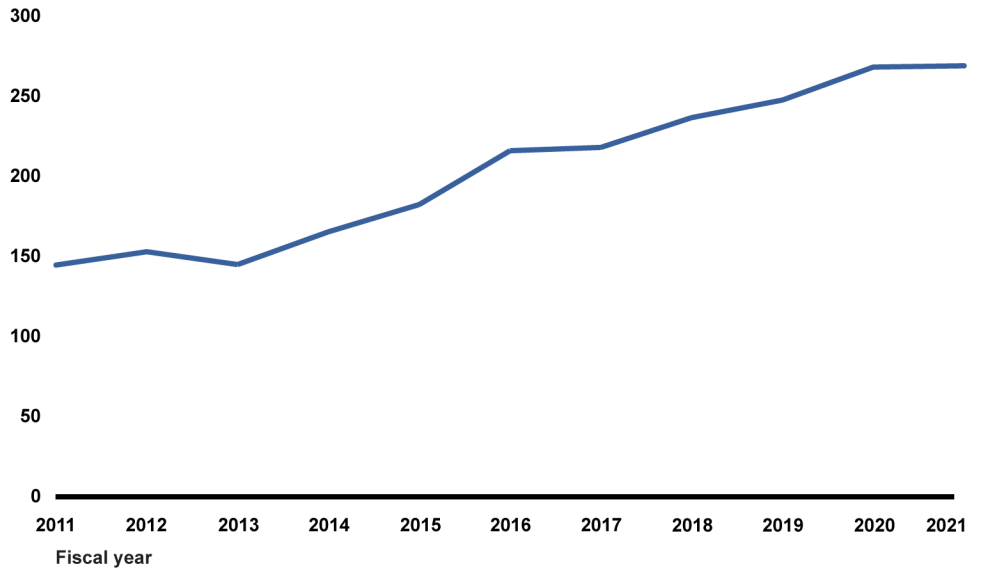
Two of the three customers we interviewed expressed satisfaction with some of ES's services. For example, they stated that they were generally satisfied with ES's acquisitions services. However, all three customers expressed some dissatisfaction with ES's human capital services. For example, two of the customers said that shifting human capital services from the bureaus to ES had not necessarily improved the delivery of those services. Two customers also said that ES does not always have certain expertise about specialized hiring needs within individual bureaus. Commerce officials responded that Commerce is still in the process of transitioning hiring services from the bureaus to ES.

Commerce WCF Spending Has Increased Since 2011

Obligations in the WCF increased from \$145 million in FY 2011 to \$269 million in FY 2021, as shown in figure 2. Inflation accounted for about \$28 million of this \$124 million increase.

Figure 2: Department of Commerce Working Capital Fund Obligations Increased since Fiscal Year 2011

Dollars (in millions)



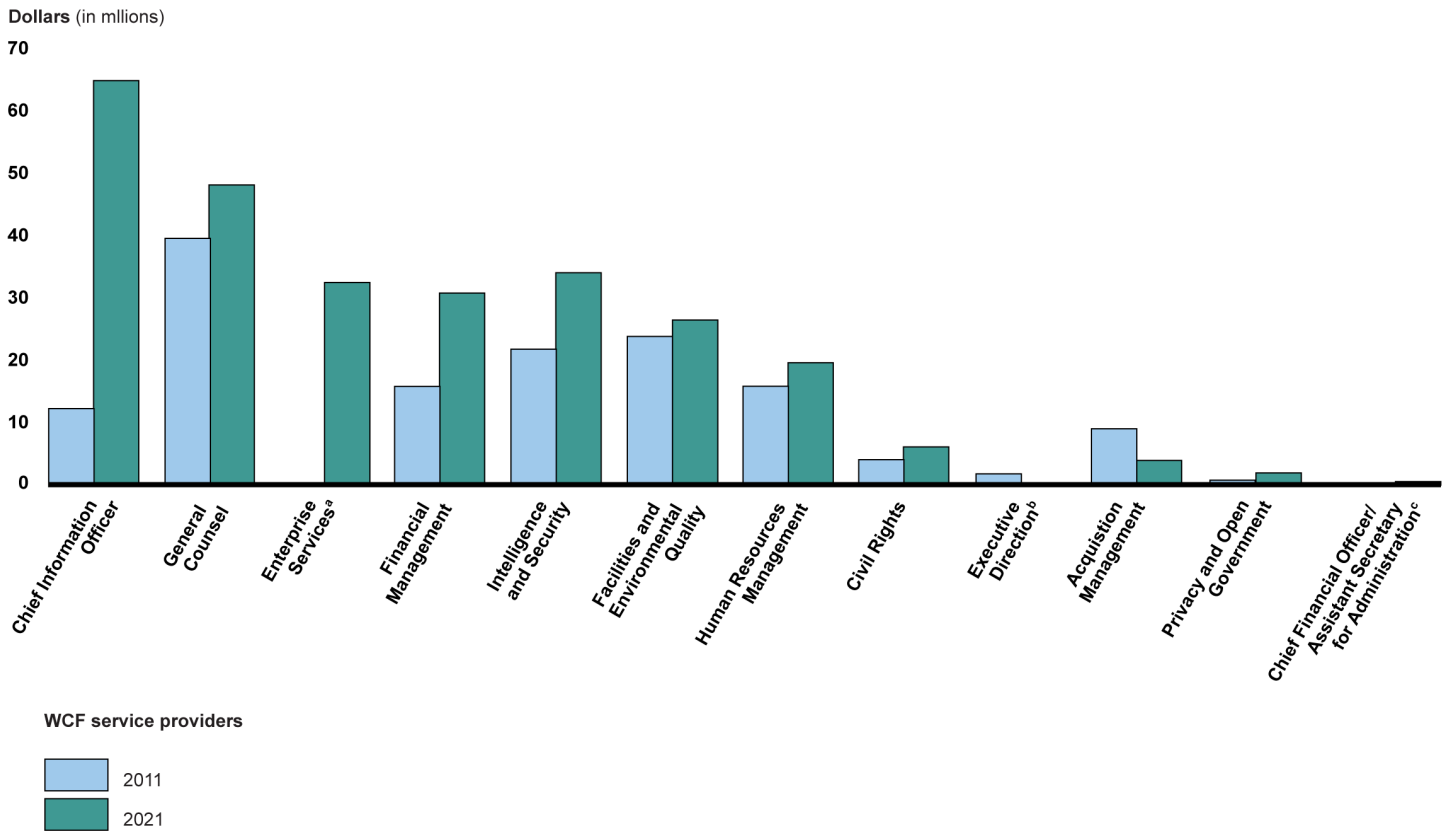
Source: GAO analysis of Department of Commerce data. | GAO-23-104624

