

Office of Inspector General

**U.S. Department of Labor
Washington Audit Office**

**STATE OF WYOMING
DEPARTMENT OF EMPLOYMENT
REVIEW OF STAFF TIME CHARGING
Period of Review
October 1, 1998 thru September 30, 2001**

**Report Number: 21-02-300-11-001
Date Issued: March 18, 2002**

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EXECUTIVE SUMMARY

This report contains the results of our review of a hotline complaint pertaining to inappropriate time charging in the State of Wyoming's Department of Employment (Wyoming). Our primary objective was to determine if the following allegations could be substantiated:

- Additional Activities to Maintain Currency (AAMC) funds carried over from the prior fiscal year were misused to supplement BLS' base program funds.
- Research and Planning (R&P) staff were instructed to charge time to specific Fund Ledger Codes based on predetermined percentages to ensure all funds were spent by the end of the fiscal year.

In summary, we found (1) AAMC carryover funds were not used to supplement BLS base programs, nor was there a violation of the Federal appropriation law relating to the use of these funds; however, (2) the R&P staff inappropriately charged time to BLS programs by using predetermined percentages.

We recommend that BLS:

Follow up with Wyoming to verify that the R&P staff are recording only the time they actually work on each program, and work with Wyoming to utilize BLS' budget funding flexibility procedures that allow the State grantees funding flexibility between BLS programs.

Issue a Labor Market Information (LMI) Administrative Memorandum on the subject of state time charges. The memorandum should be issued to all participating states and BLS regional commissioners (RC) and cover (1) subject matters pertaining to clarifying and documenting proper staff time reporting procedures; and (2) instructions pertaining to BLS RCs' responsibilities relating to state time reporting.

In its response to our draft report dated February 19, 2002 (*Appendix A*), BLS stated that its Dallas Regional Office will periodically follow up with Wyoming to ensure staff is fully informed of the need to reflect time charges appropriately and that the time charged is accurately reflected.

In addition, the Dallas Regional office will ensure that Wyoming management and financial staffs are fully aware of the flexibility inherent in the budget variance process. Finally, within 6 months of the issuance of the final report, BLS' National Office will issue an LMI Administration Memorandum to address each of the points in the recommendation to State grantees and BLS regional office staff.

Based upon BLS' response, the status of the two recommendations in Finding 2 are as follows:

Recommendation #1 is **resolved and open** based on BLS' planned corrective action to follow up with Wyoming. To close this recommendation, BLS needs to provide documentation to OIG summarizing the follow up actions taken.

Recommendation #2 is **resolved and open** based on BLS' plan to issue an LMI Administrative Memorandum to State grantees and BLS regional office staff. To close this recommendation, BLS needs to issue the LMI Administrative Memorandum that addresses the points made in the recommendation.

INTRODUCTION

Background

In October 2001, the OIG received a hotline complaint alleging the misuse of AAMC accounts by Wyoming. The complainant also alleged that the Director of LMI had initiated a practice where staff were instructed to charge predetermined percentages of their time to programs to ensure all the funds were spent by the end of the program year. Further, the complainant alleged that the LMI Director considers all the funding to be a block grant.

In addition to the allegations, the complainant provided a copy of a DOL OIG report (Number: 12-97-008-11-001) where similar issues pertaining to AAMC funds were discussed. The complainant stated that these findings in this report were ignored.

Objective and Scope

The objective of our review was to determine if the following two allegations could be substantiated: (1) AAMC funds carried over from the prior fiscal year were misused to supplement BLS' base program funds; and (2) R&P staff were instructed to charge time to specific Fund Ledger Codes based on predetermined percentages to ensure all funds were spent by the end of the fiscal year.

We interviewed BLS officials at the National Office and Dallas Regional Office, and we interviewed all 19 staff in the State's R&P section. In addition, we had telephone conversations with the complainant, and we reviewed staff time sheets and State reports.

Our review was conducted in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States.

FINDINGS AND RECOMMENDATIONS

The following two findings describe the allegations and our conclusion. Since we did not find a problem with the first allegation, a recommendation was not warranted. The second allegation was substantiated; thus, recommendations are included with this finding.

3. **AAMC carryover funds were not used to supplement BLS' base programs, nor was there a violation of the Federal appropriation law relating to the use of these funds.**

One of the allegations in the hotline complaint pertained to a Federal appropriation law issue, which alleged that AAMC funds carried over from the prior fiscal year were being misused to supplement BLS' base program budgets.

AAMC funds are used by BLS to develop special projects that support or enhance its base programs. Both the base programs and the AAMC funds come from the same appropriation. AAMC funds obligated in one year can be carried forward to the next year; however, those funds are restricted to the project for which they were obligated.

We determined, through reviews of staff time sheets and interviews with the staff who worked on AAMC projects, that staff were reasonably charging their time to the AAMC accounts. Therefore, *the allegation of staff using AAMC carryover funds to work on other BLS base programs was not substantiated.*

2. **R&P staff inappropriately charged time to BLS programs.**

The complainant alleged that R&P staff had been instructed by the R&P manager to charge their time to specific programs using predetermined percentages to ensure all the funds were spent by the end of the fiscal year.

We interviewed all 19 R&P staff and compared the staff time sheets to the information the staff provided on the amount of time they estimated working on BLS programs. We found that 13 staff were recording their time, as instructed by the R&P manager, to specific Fund Ledger Codes (FLC) based on predetermined percentages. The remaining six staff were recording their actual hours worked on each program.

