

**FINDINGS AND RECOMMENDATIONS TO THE
CHIEF FINANCIAL OFFICER
AS A RESULT OF AN AUDIT OF THE
U.S. DEPARTMENT OF LABOR'S
PRINCIPAL FINANCIAL STATEMENTS
September 30, 2001**

**U.S. Department of Labor
Office of Inspector General
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CFO FINDINGS AND RECOMMENDATIONS

ACRONYMS iii

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ACRONYMS

ACPS	Automated Compensation Payment System
ALC	Account Location Code
APO	Accountable Property Officer
BAM	Benefit Accuracy Measurement
BCDS	Back Wage Collection and Disbursement System
BLAS	Black Lung Accounting System
BLBM	Black Lung Benefits Manual
BLDTF	Black Lung Disability Trust Fund
BLS	Bureau of Labor Statistics
BPS	Bill Payment System
BQC	Benefits Quality Control
BTS	Back Wage Tracking System
CAMO	Capitalized Asset Management Officer
CASU	Centralized Administrative Support Unit
CATARS	Capitalized Asset Tracking and Reporting System
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMP	Civil Monetary Penalties
CY	Calendar Year
DCMWC	Division of Coal Mine Workers Compensation
DFEC	Division of Federal Employees' Compensation
DHHS	U.S. Department of Health and Human Services
DLMS	Department of Labor Manual Series
DOL	U. S. Department of Labor
DOLAR\$	Department of Labor Accounting and Related Systems
EEOICP	Energy Employees' Occupational Illness Compensation Program Act
EIMS	Electronic Information Management System
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulations
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FMSC	Financial Management Service Center
FY	Fiscal Year
GPRA	Government Performance and Results Act
IMIS	Integrated Management Information System
JCC	Job Corps Center
JFMIP	Joint Financial Management Improvement Program
JTPA	Job Training Partnership Act
OASAM	Office of the Assistant Secretary for Administration and Management
OC	Office of the Comptroller
OCFO	Office of the Chief Financial Officer
ODI	OSHA Data Initiative
OLRFI	Office of Labor Racketeering and Fraud Investigations
OIG	Office of Inspector General
OMAP	Office of Management and Planning

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OMB	Office of Management and Budget
OMS	Outcome Measurement System
OSHA	Occupational Safety and Health Administration
OWCP	Office of Workers' Compensation Programs
OWS	Office for Workforce Security
PMS	Payment Management System
PV	Public Voucher
PWBA	Pension and Welfare Benefits Administration
RCC	Record Classification Code
RMO	Responsible Mine Operator
SESA	State Employment Security Agency
S&E	Salaries and Expenses
SCE	Senior Claims Examiner
SFFAS	Statement of Federal Financial Accounting Standards
SFO	Servicing Finance Office
UIDV	Unemployment Insurance Data Validation
UIS	Unemployment Insurance System
USC	United States Code
WCF	Working Capital Fund

Mr. Samuel T. Mok
Chief Financial Officer
U.S. Department of Labor
Washington, DC 20210

**Deputy Inspector General's Report on the
Findings and Recommendations to the Chief Financial Officer
Related to the FY 2001 Consolidated Financial Statement Audit**

We have audited the Principal Statements of the United States Department of Labor (DOL) as of and for the year ended September 30, 2001, and have issued our report thereon dated January 11, 2002. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements."

In planning and performing our audit, we considered DOL's internal control over financial reporting by obtaining an understanding of the Department's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted certain matters, discussed in the following pages, involving the internal control and its operations that we consider to be reportable conditions. However, none of the reportable conditions is believed to be a material weakness.

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With respect to internal control related to performance measures reported in the Department's FY 2001 Performance and Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

This report does not contain current or prior year findings and recommendations pertaining to our audit of the Department's general controls and security over EDP systems that support the financial statements in accordance with GAO audit guidelines. A separate report was issued to the Chief Information Officer containing EDP related findings and recommendations for resolution.

The Deputy Inspector General's Report, which expresses our opinion on the fair presentation of DOL's Fiscal Year 2001 principal financial statements, and our reports on internal control and compliance with laws and regulations, are presented in the Department's FY 2001 Performance and Accountability Report. In order to provide information to management that could help in the development of responses and corrective actions for the instances of noncompliance, reportable conditions and other conditions noted (Management Advisory Comments), we are providing the following detailed findings and recommendations to the Chief Financial Officer (CFO). This report is intended solely for the information and use of the management of the Department of Labor, OMB and Congress, and is not intended to be used and should not be used by anyone other than these specified parties.

ELLIOT P. LEWIS
Acting Deputy Inspector General for Audit

January 11, 2002

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The following chart summarizes the open recommendations by area of concern and the year first identified:

AUDIT AREA	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Total Open
Crosscutting Issues:											
Debt Management							1				1
Funds with U.S. Treasury							1		1		2
Accounting for Grants			1	1	1	1		3	3	1	11
Property and Equipment								1		4	5
Procurement							1	4	1		6
Accounts Payable										1	1
Fines And Penalties								1			1
Miscellaneous Revenues								1			1
Working Capital Fund Cost Allocation									1		1
Performance Measures	6	1	1	1							9
Program Specific Issues:											
Wage and Hour's Back Wage Systems		1				1					2
Wage and Hour CMP Systems		2				3					5
FECA Program			2		1	2		2			7
Black Lung Program							5	4			9
Job Corps Program										2	2
Unemployment Trust Fund						1			2	4	7
Total Open Recommendations	6	4	4	2	2	8	8	16	8	12	70

Reportable Conditions

1. Unemployment Trust Fund

Current Year Findings and Recommendations

a. Benefits Accuracy Measurement (BAM)

The Office of Workforce Security (OWS) has two systems which measure benefit overpayments for the UI program. These systems play an important role in detecting and preventing overpayment of UI benefits, and as such are part of management's controls to ensure that UI resources are used consistent with the agency mission and are safeguarded from waste, fraud, and mismanagement.