Note: Obligations are definite commitments that create a legal liability of the government for the payment of goods and services ordered or received.

As shown in figure 3, using FY 2011 and FY 2021 as snapshots in time, much of the increased obligations since FY 2011 resulted from the creation of ES and increased spending by the Office of the Chief Information Officer (OCIO). Specifically, OCIO obligations grew from approximately \$12 million in FY 2011 to approximately \$65 million in FY 2021. Commerce officials attributed the increased spending by OCIO to increased cybersecurity spending, increased labor and product costs, and Commerce’s bureaus transferring portions of their IT operations to OCIO as part of an IT consolidation among tenants of Commerce’s headquarters building. ES, which was a newly created office in FY 2016, incurred approximately \$32 million in obligations in FY 2021. The other service providers’ obligated amounts also generally increased over this time period.¹⁰

¹⁰Executive Direction and Acquisition Management both experienced decreases in obligations during this time period.

Figure 3: Obligations by Working Capital Fund (WCF) Service Providers Generally Increased between Fiscal Years 2011 and 2021



Source: GAO analysis of Department of Commerce data. | GAO-23-104624

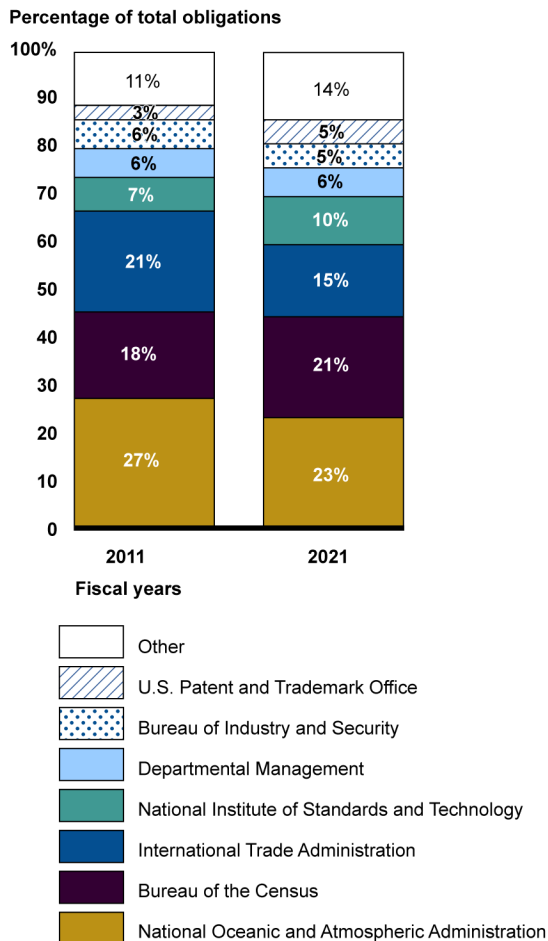
^aEnterprise Services was created in fiscal year (FY) 2016.

^bExecutive Direction did not provide any services in FY 2021. After FY 2020, its services were transferred out of the WCF and into Commerce’s appropriation account.

