



September 9, 2002

MEMORANDUM

FOR: M/AS, Roberto J. Miranda

FROM: IG/A/ITSA, Melinda G. Dempsey /s/

SUBJECT: Risk Assessment of Major Functions Within the Office of the Director of the Office of Administrative Services, Bureau for Management
(Report No. A-000-02-001-S)

This memorandum is our report on the subject risk assessment. Although this is not an audit report, this report contains suggestions for your consideration. We have reviewed your comments, and they are included as Appendix II. I appreciate the cooperation and courtesy extended to my staff during the risk assessment.

Background

The Office of Administrative Services, Bureau for Management, (M/AS) provides logistical support services and administrative services worldwide and is responsible for functions costing approximately \$40 million annually. It is comprised of the Office of the Director and four divisions:

- Consolidation, Property and Services Division,¹
- Information and Records Division,²
- Overseas Management Support Division,³ and
- Travel and Transportation Division.⁴

During the past decade, the Office of Inspector General has performed few audits of the Office of Administrative Services' functions. In addition, the

¹ See risk assessment Report No. A-000-02-002-S.

² See risk assessment Report No. A-000-02-003-S.

³ See risk assessment Report No. A-000-02-004-S.

⁴ See risk assessment Report No. A-000-02-005-S.

Office of Administrative Services has received limited external reviews and evaluations from other sources. Given the lack of external independent reviews, including audits, we performed risk assessments of the major functions of the Office of the Director of the Office of Administrative Services.

The General Accounting Office's "Standards for Internal Control in the Federal Government" (November 1999) note that internal controls should provide reasonable assurance that agency objectives are being achieved, operations are effective and efficient, and assets are safeguarded against loss. Internal controls consist of the following five interrelated components. These components are the minimum level for internal control and provide the basis against which internal control is to be evaluated.

1. Management and employees should establish and maintain a control environment throughout the agency that sets a positive and supportive attitude toward internal control and conscientious management.
2. Internal control should provide for a risk assessment of the risks the agency faces from both external and internal sources.
3. Internal control activities should be effective and efficient in accomplishing the agency's control objectives and help ensure that management's directives are carried out.
4. Information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

This review focused on the second component—risk assessment. The GAO Standards note that the specific risk analysis methodology used can vary because of differences in agencies' missions and the difficulty in qualitatively and quantitatively assigning risk levels. This review assigned a risk exposure of high, moderate, or low for each major function. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or irregularities occurring. Appendix I describes in detail our risk assessment scope and methodology.

Discussion

The Office of the Director of the Office of Administrative Services, Bureau for Management, (M/AS) is responsible for the following three major functions.⁵ Our assessments of the risk exposure for each of these major functions are described below.

Function Description	Risk Exposure
Parking—Management of the parking program for the Ronald Reagan Building	High
Risk Assessment Factors	
<ul style="list-style-type: none">• Fiscal year 2001 USAID cost for parking was \$667,000 for 324 parking spaces within the Ronald Reagan Building—over \$2,000 on average for each parking space. This does not include an additional \$780 charged to carpool permit holders.• The management of parking directly affects the allocation of an employee benefit and, thereby, the perception of evenhandedness.• Approximately 20 percent of one staff member’s time is used to manage the allocation of Ronald Reagan Building parking spaces.• According to draft policy, the allocation of parking spaces is roughly allocated into the following categories: general carpools (45%), individual bureau allocations (42%), disabled employees (7%), executives (3%), and official vehicles (3%).• Clear ranking factors are published to evaluate general carpool applications.• Bureaus allocate their own parking spaces.• Documented internal control procedures for managing the parking program are out-of-date, from 1997.• The current Automated Directives System (ADS) 514, “Parking Program Administration”, is out-of-date, but is in the process of being finalized. The ADS chapter was last certified as current in January 1997. It is based on parking at the Department of State, rather than USAID’s current occupancy at the Ronald Reagan Building.	

⁵ Our risk assessments only covered major functions. In addition to major functions described in this report, the Office of the Director also is responsible for overall management, oversight, and coordination.

Function Description	Risk Exposure
ICASS—Participation in the policy functions of the Interagency Working Group for International Cooperative Administrative Support Services (ICASS)	Low
Risk Assessment Factors	
<ul style="list-style-type: none"> • ICASS is a cost distribution system to ensure that federal agencies reimburse one another for costs of common service functions primarily in overseas locations. • USAID’s fiscal year 2001 ICASS costs were \$33 million, which was 4 percent of the total of \$738 million charged to all federal agencies. However, Division staff do not control ICASS dollar allocations. • One staff member with approximately 15 years experience represents USAID on the Interagency Working Group for ICASS. • Two staff members represent USAID on Interagency Working Group committees for (1) budget, personnel, and awards and (2) handbook, training, studies, and information technology. 	

Function Description	Risk Exposure
Rental payments review—Review of rental payments for the Ronald Reagan Building and other USAID-occupied facilities	High
Risk Assessment Factors	
<ul style="list-style-type: none"> • Rental payments for seven different facilities from four different government agencies account for fiscal year 2001 costs of \$31.4 million. The \$31.4 million in rental payments is approximately 80 percent of the \$40 million budget for the Office of Administrative Services. Rent for the Ronald Reagan Building alone accounts for \$30.7 million in payments to the General Services Administration. • One staff member has been responsible for ensuring the accuracy of USAID rental payments. Bills from the General Services Administration and other government agencies at times contain errors that have to be reconciled. The staff person has effectively identified numerous instances of inaccurate billings resulting in substantial savings to USAID over the last five years. • No contingency arrangement is in place for performing this function in the event of an extended absence of this staff member. • Staff member did not receive formal training for the position. • Training for the function is not standardized. • Internal control procedures for performing the function are not documented. • Position description does not describe functional responsibilities. 	