Each state has a Benefit Payment Control (BPC) system to identify and investigate benefit overpayments. The BPC process identifies over \$600 million (annually) of overpayments, which are established as receivables for collection. These overpayments are reported by states on the ETA Form 227 and are used by DOL to establish the amount recorded as a receivable for financial reporting purposes. The states reported overpayments for FY 2001 and FY 2000 of approximately \$669 and \$599 million, respectively.

The states also have a Benefits Accuracy Measurement (BAM) unit. The BAM unit uses statistical sampling techniques to determine the accuracy of UI benefit payments and project these sample results to the entire benefit payment universe. Each state's BAM unit draws a weekly sample of benefit payments (annual sample of approximately 25,000 claims), reviews the records, and contacts the claimant, employers, and third parties (either by telephone, person, or by fax) to verify all information pertinent to the amount paid for the sampled week. According to OWS, the BAM projections, at the national level, are at a 95 percent confidence level plus or minus a sampling error less than one percentage point. BAM management concludes that their projections have a very high degree of accuracy, due to the sampling precision achieved and the care taken to ensure that samples are randomly selected and are tested consistently throughout the country. BAM results are reported each year in the UI Performs annual report.

The BAM unit projected the following overpayments during the last five calendar years:

<u>Calendar Year</u>	<u>Projected Overpayments</u>	<u>Projected Overpayment Rate</u>
1997	\$ 1.6 billion	8.7 %
1998	\$ 1.5 billion	8.5 %
1999	\$ 1.8 billion	9.1 %
2000	\$ 1.7 billion	8.5 %
FY 2001 (preliminary)	\$ 2.3 billion	8.4 %

Over the past 5 years, the BAM data reflect little change in the UI overpayment rates. In fact, the overpayment rate has remained relatively flat since 1989 at about 8.5 percent. This data

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indicate a lack of significant improvement in the states' methods and systems for preventing overpayments. Furthermore, while the BAM national average for overpayments is around 8.5 percent, some states reflect significantly higher overpayment rates. For example, in CY 2000 there were 20 states with overpayment rates in excess of 10 percent, of which 7 exceeded 15 percent.

According to management, the BAM payment accuracy data is a management tool that states can use to identify areas of UI program operations that could be improved. Due to differences in state UI laws, the BAM accuracy data are not considered comparable between states and, accordingly, are not used to identify the need for corrective action or to measure improvements (or lack thereof) to existing benefit payment systems. Conversely, the BAM data are not used to identify states that are doing a good job of preventing and detecting overpayments for purposes of developing best practices or sharing successful methodologies.

This policy appears contrary to information published in the UI Performs CY 2000 Annual Report, page 9, which states the following: "BAM is a diagnostic tool used to identify payment errors and measure the effect of previously initiated corrective actions. . . . The BAM program gathers information to assist States in developing program improvement plans to correct problems in the UI benefit payment systems and to enable them to measure the effects of implementing those plans. . . . The BAM methodology is a sound means for measuring the accuracy of State UI administration, and thus, BAM is an integral part of the Secretary's oversight system. It is the major vehicle by which the Department oversees the accuracy of State UI benefit payments."

We also noted that the BAM data reflect significantly higher overpayments than those established and reported by the BPC, \$2.3 billion versus \$669 million, respectively. We discussed this difference at length with management, and were told that a significant portion of the \$2.3 billion in overpayments represent instances which are either non-recoverable or are not detectable given current operating procedures. They provided the following information.

Non-recoverable overpayments	\$.484 billion	21%
Overpayments which are not detectable using current procedures	<u>.859 billion</u>	<u>38%</u>
Subtotal	1.343 billion	59%
Overpayments considered to be detectable and recoverable	<u>.941 billion</u>	<u>41%</u>
Total projected overpayments	<u>\$ 2.284 billion</u>	100%

According to ETA, non-recoverable overpayments include cases which cannot be recovered under state law, such as when the statute of limitations has expired. Overpayments which are not detectable using current procedures include certain "cause" categories (e.g., work search issues), which can only be cost-effectively monitored/investigated on a sample basis. These types of overpayments could be recovered by states if identified, but detection on a routine basis is not feasible. Other recoverable overpayments include overpayments that BPC activities could, given sufficient resources, be expected to identify.

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We understand that the difficulty involved in detecting overpayments will vary depending on the underlying cause, and that certain types of overpayments require more time and resources to detect than others. However, the loss of UI resources due to overpayments deemed non-recoverable or not-detectable, over \$1 billion in FY 2001, requires increased DOL involvement. After discussing this issue with management, we conclude that additional efforts should be made in those areas where there is room for improvement, such as the development of best practices, the identification of overpayments prior to expiration of the statute of limitations, and the timely pursuit of new hire directories and access to national databases.

Since the projected overpayments for FY 2001 exceed \$2 billion, a significant amount, and the overpayment rates reflect little improvement in internal control at the states in the past 12 years, we believe there is a need for improvement in the states' internal controls over UI benefits payments. While management is taking great efforts to measure benefit overpayments, it is evident that these efforts have not resulted in reduced overpayment rates or improved safeguarding of trust fund assets. The effect of not improving ETA controls over benefit payments and overpayment detection, will be the continued loss of significant trust fund resources.

According to OMB A-123, management is required to implement, assess and improve management controls over their programs, and to implement corrective actions in response to deficiencies noted. This circular states:

Section I. Resources must be used consistent with agency mission, in compliance with law and regulation, and with minimal potential for waste, fraud, and mismanagement.

Section III. Agency managers should continuously monitor and improve the effectiveness of management controls associated with their programs.