^cThe Chief Financial Officer/Assistant Secretary for Administration did not provide any services in FY 2011. It accounted for \$559,000 in obligations in FY 2021.

While direct costs to WCF customers have increased over the last 10 years, the percentages paid by each customer were roughly similar in FY 2011 and FY 2021, as shown in figure 4. In both 2011 and 2021, the three largest customers (NOAA, Census, and ITA) accounted for more than half of the total WCF obligations.

Figure 4: Working Capital Fund Customers Paid Similar Percentages in Fiscal Years 2011 and 2021



Source: GAO analysis of Department of Commerce data. | GAO-23-104624

Note: "Other" includes six additional Commerce bureaus and offices, each of which represented less than 4 percent of total obligations in both fiscal years 2011 and 2021. Percentages may not sum to 100 percent because of rounding.

In addition to reviewing these spending and program changes, we also asked Commerce officials whether the COVID-19 pandemic had any effect on WCF services and spending. According to Commerce officials, the COVID-19 pandemic required Commerce to make some adjustments to the services provided by the WCF, but those officials described the effect of the pandemic on overall WCF costs as minimal. For example, officials told us that the pandemic led to new WCF spending related to increased building sanitation, but it also led to reduced WCF spending on

transit subsidies, travel costs, and office supplies. Overall, officials said that these spending shifts generally offset one another.

Commerce Has Taken Many Steps to Address Key WCF Principles, but Some Gaps Exist

Commerce Documents Many Roles and Responsibilities, but Not How It Determines Which Activities Receive WCF Funding

Working Capital Fund Key Principle 1 - Clearly delineate roles and responsibilities

Appropriate delineation of roles and responsibilities in an accessible format promotes a clear understanding of who is accountable for specific tasks or duties. Specifically, agencies should:

- define key areas of authority and responsibility,
- segregate duties to reduce error or fraud, and
- establish management review and approval process at the functional or activity level that ensures appropriate tracking and use of funds.

Source: GAO. | GAO-23-104624

Key operating principles for effective WCF management state that agencies should clearly delineate all roles and responsibilities. While Commerce has a WCF Handbook that includes the roles and responsibilities of many key personnel and review groups involved with fund management, it does not include the process for determining how a particular activity or service is funded.¹¹

The WCF Handbook details most of the key roles and responsibilities and the routine review processes that exist to ensure proper execution of transactions related to the WCF. For example, the roles and responsibilities for the Office of the Secretary Financial Management (OSFM), which serves as the financial steward and manager of the fund, are clearly defined and easily accessible in the WCF Handbook.

The WCF Handbook also clearly segregates duties across multiple offices and entities. For example, the National Institute of Standards and Technology's Office of Financial Resource Management is responsible for preparing reports summarizing the status of the WCF's resources and budget, while OSFM is responsible for reviewing and resolving any discrepancies in those reports.¹² The WCF Handbook also delineates other structures for the oversight and management of the fund. Specifically, Commerce's Chief Financial Officer (CFO) Council—which consists of Commerce's CFO/Assistant Secretary for Administration (ASA), Deputy CFO, and CFOs from each bureau—meets monthly to

¹¹OSFM publishes the WCF Handbook annually to provide an overview of the WCF. It includes descriptions of WCF activities, descriptions of services provided, and the information used to determine how much customers will pay for each service.

¹²The report on Budget Execution and Budgetary Resources is submitted to the Department of the Treasury to fulfill the requirements in 31 U.S.C. §§ 1511-1514 for the President to review federal expenditures at least four times a year.

discuss administrative and financial matters of the department, including the WCF.

However, we found that OSFM has not fully documented the roles and responsibilities for determining whether a particular service or activity should be supported through the WCF or through Commerce's appropriated Salaries and Expenses (S&E) account. Commerce has authority to use the WCF to pay for services that may be performed more advantageously as centralized services.¹³ However, the WCF Handbook does not mention the related processes for making that determination and instead includes a broad statement that the CFO/ASA makes the final decisions regarding WCF activities.

OSFM officials told us that they use an informal process and criteria to determine how an activity is funded. They stated that they generally make their determination based on their professional experience and judgment, consulting with Commerce attorneys as needed. According to those officials, the WCF generally funds activities that provide centralized shared services to customers. In contrast, Commerce's S&E account receives appropriations from Congress that are used to support activities that are considered strategic or policy related, or that apply to the department as a whole. OSFM officials told us their current informal process, even though it is not documented, is sufficient for ensuring that activities are sorted into the most appropriate account.

However, the absence of this information from the WCF Handbook results in an incomplete description of the process. Clearly documenting that process would help to promote transparency and understanding among WCF stakeholders. Written documentation of the process also provides a means to retain organizational knowledge, which can help ensure consistency in implementation over time.