Conclusion

Our risk assessments of the Office of the Director of the Office of Administrative Services, Bureau for Management, (M/AS) covered three functions and reached the following conclusions.

Function Description	Risk Exposure		
	High	Moderate	Low
Parking—Management of the parking program for the Ronald Reagan Building	✓		
ICASS—Participation in the policy functions of the Interagency Working Group for International Cooperative Administrative Support Services (ICASS)			✓
Rental payments review—Review of rental payments for the Ronald Regan Building and other USAID-occupied facilities	✓		

Based on these risk assessments, we suggest that the Office of Administrative Services focus its efforts to mitigate the higher risk associated with the functions of (1) management of the parking program and (2) review of rental payments for the Ronald Regan Building and other USAID-occupied facilities. Specifically for the parking program, we suggest that the Office:

- update the documented internal control procedures for managing the parking program and the ADS chapter 514, “Parking Program Administration”.

Specifically, for the review of rental payments, we suggest that the Office:

- develop written internal control procedures,
- update the position description to reflect responsibilities,
- standardize training requirements, and
- establish a contingency arrangement for performing this function in the event of an extended absence of the staff member.

The Office of Administrative Services management agreed with our risk assessments and our suggested courses of action. The Office of Administrative Services noted in their comments on the draft report (see Appendix II) that these assessments of vulnerabilities were an opportune first step for the business transformation urged by the new Assistant Administrator for the Management Bureau.

Scope and Methodology

Scope

The Office of Inspector General, Information Technology and Special Audits Division, conducted a risk assessment of major functions within the Office of the Director of the Office of Administrative Services, Bureau for Management (M/AS). This risk assessment was not an audit. The risk assessment covered operations principally for fiscal year 2001. The risk assessment was conducted at the USAID headquarters in Washington, D.C. from October 12, 2001 to February 14, 2002.

Our risk assessments of the Office of the Director's major functions have the following limitations in their application.

- First, we assessed risk at the major function level only, not at the Division or Office level.
- Second, we assessed risk only. Our risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. Consequently, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, and (c) determine if transactions were properly documented. If we were able to make these types of determinations within the scope of our work, we reported on them accordingly as part of our risk exposure assessments.
- Third, higher risk exposure assessments are not definitive indicators that program objectives were not being achieved or that irregularities were occurring. A higher risk exposure simply indicates that the particular function is more vulnerable to such events.
- Fourth, risk exposure assessments, in isolation, are not an indicator of management capability due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.
- Fifth, comparison of risk exposure assessments between organizational units is of limited usefulness due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.

Methodology

We interviewed officials as well as reviewed related documentation of major functions performed by the Office of the Director. These documents covered background, organization, management, budget, relevant laws and regulations, staffing responsibilities, prior reviews, internal controls, and risks (i.e., vulnerabilities). Our review of the Office of the Director documentation was limited and judgmental in nature and conducted principally to confirm oral attestations of management.

We identified the Office of the Director's major functions using the input of the Division Director and based on the significance and sensitivity of each major function. We determined risk exposure for all major functions in each division, e.g., the likelihood of significant abuse, illegal acts, and/or misuse of resources, failure to achieve program objectives, and noncompliance with laws, regulations and management policies. We assessed overall risk as high, moderate, or low. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or that irregularities were occurring. We considered the following key steps in assessing risk:

- (a) determined significance and sensitivity;
- (b) evaluated susceptibility of failure to attain program goals, noncompliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources;
- (c) were alert to "red" flags such as a history of improper administration or material weaknesses identified in prior audits/internal control assessments, poorly defined and documented internal control procedures, or high rate of personnel turnover;
- (d) considered management support and the control environment;
- (e) considered competence and adequacy of number of personnel;
- (f) identified and understand relevant internal controls, and
- (g) determined what is already known about internal control effectiveness.

These risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. As part of the review methodology, we did (a) identify, understand, and document (only as necessary) relevant internal controls and (b) determine what was already known about the effectiveness of internal controls. However, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented. In some cases, we were able to make these assessments and reported on them accordingly as part our risk exposure assessments.

**Management
Comments**

March 19, 2002

MEMORANDUM

TO: Melinda Dempsey, IG/A/ITSA

FROM: Roberto J. Miranda, M/AS/OD

SUBJECT: Risk Assessment of Major Functions Within the
Office of the Director of the Office of
Administrative Services
(Report No. A-000-02-xxx-S)

M/AS/OD worked closely with the Inspector General's office on this survey believing that this assessment of vulnerabilities was an opportune first step on the way to the business transformation urged by the new Assistant Administrator for the Management Bureau. We concur in the assessment of risk and recommendations.

Parking: The ADS 514 Chapter, "Parking Program Administration" is being updated. It is expected that it will go out for final clearance before the end of April.

Rental Payments: M/AS/OD will develop written internal control procedures, update the PD to reflect responsibilities, and establish a contingency arrangement for performing this function in the event of an extended absence of the staff member.

In closing, M/AS/OD appreciates the professional assistance, courtesy and help of the IG staff, particularly as we work to implement your recommendations.