Section IV. Agency managers are responsible for taking timely and effective action to correct deficiencies identified by the variety of sources discussed in Section III. Correcting deficiencies is an integral part of management accountability and must be considered a priority by the agency.

In a recent study conducted by GAO, *Strategies to Manage Improper Payments, Learning from Public and Private Sector Organizations*, GAO found the following:

Despite a climate of increased scrutiny, most improper payments associated with federal programs continue to go unidentified as they drain taxpayer resources away from the missions and goals of our government. They occur for many reasons including insufficient oversight or monitoring, inadequate eligibility controls, and automated system deficiencies. However, one point is clear based on our study—the basic or root causes of improper payments can typically be traced to a lack of or breakdown in internal control.

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We recommend that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that OWS management:

- 1. Develop a written plan to utilize the data produced by the BAM unit as the impetus for improving internal controls over the benefit payment process. Specifically, the plan should address:**
 - **procedures to analyze overpayment rates for purposes of identifying statistically valid improvement, or lack thereof, in overpayment rates at the national and state levels;**
 - **methods to assist the states in developing system improvements, such as best practice studies; and**
 - **improved monitoring of the states to ensure that corrective actions are implemented when necessary.**
- 2. Accelerate efforts to pursue wage and employment information at the state and national levels which will assist ETA in preventing overpayments and detecting overpayments on a timely basis, such as the social security database and state and national directories of new hires.**
- 3. Compile BPC overpayment data in categories consistent with those used for the BAM data, in order to identify which types of overpayments are not being detected by the BPC and use the data to prioritize the areas most in need of improvement.**
- 4. Perform and document cost benefit analysis for those overpayments identified as not being detected by the BPC, in order to determine whether or not additional resources should be dedicated in these areas.**

Management's Response:

ETA funds one staff position in each state to analyze payment accuracy rates and identify potential improvements. Analysts in the Office of Workforce Security develop extensive analyses of BAM data. In addition, each year OWS publishes analyses of the BAM accuracy rates, including breakouts by cause and responsibility and year-to-year changes in state overpayment and underpayment rates. OWS also responds to ad hoc requests for BAM data by producing analytical summaries and reports

For a number of years there have been few new techniques available to improve the prevention and detection of overpayments in the recoverable - detectable cause categories. However, there are two promising techniques that are currently being pursued. One is funding to promote state use of in-state new hire data, and the second is an on-line verification of SSNs, names, dates of birth, and any social security payment amounts by states with the Social Security Administration. ETA met with SSA officials in June and staff are working to facilitate a reciprocal data exchange between states and SSA.

In 2001 ETA sponsored a conference where BPC activities were highlighted that focused on best practices for improving the financial integrity of state UI systems. Over 200 state staff and federal staff including 22 IG representatives participated in this highly rated conference. ETA also sponsored another conference in 2001 that focused on improving the quality of state

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determinations related to qualifying and eligibility for UI benefits. About 200 state and federal staff participated in that conference.

When states fail to meet one of the required performance criteria, corrective action plans are required and progress is monitored by regional offices. There are no criteria related to overpayment rates because the aggregate data are not comparable among states.

ETA will continue to promote state use of in-state new hire data, and to facilitate on-line verification of SSNs, names, dates of birth, and any social security payment amounts by states with the Social Security Administration. ETA met with SSA officials in June and staff are working to facilitate a reciprocal data exchange between states and SSA.

ETA will examine the costs and possible benefits of this recommended reporting change.

ETA will undertake these analyses. There are two groups of overpayments not detected by BPC—one group is not detectable through normal operating procedures or BPC activities. The other group is made up of those that are detectable through BPC activities, but which are not being detected. Each is discussed briefly below.

Non Detectable. As an indicator of the resources that would be required to audit each UI beneficiary's claim in the detail that the BAM investigation does, we know that each sampled case costs approximately \$434. The annual cost of conducting a BAM-type audit for all UI beneficiaries would be about \$3.9 billion. The amount of overpayments estimated by BAM as not detectable using normal operating procedures -- but detectable through BAM audits-- totaled \$859.8 million in FY 2001. Detectable. Analysis conducted in early 1996 indicated approximately \$270 million was needed to support BPC and tax audit activities. Due to budget constraints, ETA requested \$89 million in 1998, but no funds were appropriated. For each of the next two fiscal years \$91 million was requested and appropriations of \$20 million and \$35 million respectively were made.

OIG Conclusion:

The information presented in management's response was provided during the audit, and was considered in developing our final conclusions and the resulting recommendations. We understand that Federal agencies are tasked to operate and monitor programs, such as the UI program, within the constraints of available resources. However, this should not preclude program managers from continually evaluating and improving existing practices and methodologies. After in-depth discussions with management, we concluded that there is room for improvement in the existing practices relative to UI overpayment prevention and detection. These recommendations are **unresolved**. Resolution is dependent upon submission of a detailed corrective action plan with appropriate dates for implementation.

Prior Year Finding and Recommendation

Unemployment benefit payments reported by States on form 2112 and recorded in DOLAR\$ were understated.

In our FY 2000 audit report (OIG Report No. 22-01-006-13-001), we reported certain deficiencies in the reconciliation process for unemployment benefits reported by the states and

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those reflected on Treasury statements. We found that ETA's reconciliation process provided only Federal funds data from the Financial Management Reporting System (FMRS) to the states for reconciliation purposes, and that OCFO reconciliations identified significant misstatements in advances to states and state unemployment benefit expenses. Furthermore, states reported drawdowns net of the Federal income tax paid on their behalf by Treasury and reported benefit payments net of Federal income taxes withheld from claimant payments on the State benefit account shown on ETA form 2112. The net benefit payments were recorded in the Unemployment Insurance Data Base (UIDB) and used to reduce gross State drawdowns recorded in DOLAR\$. We made the following recommendations:

We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that:

- *Reconciliations using FMRS and Treasury data are performed timely and include comparisons of drawdowns for State benefits in addition to drawdowns for Federal benefits.*
- *ETA monitors the reconciliation process on a quarterly basis and provides the OCFO status reports on the results of the reconciliations.*
- *OCFO documents procedures used to verify that State reported data recorded in DOLAR\$ through the FMRS is accurate.*
- *OCFO evaluates analytical procedures used to verify State UI advance, accounts payable, and benefit expense data entering DOLAR\$. This evaluation should include an analysis of whether the procedures are proper in design and application. The allowable variance from expectation should be determined in such a way that significant changes in the above mentioned balances would be detected.*

During FY 2001, we found that the Financial Management Reporting System (FMRS) produced monthly schedules of comparison of State drawdowns to the amounts deposited by the respective States. The comparison schedules for FY 2001 identified large differences between the two of approximately \$334 million. The OCFO has recorded most of the differences; however, the States have not consistently corrected the ETA form 2112 and some of the States continue to report disbursements net of IRS taxes. Until such time as the States correct for prior-period errors and report correct information on the 2112, the schedules will continue to show large differences. Management has indicated that during FY 2002, a visit will be made to each State to assist the State with reconciling the FY2001 data and to make appropriate prior-year adjustments. Recommendations 1. and 2. remain **resolved and open**. Closure is dependent upon completion of the reconciliations and substantial correction of the ETA 2112s, and upon disbursement data being reported at the gross amount, rather than net of IRS taxes. Recommendations 3. and 4. are **closed** based on procedures performed by the OCFO during FY 2001.

Management's Response:

Management concurs.

2. Property and Equipment

Current Year Finding and Recommendation

a. Accountable Property

During our audit, we noted that several agencies did not have written procedures and systems to identify and track accountable property. Accountable property consists of non-capitalized property that is sensitive or at a greater risk of loss. The DLMS 2, Chapter 100 *Property Management* discusses certain types of items included in this category, such as automatic data processing equipment, communications equipment, lab equipment, and other specialized tools. Specifically, we noted that OASAM, ETA, and ESA do not have adequate written procedures and systems developed for identifying and tracking accountable property.

ESA stated that there is not an adequate departmental system for tracking accountable property. ESA also indicated that they do comply with the Department's capital asset standards and that they will comply with any future departmental directives under a new property inventory system. The DLMS 2 Chapter 100, however, requires the agency's Property Management Officer (PMO) to manage the acquisition, utilization and disposition of property within the agency or region, and the accountable property officers are responsible for the custody, record keeping, reporting, and use of property. Therefore, ESA must maintain inventory records of accountable property regardless of whether the Department maintains a centralized system.

ETA stated that they do maintain an inventory of certain items, but we were not provided a copy of this inventory listing. However, ETA also stated that they do not maintain an inventory of ADP equipment. ETA plans on taking a physical inventory of all personal computer and LAN printers and entering this inventory into a tracking system. The agency does not have written procedures for identifying and tracking all accountable property.

OASAM stopped using the accountable property systems described in the DLMS in FY 1996. Since then, the national office and the regions have been using their own systems or have not been tracking property at all. There are no written procedures for these individual systems.

Title 40, Section 483 of the United States Code (U.S.C.) states that each agency shall maintain adequate inventory controls over the property under its control. Title 31, U.S.C. 3512 requires each agency to establish systems of accounting and internal controls that provide effective control over, and accountability for, assets for which the agency is responsible.

In addition, the JFMIP Property Management Systems Requirements (October 2000) states that property management systems are critical for establishing financial accounting and maintaining physical accountability over property. According to the JFMIP, one category of property which must be tracked includes sensitive or controlled property that is expensed when acquired.

The Department is proposing to increase the capitalization threshold from \$25,000 to \$50,000. Future purchases under this threshold will no longer be tracked in CATARS and will be categorized as accountable property. Without adequate procedures and systems for tracking

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accountable property, these agencies cannot ensure that its assets are being safeguarded against loss or theft.

Recommendation

- 1. We recommend that the Chief Financial Officer ensures that the Assistant Secretary for Administration and Management establishes written Department-wide procedures, including JFMIP property management system requirements, for identifying and tracking all accountable property.**

- 2. We recommend that the Chief Financial Officer ensure that the Assistant Secretaries for Administration and Management, Employment and Training and Employment Standards identify and track accountable property to be incorporated into a property management system.**

Management's Response:

Management concurs with the OIG recommendation that the Chief Financial Officer ensure that the Assistant Secretary for Administration and Management establishes written Department-wide procedures, including JFMIP property management system requirements, for identifying and tracking all accountable property. We take exception to the OIG statement that "there is no effort underway to centralize" the tracking of accountable property, and we note that OASAM is already addressing the issues raised.

OASAM is in the process of developing and implementing a strategy to revise how we acquire and account for property across the Department. This strategy is consistent with the President's Management Agenda e-government initiatives to have easy-to-find single points of entry for government services and information, reduce the expense and difficulty of doing business, and make government more transparent and accountable. A part of our strategy will be to also ensure that the DOL property management system is integrated with other related financial management and e-procurement systems to exploit their data sharing capabilities.

As part of our initial steps to develop a DOL-wide system, we conducted a preliminary review of current DOL property management operations. This review revealed that the Department does not have uniform procedures and data sharing among the financial, procurement and property systems, as required under Joint Financial Management Improvement Program. OASAM is committed to the concept that the implementation of a well-coordinated property management program, supported by state-of-the-art property management system, is critical to achieving the goals of the Department and will work with DOL agencies collaboratively to consider their interests as the new system is planned and developed.

The involvement of each DOL Agency is essential to ensuring that the system developed meets property management needs across DOL. To that end, we will request the designation of a senior official from each DOL Agency to serve on a DOL-wide property management task force. The Administrative Officers Group will be used as the steering committee to provide general direction and oversight for this project. With support from the Office of the Chief Financial Officer, and OASAM's Information Technology Center, the task force will be used to develop and recommend more detailed policies, procedures and practices to implement the

system, as well as ensure the technical solution is compliant with DOL's information technology architecture.