¹³Commerce must obtain approval from the Office of Management and Budget when it determines which services may be performed more advantageously as central services. In addition, the central services must be used to make unnecessary the maintenance of separate like services in the bureaus, offices, and agencies of the department to the fullest extent practicable. 15 U.S.C. § 1521.

WCF Billing Is Transparent, but Process for Managing Unexpended Balance Is Not Documented

Working Capital Fund Key Principle 2 - Ensure self-sufficiency by recovering the agency's actual costs

Transparent and equitable pricing methodologies allow agencies to ensure that rates charged recover actual costs and reflect customers' service usage. Specifically, agencies should:

- establish transparent and equitable pricing methodology,
- establish management review for rate-setting, and
- set rates to cover the agency's actual costs of providing service.

Source: GAO. | GAO-23-104624

Key operating principles for effective WCF management state that agencies should establish a transparent and equitable pricing methodology and a related management review process to ensure self-sufficiency by recovering the agency's actual costs. We have also previously reported on the importance of agencies establishing policies and guidance to ensure the self-sufficiency of the fund and to prepare for unexpected variances.¹⁴ In addition, standards for internal control in the federal government state that agencies should internally communicate, such as through written policies, the necessary quality information to achieve the agency's objectives.¹⁵ Commerce generally has a transparent rate-setting and billing process to recover actual costs, but has not documented its process for managing the WCF's unexpended balance.

We found that Commerce's billing process was generally transparent and focused on ensuring the rates reflected customers' usage. Specifically, Commerce uses and updates billing algorithms, which are used to calculate the amount that each customer pays for a particular service. OSFM reviews the algorithms for consistency and accuracy annually, and makes the related documentation available. The WCF customers that we interviewed told us they found the WCF's billing process to be generally transparent and fair. For example, the three customers we interviewed all stated that the documentation of the pricing formulas were transparent.

We also found that Commerce established a related management review process. For example, the WCF Handbook states that OSFM reconciles obligations to the budget estimate on a monthly basis through its "status of funds" reports, and meets quarterly with directors from each service provider to review the information.

¹⁴GAO, *Working Capital Fund: HUD Could Improve Management to Better Achieve Efficiencies and Help Ensure Customer Satisfaction*, [GAO-20-263](#) (Washington, D.C.: Mar. 17, 2020); *Revolving Funds: Additional Pricing and Performance Information for FAA and Treasury Funds Could Enhance Agency Decisions on Shared Services*, [GAO-16-477](#) (Washington, D.C.: May 10, 2016); *Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, [GAO-13-798](#) (Washington, D.C.: Sept. 30, 2013); and *Patent and Trademark Office: New User Fee Design Presents Opportunities to Build on Transparency and Communication Success*, [GAO-12-514R](#) (Washington, D.C.: Apr. 25, 2012).

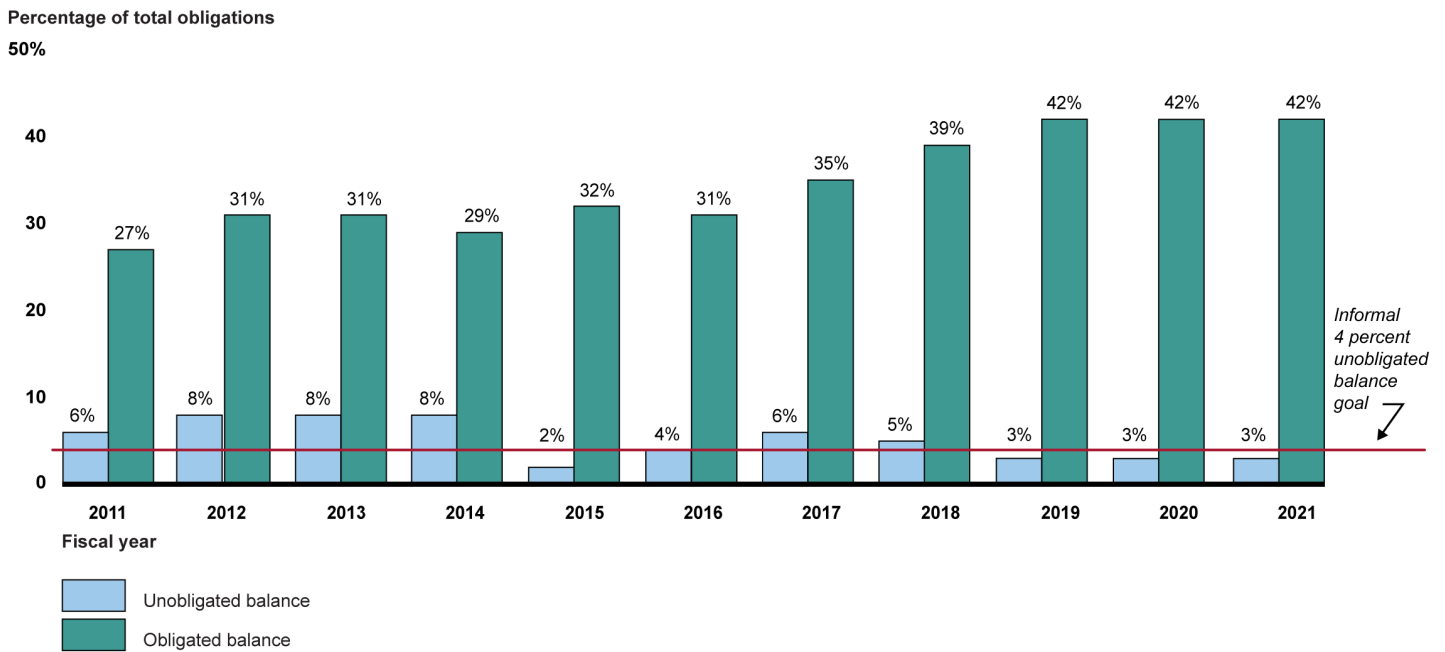
¹⁵[GAO-14-704G](#).