Of the 13 staff recording their time to specific FLCs based on predetermined percentages, four staff had significant differences between the hours reported on their individual monthly time sheets compared to the actual hours worked by FLC. Two of these four staff, worked exclusively on the 202 program, but were charging one-half of their time each month to the CES program. The remaining nine staff had insignificant differences between the hours reported on their monthly time sheets, compared to the hours they estimated that they had worked on their assigned programs.

We discussed the issue of staff being instructed to charge predetermined percentages to

specified FLCs with the R&P manager. He stated that he considers all funding received from BLS to be a block grant. Further, to ensure all deliverables are met within each program's budget, he adopted this strategy. He further stated that if staff were only allowed to work on a program up to the budget limitation, deliverables would not be met and experienced staff might have to be laid off. This would be disruptive to the office, and staff would have to be hired and trained when new funding was received.

BLS has procedures that allow the state grantees funding flexibility. The procedures are: (1) states may propose to redirect funds among programs modifying the cooperative agreement; (2) funds can be moved from state to state through the modification process; and (3) states can move funds from base programs with surpluses to base programs with deficits, within their overall cooperative agreement funding total, at the end of the fiscal year, using BLS' budget variance policy.

In addition, states can use predetermined percentages to allocate costs to programs, but must periodically test these percentages to ensure they accurately reflect actual hours worked. The individual time sheets, signed and dated by the employee and supervisor, should always report actual hours worked on specific programs. This recorded time can periodically be used to test the predetermined percentages.

Conclusion

R&P staff inappropriately charged time on their individual time sheets. BLS policies allowing states funding flexibility and other cost allocation methodologies eliminate the need for Wyoming to continue its current staff time charging practice. In a response received from Wyoming, dated January 16, 2002, the Administrator from the Employment Tax Division, stated: "All staff have been instructed to report actual hours worked in each program, as of January 2, 2002."

Recommendations

To ensure Wyoming has discontinued its improper time charging practice and that all states properly administer BLS programs, we recommend that BLS:

1. Follow up with Wyoming to verify that the R&P staff is recording only the time they actually work on each program, and work with Wyoming to utilize BLS' budget funding flexibility procedures.
2. Issue an LMI Administrative Memorandum to all participating states and BLS regional commissioners to cover the following:
 - a. reinforce that when submitting financial reports, the states are certifying that they are correct and, thus, that time charges were accurately recorded;
 - b. specify that state staff must accurately reflect their time according to the activity worked and using predetermined percentages to allocate time charges between activities is

prohibited;

- c. reinforce that the budget variance process is the correct mechanism to use to balance marginal differences in spending among the programs;
- d. require the BLS Assistant Regional Commissioners to review the above LMI memorandum and other administrative reporting requirements with the LMI Directors, on an annual basis; and
- e. require regional staff to report any indication where there is a misrepresentation of staff working on their program.

Auditee's Response

In its response to the draft report, BLS stated that its Dallas Regional Office will periodically follow up with Wyoming to ensure staff is fully informed of the need to reflect time charges appropriately and that the time charged is accurately reflected. In addition, the Dallas Regional office will ensure that Wyoming management and financial staffs are fully aware of the flexibility inherent in the budget variance process. Finally, within 6 months of the issuance of the final report, BLS' National Office will issue an LMI Administration Memorandum to address each of the points in the recommendation to State grantees and BLS regional office staff.

Auditor's Conclusion

Recommendation #1 is **resolved and open** based on BLS' planned corrective action to follow up with Wyoming. To close this recommendation, BLS needs to provide documentation to OIG summarizing the follow up actions taken with respect to Wyoming.

Recommendation #2 is **resolved and open** based on BLS' plan to issue an LMI Administrative Memorandum to State grantees and BLS regional office staff. To close this recommendation, BLS needs to issue the LMI Administrative Memorandum that addresses the points made in the recommendation.



FEB 19 2002

MEMORANDUM FOR: ELLIOT LEWIS
Acting Deputy Inspector General for
Audit

FROM: LOIS ORR *[Signature]*
Acting Commissioner

SUBJECT: State of Wyoming Staff Time Charging
Draft Report No. 21-02-300-11-001

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report regarding the State of Wyoming Staff Time Charging Draft Audit (No. 21-02-300-11-001).

The Bureau of Labor Statistics (BLS) agrees with both of the findings of the draft report concerning the inappropriate practices by the State of Wyoming. Regarding Finding 1, no action is required on the part of the BLS. Regarding the recommendations pertaining to Finding 2, the BLS Dallas Regional Office will periodically follow up with Wyoming to ensure that Research and Planning (R&P) management and staff are fully informed of the need to reflect time charges appropriately and that time charges are accurately reflected. In addition, the Dallas Regional Office will ensure that the Wyoming management and financial staff are fully aware of the flexibility inherent in the budget variance process. Finally, within six months of the issuance of the final report, the BLS National Office will issue an LMI Administrative Memorandum that addresses each of the points (2.a.-e.) included in the recommendations to State grantees and BLS regional office staff.

I appreciate your continued assistance in this matter. If you have any questions, please contact Jesús Salinas in the Division of Management Systems on Area Code 202-691-7628.