OIG Conclusion:

While the goals outlined in Management's response appear adequate, the creation of a task force does not constitute an adequate plan to achieve these goals. Therefore, this recommendation is **unresolved**, pending receipt and review of an acceptable corrective action plan with time frames for completion.

3. Accounting for Grants

Status of Prior Year Findings and Recommendations

DOLAR\$ Grant Transactions Not Reconciled to DHHS/PMS

In our FY 2000 audit (OIG Report No. 22-01-006-13-001), we reported that ETA did not reconcile transactions recorded in the Department of Health and Human Services (DHHS) Payment Management System (PMS) to those recorded in the DOLAR\$ general ledger. Since PMS is the initial system of record for grant payment transactions, it is essential that all of these transactions accurately interface to DOLAR\$, and that the two systems reconcile. In addition, the Department's written policy (DLMS-6 Chapter 7, paragraph 713) requires agencies to reconcile their respective financial information recorded in the two systems at least quarterly. In ETA's case, these requirements apply to both the payments processed by PMS as well as the obligations recorded in PMS (the obligation controls the total amount available for draw down). The PMS Synchronization Reports (Sync Reports) have been developed to assist the granting agencies in reconciling information recorded on the two systems.

We made the following recommendations:

We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that ETA implements policies requiring routine reconciliations of grant transactions recorded in DOLAR\$ to those recorded in PMS. Specifically, procedures should have the following:

- S Reconciliations should analyze the differences identified on the Sync Reports and include an appropriate resolution of the differences noted for each document, and should be sufficiently documented.*
- S Reconciliations should be performed at least quarterly for both obligations and payments, in compliance with the DLMS requirements. However, ETA should consider monthly reconciliations for payments, due to the volume of payment transactions.*
- S Grant closeout procedures should include a determination that the documents are in balance with PMS (grants should not be closed if the documents reflect different payments on PMS than those reflected on DOLAR\$).*

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Our audit disclosed that ETA initiated a reconciliation process in FY 2001. The reconciliations performed focused on the current year's documents (FY 2001 documents). Our review of the PMS Sync report for the FY 2001 documents indicated that only a few documents had differences, and we conclude that the reconciliation process utilized by ETA effectively identified and corrected differences between the two systems. However, the Sync Report continues to reflect numerous differences for documents obligated prior to FY 2001. For the most part, these differences have been identified as RCC code differences, and are not true differences between the two systems. Management stated that reconciliation efforts will be expanded in FY 2002 to include prior year documents that remain out of balance with PMS, and that corrections will be made to clean up the Sync Report at that time. Based on the efforts made by management, the first two parts of this recommendation are considered **resolved and open** pending our review of the efforts made in FY 2002 to reconcile and resolve prior year documents.

With respect to grant closeout, the closeout unit has not yet implemented procedures to verify PMS balances prior to grant closeout. This part of the recommendation remains **unresolved**.

Management's Response:

Management of the Employment and Training Administration (ETA) disagrees with the conclusions reached by the OIG in the FY 2001 audit. Beginning in FY 2000, ETA, Office of Financial and Administrative Services (OFAS) started the following efforts that were completed during FY 2001:

1. Reconciliation of all obligation and disbursement activity for the fiscal years 1995 through 2001 between the Department of Labor Accounting and Related Systems (DOLAR\$) and the U.S. Department of Health and Human Services (DHHS), Payment Management System (PMS) that began during FY 2000;
2. Monthly reconciliation of obligation and disbursement information to identify any new differences in order to take corrective action immediately.
3. Monthly reconciliation of the activity reported on the Standard Form (SF) 224 submitted by the DHHS to the U.S. Department of the Treasury with the activity recorded in the DOLAR\$ each month to identify and take corrective action on any discrepancies between information reported to the Treasury compared to the information transmitted from the DHHS/PMS to DOLAR\$.

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A summary of the total number and amount of obligations for FYs 1995 through 2000 in the DHHS/ PMS compared to the number and amount that remain unreconciled as of September 30, 2001 and the information the OIG summarized to support its finding last year, follows:

Year	DHHS, PMS		Unreconciled		FY 2000 Audit Report	
	Number	Amount	Number	Amount	Number	Amount
1995	1,525	\$ 5,578,438,617	19	\$ 1,258,846	N/A	N/A
1996	1,731	5,765,919,746	23	16,774,209	N/A	N/A
1997	1,843	6,297,714,966	29	5,268,567	61	\$47,616,363
1998	2,120	7,594,416,181	17	3,930,795	63	43,895,305
1999	2,059	7,578,057,266	31	2,815,490	58	(12,550,767)
2000	1,798	5,338,556,174	28	8,132,318	114	(1,568,532)
Totals	11,076	\$38,153,102,950	147	\$38,180,225	296	\$77,392,369
N/A – Information not available in OIG finding.						

ETA will resolve the remaining unreconciled obligations.

Moreover, we believe our on going monthly reconciliations demonstrate that ETA's OFAS has put in the effort to resolve this issue. Accordingly, we believe this finding should be closed.

OIG Conclusion:

While ETA's reconciliation process was effective for the current year's documents, further actions are necessary to resolve prior year differences between PMS and DOLAR\$. As of September 30, 2001, the Sync Report provided by the OCFO reflected the following:

FY	Obligations		FY	Payments	
	Number	Difference		Number	Difference
Prior	374	\$397.1 million	Prior	374	\$398.7 million
1996	102	232.7 million	1996	73	195.3 million
1997	53	44.1 million	1997	31	(3.1) million
1998	49	41.1 million	1998	35	(6.0) million
1999	40	(1.2) million	1999	24	(4.2) million
2000	36	10.7 million	2000	7	10.8 million

ETA needs to reconcile prior year differences and record the appropriate adjustments in either PMS or DOLAR\$. If the appropriation has already canceled, ETA should post the closing entries at PMS so that the document no longer appears on the Sync Report (especially since there is a fee charged by HHS for each document open in the PMS system).