In addition, Commerce generally recovered the WCF's actual costs.¹⁶ Figure 5 shows that Commerce has maintained a relatively low and consistent unobligated balance since 2011, which indicates that almost all of the funds collected were obligated to pay for services.¹⁷ Specifically, the unobligated balance at the end of each of the last 5 fiscal years averaged 3.9 percent of the WCF's annual total obligations. OSFM officials told us they generally attempt to maintain the end-of-year unobligated balance at approximately 4 percent of the WCF's annual total obligations. Commerce's policies state that unobligated funds can be used at the discretion of Commerce to help manage unplanned changes or be repurposed for other obligations.

¹⁶Commerce's policies say it has discretion in setting the rates it charges customers, which may result in profits in any given fiscal year. Through the recovery of full costs and the discretion afforded to the WCF in setting rates, the WCF may build a balance to be carried over from one fiscal year to the next.

¹⁷Obligations are a definite commitment that create a legal liability of the government for the payment of goods and services ordered or received. The obligated balance represents the amount of funds which have been committed but not yet liquidated. Unobligated balance is the portion of obligational authority that has not yet been obligated. The unobligated balance represents the amount of funds that remain after the payments from customers—in the form of advances or reimbursements—have been collected and obligated or outlayed. These funds are still legally available for obligation.

Figure 5: Department of Commerce Working Capital Fund End-of-Year Obligated and Unobligated Balances



Source: GAO analysis of Department of Commerce data. | GAO-23-104624

Note: The unobligated balance represents the funds that are not yet committed to an activity. The obligated balance represents the funds that Commerce has committed to an activity but has not yet liquidated.

However, Commerce does not have written policies that describe its process for managing the WCF's unexpended balance, which includes both the obligated and unobligated balances.¹⁸ For example, the 4-percent goal for the unobligated balance is not documented in Commerce's policies. We also found that Commerce does not have other related guidance for evaluating, using, and maintaining the unobligated balance over time. In addition, figure 5 shows that the obligated balance in the fund has grown over time as a percentage of the fund. Commerce officials attributed the rising obligated balance to the overall growth in the

¹⁸For the purposes of this report, we define the unexpended balances to include the total amount of funds that customers have already paid to the WCF but Commerce has not yet liquidated for providing services.

WCF and to funding delays resulting from operating under continuing resolutions.¹⁹

OSFM officials stated that they do not have written policies governing these balances because they want to maintain flexibility in operating the fund. However, clearly documented policies for managing the WCF's unexpended balance would help strengthen the transparency and consistency of the WCF's operations. Maintaining policies and procedures can also help ensure that adequate internal controls are in place to address risks to ensuring the self-sufficiency of the fund.

Commerce Is Not Measuring the WCF's Overall Performance or Consistently Monitoring Performance Measures

Working Capital Fund Key Principle 3 - Measure Performance

Performance measures at both the management and service level are used to evaluate how WCF activities are contributing to the achievement of goals and highlight areas to make improvements. Specifically, agencies should:

- establish performance measures and goals for management of the fund and the services provided,
- align performance measures with strategic goals, and
- establish management review of WCF performance.

Source: GAO. | GAO-23-104624

Key principles state that agencies should measure and monitor performance at all levels of the WCF's management to help agencies evaluate how WCF activities are contributing to the achievement of goals. The WCF Handbook lists performance measures for many of the services provided through the WCF. However, Commerce does not have performance measures for the overall management of the WCF. In addition, there is inconsistent monitoring of existing performance measures for services supported through the WCF.

¹⁹Federal agencies and programs receive funding through annual appropriation acts. If appropriations are not enacted before the start of the fiscal year, Congress and the President can enact continuing resolutions to fund government agencies and activities and prevent a lapse in appropriations. The federal government operated under one or more continuing resolutions in all but 3 fiscal years from 1977 to 2022. See GAO, *Federal Budget: Selected Agencies and Programs Used Strategies to Manage Constraints of Continuing Resolutions*, [GAO-22-104701](#) (Washington, D.C.: June 30, 2022).

Measuring Overall WCF Performance

Key operating principles for effective WCF management state that agencies should establish and monitor performance measures specifically for WCF management, and not just for the services provided. Performance goals and measures are important tools applicable to all levels of the WCF's management.

We found that Commerce does not collect or track performance measures for the overall management of the WCF. Commerce documents in the WCF Handbook performance measures for many of the services it provides through the WCF. For example, one of the individual performance measures for the Office of Human Resources Management listed in WCF Handbook is to increase the use of a specific learning center application by 10 percent. In addition, the Office of Civil Rights has a performance measure to annually present several training courses on diversity topics. However, Commerce does not have measures that allow the fund managers to assess the fund's overall operational effectiveness.

OSFM officials stated that they believe the existing performance measures for specific WCF services are sufficient to evaluate the performance of the WCF. OSFM officials also stated that they do not have sufficient resources to create and monitor measures to evaluate the overall performance of the WCF. However, as the steward and main management entity for the WCF, OSFM is in the best position to measure whether the WCF is operating effectively and achieving its goals. Additionally, OSFM could explore opportunities to leverage existing information sources, such as budget and financial information that OSFM officials told us they already review.²⁰ OSFM could also potentially leverage the resources and expertise within Commerce's Performance Excellence Office.²¹

Measuring and monitoring the performance of the WCF would allow the WCF managers to assess the fund's overall operational effectiveness. Specifically, WCF performance measures—such as responsiveness to

²⁰For example, OSFM's monthly status of funds reports include information about WCF obligations and other budgetary data. In addition, the National Institute of Standards and Technology's Office of Financial Resource Management, which provides the accounting services for the WCF, produces monthly accounting performance indicator reports and sends them to OSFM. Those reports include information such as improper payments made by the programs under Commerce's Office of the Secretary, including the WCF.

²¹As part of the Office of the CFO/ASA, Commerce's Performance Excellence Office develops and monitors Commerce's Strategic Plan and Agency Priority Goals. It also provides guidance and training on performance indicators, program evaluation, process improvement, and customer service.

Monitoring Performance
Measures for WCF Services

customer inquiries, the reliability of cost information, and the billing error rates—could help OSFM to better monitor the performance of the fund and how it is achieving agency goals and WCF priorities.

Key operating principles for effective WCF management state that agencies should establish management review of WCF performance. Commerce does not have a management review process in place to ensure it is monitoring performance measures for individual WCF services.

We found that the level of performance measurement and monitoring varies across the WCF. According to OSFM and all three of the service providers we interviewed, each service provider is responsible for creating and tracking its own performance measures. However, the monitoring of performance measures by each service provider is not consistent. For example, one of the service providers that we interviewed told us it collects many different performance measures related to timeliness, accuracy, and costs, while another service provider told us it does not formally review the results of its existing performance measures.

While OSFM officials stated that they conduct impromptu meetings with the customers to discuss potential issues, Commerce does not have a process to ensure consistent measuring and monitoring of performance. OSFM officials stated that it is the service providers' responsibility to monitor their own performance measures because they collect the data and because OSFM does not have the resources to evaluate all of those measures. However, service providers inconsistently monitor the results of performance measures because there is no standard process or guidance for doing so.

Establishing a process in coordination with OSFM and the service providers to ensure measures are reviewed and evaluated would help the overall monitoring of performance results. Consistent monitoring and tracking across the WCF would give Commerce a clearer picture about the effectiveness of the WCF's services. Without a standard process to monitor performance measures, Commerce could miss opportunities to identify potential improvements with the performance and management of services.

Commerce Gives Customers Opportunities to Provide Input

Key operating principles for effective WCF management state that agencies should build in flexibility to obtain customer input and meet customer needs. Commerce conducts outreach and interacts with customers through multiple formal and informal communication channels.

Working Capital Fund Key Principle 4 - Build in flexibility to obtain customer input and meet customer needs

Opportunities for customers to provide input about WCF services, or voice concerns about needs, in a timely manner enable agencies to regularly assess whether customer needs are being met or have changed. Specifically, agencies should:

- communicate with customers regularly and timely,
- develop a process to assess resources needed to meet changes in customer demand, and
- establish a process to prioritize requests for services.

Source: GAO. | GAO-23-104624

We found that OSFM gives customers the opportunity to provide input about services in a timely manner. For example, customers can attend the monthly CFO Council meetings. At these meetings, customers can discuss specific requests, changes to current services, or request new services. Customers can also provide input about proposed program increases and put forth a recommendation to the CFO/ASA during the budget formulation process.