The first two parts of this recommendation are **resolved and open** pending completion of the steps necessary to complete the reconciliations for the prior years and clear the remaining differences from the Sync Report. Management did not comment on the third part of this recommendation, therefore, it remains **unresolved**.

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1 *We recommended that the Chief Financial Officer ensures that changes are made to DOLAR\$ and/or the Sync Report so that the report provides a more useful and reliable tool for management. Specifically, procedures should have the following:*

- S The Sync Report should include DOLAR\$ documents with PMS activity that were not included in the initial PMS search process.*
- S The Sync Report should not reflect differences for documents that have been archived from DOLAR\$ or for canceled appropriations. These PMS documents should be excluded from the report.*
- S Grant documents should not be archived prior to grant closure and reconciliation with PMS.*
- S The Sync Report should be modified to alleviate truncated numbers.*

This recommendation was not addressed by management during FY 2001, and, therefore, remains **unresolved**.

Management's Response:

The OCFO did consider and/or address the OIG's recommendations during FY 2001. Management's conclusions and/or actions are noted below.

- S The current methodology used in the matching process is a significant and efficient internal control for identifying differences existing between the DHHS/PMS and DOLAR\$. It is management's opinion that modification of the current matching methodology would significantly compromise existing internal controls.*
- S The Sync Report program was modified in FY 2001 to allow for the exclusion of PMS grant documents that have been closed in the PMS system. The exclusion criteria can be applied individually to each grantor agency's Sync Report based on their needs. Management believes that no grant documents should be excluded from the cross-match unless the document has been closed at DHHS.*
- S Archiving of documents within the DOLAR\$ system is done to reduce operating costs and increase database efficiency. Archived documents can be easily retrieved either individually online or in bulk through the use of a batch process. No documents are archived unless obligations, costs, and payments are equal and there has been no activity posted to the document within the last year. Given these facts, management has decided not to change the DOLAR\$ archive process.*
- S Management agrees with the OIG recommendation to correct truncated numbers.*

OIG Conclusion:

The recommendation regarding Sync Report amendments was based on discussions with the various granting agencies, and on our observations of the difficulties incurred when using the Sync Report to reconcile PMS activity. Essentially, we recommended these modifications so

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that the Sync Report would provide a better match of documents recorded in the two systems, and accordingly, would provide an improved reconciliation tool for management. We do not concur with the OCFO that this would in any way compromise existing internal controls, rather, the existing internal controls would be improved.

This is especially true concerning the archiving process. Currently, a grant can be archived from DOLAR\$ with no regard as to whether or not the grant has been reconciled to PMS or has been closed. We conclude that it is inappropriate to archive documents from the official accounting records before granting agencies have completed the reconciliation and closeout responsibilities required by Department policy and the regulations.

We concur the OCFO, in that there is some benefit to having documents remain on the Sync Report until they are closed at HHS, even though they are no longer recorded in DOLAR\$. Therefore, we will **close** the second part of this recommendation. The remaining parts of this recommendation are considered **unresolved**. Resolution is dependent upon submission of a specific corrective action plan.

Grant Accounting Errors

In our FY 1999 audit (OIG Report No. 12-00-003-13-001), we identified significant errors in the recording of ETA's grants, primarily for the Job Training Partnership Act (JTPA) program. We made the following recommendations:

- *We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that procedures are established to ensure that errors made in recording grant information are identified and corrected on a timely basis. At a minimum, this should include review procedures for data input and utilization of exception reports which identify transactions with an unusual nature (such as negative cost entries).*

In FY 2001, we continued to detect errors in the amounts recorded for ETA's grants and contracts. At the ETA regional offices, our samples of Job Corps contracts detected contracts where the obligations recorded in DOLAR\$ did not agree with the amounts authorized as indicated on the Job Corps contract and subsequent modifications. We also identified contracts where the costs recorded in DOLAR\$ did not agree to the cumulative costs recorded by contractors on the public vouchers.

At the National Office, we identified over 150 grant documents where a negative cost entry was recorded for the quarter ended March 2001, many for significant amounts (as much as \$22.8 million). These entries were generated by ETA during the process used to record grant costs captured in the EIMS system and were considered to be erroneous entries. The entries were not supported by cost reports submitted by grantees, and in many cases created an advance balance equal to the amount of the negative entry.

In prior years, ETA indicated that it had controls in place to identify and correct grant errors on a timely basis, and that the data verification and edit checks developed in the Electronic Information Management System (EIMS) should alleviate these issues. They took the position that there was no valid reason for keeping this finding open.

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However, the EIMS has not progressed as planned. This system was implemented in August 1999. As of the end of FY 1999, management estimated that the system would be completed by July 2000. This estimate was subsequently changed to FY 2001 for the WIA program, and FY 2002 for the remaining programs. Currently, EIMS remains incomplete, even for the WIA program, and there is no current plan or estimated date of completion. Many of the data verification and edit checks initially built into the system have since been eliminated, and the data does not yet interface with DOLAR\$. The data captured in EIMS must be manually manipulated before it can be entered into DOLAR\$, a process which increases the risk of error and delays the posting of grant costs.

The audit findings continue to indicate that improved procedures are necessary relative to detecting and correcting grant errors at the National and regional offices. Accordingly, this recommendation is changed from **resolved and open** to **unresolved**. Closure is dependent upon substantial completion of the EIMS system, and upon implementation of adequate written policies and procedures for detecting and correcting potential grant errors at both the National and regional offices.

Management's Response:

ETA management has mixed feelings about the conclusions reached by the OIG. We recognize the need to revisit the development and implementation plans for the Enterprise Information Management System (EIMS), especially in light of Congressional actions to split annual program funding for Workforce Investment Act (WIA) state programs. This action compromised a number of edits that had been incorporated in the original design. Moreover, ETA/ OFAS will continue to provide instruction to the ETA regional offices to review the DOLAR\$ information for their Job Corps contracts.

However, we disagree with the OIG's decision to change this finding from resolved and open to unresolved and the points raised by the OIG concerning the negative cost entries that ETA's OFAS recorded in March 2001.

Cost reporting is more current and timely than it has ever been for ETA and we have taken some measures to address delinquent cost reporting. This past year, web-based reporting has been extended to State Employment Security Agency programs. Reporting has been closely monitored and is complete for both our Unemployment Insurance and Employment Service programs. Moreover, when we looked closer at the points raised by the OIG we are puzzled by the conclusions. For example, we believe the following paragraph in the OIG's finding is misleading.

“At the National Office, we identified over 150 grant documents where a negative cost entry was recorded for the quarter ended March 2001, many for significant amounts (as much as \$22.8 million). These entries were generated by ETA during the process used to record grant costs captured in the EIMS system and were considered to be erroneous entries. The entries were not supported by cost reports submitted by grantees, and in many cases created an advance balance equal to the amount of the negative entry.”

When this issue first came up in the audit, we explained to the OIG that we were always aware of the negative cost entries and had reservations about recording them. We made a conscious

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decision not to record them until we resolved data quality issues, and had to record the entries as part of the JTPA closeout and transfer to WIA. In all cases, we can and did provide the supporting information to the OIG.

As discussed with the OIG, ETA/ OFAS made a conscious decision early on in FY 2000 to not record the negative entries out of concerns for the quality of the data we were receiving to record in the DOLAR\$. In March 2001, we sent the JTPA cost information to the ETA regional offices for their review, and concluded that the entries had to be made in order to close out the JTPA grants and begin recording WIA cost reports.

ETA/ OFAS was fully aware of the actions it was taking and believes it was taking precautions to avoid erroneous information being recorded in the DOLAR\$. Given that EIMS development and implementation is addressed in a separate finding, we believe this finding should be closed.

OIG Conclusion:

When the negative entries were identified during the audit, we sent ETA a memorandum requesting explanations for the amounts recorded. In response, they provided a memo which essentially stated that they were aware of the entries and that they were mostly for JTPA grants whereby ETA decided to record the entry as part of the transfer of unspent funds to WIA.

We contend that knowledge of an erroneous entry does not justify recording the entry in the general ledger, and that ETA's explanation does not indicate why they believe the entries were necessary or the basis for the entries. The entries were not supported by cost reports maintained in the EIMS system. Furthermore, since WIA transfers were recorded in the same DOLAR\$ document as the original JTPA grant, there would be no reason to reduce total costs in order to record a transfer to WIA. The portion attributable to WIA is not separated in DOLAR\$, rather, it is manually tracked off ledger.

Management's response does not address the errors noted at the regional offices.

This recommendation remains **unresolved**. Resolution is dependent upon completion of the items previously described.

Accounting for JTPA Transfers

In our FY 1999 audit (OIG Report No. 12-00-003-13-001), we determined that ETA did not account for funds transferred within the JTPA program, even though funds were moved between grants and appropriation accounts. While the JTPA program has since been closed, a similar situation exists with the WIA program. Under WIA, grantees are allowed to transfer funds between the adult programs. These transfers are captured in EIMS but are not recorded in DOLAR\$. Rather, the funds are recorded and reported to OMB as if they were spent for the original program.

- *We recommended that the Chief Financial Officer and the Assistant Secretary of Employment and Training ensure that controls are implemented over JTPA transfers or*

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similar provisions of successor programs (such as the Workforce Investment Act), including:

- S procedures to monitor transfers made by grantees, which ensure that transfers do not exceed the limitations established by law, and*
- S procedures to account for JTPA transfers, which ensure that transfers between appropriation accounts are accounted for in accordance with OMB guidance and that all program costs are accurately recorded for each program.*

Regarding the monitoring of grantees transfers, ETA built into the EIMS system a feature which precludes WIA grantees from reporting transfers in excess of the allowable threshold. Therefore, this part of the recommendation is **closed**.

Regarding the accounting of transfers, during FY 2001, a meeting was held with members of OIG and ETA staff, as well as the OIG and ETA attorneys. It was agreed at this meeting that the ETA attorney would provide their legal opinion regarding the transfers (one had already been issued by the OIG attorney) and that the matter would be forwarded to OMB to determine the appropriate resolution. No further action has been taken by ETA. Therefore, this part of the recommendation remains **unresolved**.

Management's Response:

ETA's OFAS believes that the OIG's interpretation is incorrect and we have requested a legal opinion from the Office of the Solicitor. Upon receiving an opinion, ETA management will meet with the OIG to determine any further course of action, including requesting further opinions.

OIG Conclusion:

We agree with ETA to pursue its planned course of action and obtain an opinion on this matter from its solicitor. This recommendation remains **unresolved**.