Additionally, all three of the customers we interviewed stated that OSFM has been transparent by providing customers with billing documentation and has given customers the opportunity to provide input. For example, a customer stated that they are able to attend the quarterly meetings held between OSFM and the service providers to voice any concerns about the WCF. All three of the service providers we interviewed also stated that they routinely meet with customers to receive informal feedback or to discuss how they determine the costs of services. All three customers that we interviewed also told us that OSFM acts as a liaison between customers and service providers to help address specific customer questions and needs.

Additionally, OSFM has worked with service providers to execute a Memorandum of Understanding (MOU) if a customer needed additional services after the budget has been finalized. For example, Census needed additional legal assistance to support operations related to the decennial census. To meet that need, Commerce's Office of the General Counsel and Census executed an MOU in February 2021 to allocate more staff for legal assistance and litigation support.

Conclusions

WCFs provide an opportunity for agencies to centralize and simplify the funding and provision of shared services, potentially allowing agencies to operate more efficiently and cost-effectively. Incorporating key principles for effective WCF management can help agencies maximize those opportunities. Commerce has taken many steps to incorporate these principles into its management of the WCF.

However, there are further opportunities for Commerce to continue incorporating these key principles. Clearer written policies about what activities Commerce funds through the WCF and how it manages the

fund's balances would promote transparency and consistency over time. Such policies would also help Commerce maintain the WCF's self-sufficiency and better prepare for unexpected changes or events. Moreover, additional performance measures and more consistent monitoring of the performance of the WCF and its services would give Commerce a fuller picture and clearer understanding of the WCF's effectiveness and help identify potential improvements. Taking these steps would help Commerce further strengthen its existing framework for managing the WCF and monitoring its performance.

Recommendations for Executive Action

We are making the following four recommendations to Commerce:

Commerce's Chief Financial Officer/Assistant Secretary for Administration should document in the WCF Handbook the process, including roles and responsibilities, for determining and reviewing whether activities should be funded through the WCF or through another account, such as Commerce's Salaries and Expenses appropriation account. (Recommendation 1)

Commerce's Chief Financial Officer/Assistant Secretary for Administration should document a policy for managing the WCF's balances—including the end-of-year unobligated and obligated balances—that describes how fund managers should evaluate, use, and maintain the balances over time. (Recommendation 2)

Commerce's Chief Financial Officer/Assistant Secretary for Administration should create performance measures and a process for evaluating the WCF's overall management, such as measuring the billing error rates or the reliability of cost information. These performance measures should be aligned with Commerce's strategic goals to help determine if the WCF is operating effectively. (Recommendation 3)

Commerce's Chief Financial Officer/Assistant Secretary for Administration should coordinate with OSFM and WCF service providers to create and document a process to regularly review the results of WCF performance measures. (Recommendation 4)

Agency Comments

We provided a draft of this report to Commerce for review and comment. In its comments, reproduced in appendix II, Commerce agreed with our recommendations and described actions it plans to take to implement them. Commerce also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Commerce, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-6806 or ArkinJ@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read "Jeff Arkin". The signature is fluid and cursive, with a long horizontal flourish at the end.

Jeff Arkin
Director, Strategic Issues

Appendix I: Key Operating Principles for Effective Working Capital Fund Management

Table 1: Working Capital Fund (WCF) Key Operating Principles

Principle	Components of principle	Examples of evidence supporting principle
Clearly delineate roles and responsibilities	Segregate duties to reduce error or fraud	Written roles and responsibilities specify how key duties and responsibilities are divided across multiple individuals/offices and are subject to a process of checks and balances. This should include separating responsibilities for authorizing transactions, processing and recording them, and reviewing the transactions.
	Define key areas of authority and responsibility	Written description of all WCF roles and responsibilities in an accessible format such as a fund manual. Discussions with providers and clients confirm a clear understanding.
	Establish management review and approval process at the functional or activity level that ensures appropriate tracking and use of funds	A routine review process exists to ensure proper execution of transactions and events.
Ensure self-sufficiency by recovering the agency's actual costs	Establish transparent and equitable pricing methodology	Published price sheets for services are readily available. Documentation of pricing formulas supports equitable distribution of costs.
	Set rates to cover agency's actual costs of providing service	Pricing methodology and accompanying process ensures that, in aggregate, charges recover the actual costs of operations.
	Establish management review for rate-setting	Management review process allows fund managers to receive and incorporate feedback from customers. Discussions with customers confirm an understanding of the charges and that they are viewed as transparent and equitable.
Measure performance	Establish performance measures and goals	Performance indicators and metrics for WCF management (not just for the services provided) are documented.
	Align performance measures with strategic goals	Indicators or metrics to measure outputs and outcomes are aligned with strategic goals and WCF priorities.
	Establish management review of WCF performance	WCF managers regularly compare actual performance with planned or expected results and make improvements as appropriate. In addition, performance results are periodically benchmarked against standards or "best in class" in a specific activity.
Build in flexibility to obtain customer input and meet customer needs	Communicate with customers regularly and timely	Established forum, routine meetings, and/or surveys solicit information on customer needs and satisfaction with WCF performance.
	Develop process to assess resources needed to meet changes in customer demand	Established communication channels regularly and actively seek information on changes in customer demand and assess the resources needed to accommodate those changes.
	Establish process to prioritize requests for services	Established management review process that allows for trade-off decisions to prioritize and shift limited resources needed to accommodate changes in demand across the organization.

Source: GAO. | GAO-23-104624

Appendix II: Comments from the Department of Commerce



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Acting Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

November 22, 2022

Jeff Arkin
Director, Strategic Issues
U.S. Government Accountability Office
441 G Street NW Washington, DC 20548

Dear Mr. Arkin:

Thank you for the opportunity to respond to the GAO draft report entitled *Commerce Working Capital Fund: Policy and Performance Measure Enhancements Could Help Strengthen Management* (GAO-23-104624).

The Department agrees with the four recommendations made in the report and will prepare a formal action plan upon issuance of GAO's final report.

If you have any questions, please contact MaryAnn Mausser, Department GAO Audit Liaison, at (202) 482-8120 or mmausser@doc.gov.

Sincerely,

JEREMY
PELTER

Digitally signed by
JEREMY PELTER
Date: 2022.11.22
15:45:08 -05'00'

Jeremy Pelter

Acting Chief Financial Officer and
Assistant Secretary for Administration

**Appendix II: Comments from the Department
of Commerce**

**Department of Commerce's Comments on
GAO Draft Report entitled Commerce Working Capital Fund: Policy and Performance
Measure Enhancements Could Help Strengthen Management (GAO-23-104624)**

The Department of Commerce has reviewed the draft report and we offer the following comments for GAO's consideration.

General Comments

The Department of Commerce notes the acknowledgement by GAO that Commerce has taken many steps to incorporate the key operating principles of effective Working Capital Fund (WCF) management since the last engagement in 2011. We appreciate GAO's recommendations to further strengthen our existing framework for managing the WCF and monitoring our performance. The report states that GAO found that Commerce's billing process was generally transparent and focused on ensuring the rates reflected customers' usage. The report also states that the WCF Handbook clearly segregates duties across multiple offices and entities. We appreciate the acknowledgement that all three of the customers interviewed stated that the Office of the Secretary Financial Management (OSFM) has been transparent by providing customers with billing documentation and has given customers the opportunity to provide input.

Comments on Recommendations

The Government Accountability Office (GAO) made four recommendations to the Department of Commerce in the report.

- **Recommendation 1:** Commerce's Chief Financial Officer/Assistant Secretary for Administration should document in the Working Capital Fund (WCF) Handbook the process, including roles and responsibilities, for determining and reviewing whether activities should be funded through the WCF or through another account, such as Commerce's S&E appropriation account.

Commerce Response: The Department of Commerce agrees with this recommendation. OSFM already has a process for determining the account and will document this in the Policy section of the next Working Capital Fund Handbook.

- **Recommendation 2:** Commerce's Chief Financial Officer/Assistant Secretary for Administration should document a policy for managing the WCF's balances - including the end-of-year unobligated and obligated balances - that describes how fund managers should evaluate, use, and maintain the balances over time.

Commerce Response: The Department of Commerce agrees with this recommendation. OSFM already targets an industry standard Working Capital Fund carryover balance. This target will be documented in the Policy section of the next Working Capital Fund Handbook.

- **Recommendation 3:** Commerce's Chief Financial Officer/Assistant Secretary for

**Appendix II: Comments from the Department
of Commerce**

Administration should create performance measures and a process for evaluating the WCF's overall management, such as measuring the billing error rates or the reliability of cost information. These performance measures should be aligned with Commerce's strategic goals to help determine if the WCF is operating effectively.

Commerce Response: The Department of Commerce agrees with this recommendation. OSFM released a customer survey in October 2022 requesting Bureau and Office of the Secretary customer feedback on each service provider within the Working Capital Fund. Additional performance measures will be developed.

- **Recommendation 4:** Commerce's Chief Financial Officer/Assistant Secretary for Administration should coordinate with OSFM and WCF service providers to create and document a process to regularly review the results of WCF performance measures.

Commerce Response: The Department of Commerce agrees with this recommendation. OSFM will follow up on the upcoming survey results and work with the Performance Office within the CFO/ASA to regularly review and communicate with service providers/customers.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Jeff Arkin, (202) 512-6806, arkinj@gao.gov

Staff Acknowledgments

In addition to the contact named above, Leah Q. Nash (Assistant Director), Alexander Ray (Analyst-in-Charge), Jacqueline Chapin, Jungjin Park, Robert Robinson, and Chris Woika made key contributions to this report. Meagan Baucom, Samantha Lalian, Steven Putansu, Rachel Stoiko, Roger Stoltz, and Kevin Walsh also contributed.

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