Delinquent Grantee Reporting

Over the past 2 years, our audits identified delinquent reporting on the part of ETA's grantees and contractors. Our FY 1999 audit (OIG Report No. 12-00-003-13-001) included the following recommendation:

- *We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training establish procedures for monitoring grantee reporting. At a minimum, these procedures should provide for the timely identification of delinquent cost reports and appropriate follow up efforts with grantees.*

In FY 2000, ETA stepped up its efforts to obtain and record delinquent cost reports from its grantees. While written procedures were not developed, ETA submitted a memorandum to the regional offices stressing the importance of obtaining delinquent cost reports. ETA also developed a report which shows the grantees with significant advance balances. Both regional

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office and national office staffs are required to investigate the documents with significant advance balances. In addition, features were added to the EIMS cost system to detect and report untimely reporting by grantees (for the WIA program only). Despite these efforts, our FY 2001 audit continued to note delinquent reporting. To begin with, we noted numerous documents where the grantees have not reported any costs since inception of the grant. These grants reflect large advance balances, as follows:

Year of Obligation	No. of Documents	Reported Costs	Advance Balance
1996	2	0	\$ 2,354,659
1997	3	0	2,846,939
1998	14	0	24,860,558
1999	51	0	81,872,011
2000	104	0	211,098,806
2001	<u>16</u>	0	<u>210,763,045</u>
	190		\$ 533,796,018

While these numbers reflect a complete lack of cost reporting by the respective grantees, there are many other grants with large advance balances where costs reports are delinquent. We identified numerous grants where costs were recorded, but the grants still had large advance balances. For example, we identified the following:

Document No.	Reported Costs	Advance Balance	Last Reported
AA10248DX2	\$ 146,632	\$32,212,246	June 2000
AA10256DX0	32,091,811	19,132,895	December 2000
ES10666EVO	5,214,831	27,655,910	September 2000
ES10690EVO	3,106,712	14,560,128	September 2000

Finally, we noted delinquent cost reporting during our review of the EIMS downloads. The WIA download for the June 30 quarter contained 319 cost entries, of which 69 represented cost entries related to earlier reporting periods (March 31, December 31, or September 30). These 69 entries represent delinquent cost reports. They appeared in the June 30 download because the information was not available at the time the downloads were prepared for the earlier reporting periods.

Based on our findings, it is apparent that additional controls are necessary to resolve this issue. ETA management agreed with the need to monitor the timely submission of cost reports. They indicated that efforts would be made to identify those grantees that do not submit cost reports as “high risk” and that “high risk grantees would be placed on a cost reimbursement basis rather than continue to draw down funds in advance.” To our knowledge, this policy was never implemented. This recommendation is changed from **resolved and open** to **unresolved**. Resolution is dependent on ETA implementing ongoing monitoring procedures which will ensure that missing cost reports are identified, and subsequently submitted to ETA. In addition, ETA should implement the policies outlined by ETA in response to the prior year’s audit. These policies and procedures for dealing with delinquent grantee reporting should be put in writing and submitted to all ETA offices.

Management's Response:

ETA management disagrees with the OIG's decision to change this finding from resolved and open to unresolved and the conclusions reached by the OIG as part of its FY 2001 fieldwork. While ETA management agrees with the need to address chronic delinquent cost reporting with pragmatic solutions, we believe cost reporting is more current and timely than ever for ETA.

When we looked at the OIG's summary information on advances, the large number and amount of advances since 1999 relate to the Migrants program which reports semi-annually and not quarterly. Cost transactions for the Migrants program were submitted to the OCFO in December 2001.

Moreover, our analysis of the four examples cited by the OIG showed that cost transactions for the first two grants were included with the June file that the OCFO did not record until October 2001. Cost reports for the second two grants were in the EIMS when due, but not included in the files that ETA's OFAS received to record June cost activity in the DOLARS because they had not been accepted by the regional office.

Accordingly, we do not agree with the OIG's assessment of ETA's progress and the decisions to change this finding from resolved and open to unresolved.

OIG Conclusion:

The advances listed in this finding represent a variety of ETA programs. The migrant program accounts for about \$9 million (7 documents) from 1999 and \$67 million (42 documents) from 2000. The remaining \$427 million of advances from 1999, 2000, and 2001 relate to other grant programs. Regardless of this fact, even the migrant grants from 2000 had cost reports due during the fiscal year, and the fact that costs for these grants were not recorded until December 2001 supports the OIG's conclusion that the costs were delinquent. The 2000 migrant grants were obligated in July 2000, and the grantees began drawing the funds thereafter. At a minimum, December 31, 2000, and June 30, 2001, cost reports should have been recorded for these grants. We ran a query on the four largest advances, and found that three of these grants had cost entries for December 2000, March 2001 and June 2001 recorded on December 28, 2001, and one of these also had a September 2000 cost entry recorded in December 2001. The fourth grant had no costs recorded to date. All of these grants reflect delinquent cost reporting.

While we recognize that ETA has made efforts to obtain missing cost reports, our conclusion is that improved ongoing monitoring controls are needed to resolve this finding. Our recommendation remains **unresolved** pending completion of the actions previously described.

Timeliness of Recording Grant and Contract Costs

Over the years, we have continually reported that ETA does not record grantee and contractor costs on a timely basis, a situation caused by the delayed input of cost reports, delinquent grantee reporting, and in recent years, by the manual procedures which are required to record costs captured in the EIMS system. This finding was originally reported in FY 1995 (OIG Report No. 12-96-007-13-001), when we made the following recommendation:

- ***We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that the Division of Accounting records grantee and contractor cost reports timely.***

While ETA has made efforts to improve the timeliness in recording grant costs, our audit continues to identify untimely recording of grant costs at both the National and regional offices. At the National Office, we noted that the costs captured in EIMS were not consistently recorded in DOLAR\$ on a timely basis. For example, the March 31 costs reports, for the most part, were not recorded in DOLAR\$ until July. These reports should be recorded in DOLAR\$ by mid June at the latest. At the regional offices, approximately 29 percent of our regional sample had cost reports which were not submitted timely.

We continue to note delayed posting of grant costs. While improvements have been made in this area, it is apparent that additional actions are necessary for closure of this recommendation. This recommendation remains **resolved and open**. Closure is dependent on implementation of additional controls to ensure that costs are recorded timely, and on our observation of the timely recording of costs during FY 2002. Until EIMS is complete, this will require that ETA download the costs from EIMS and prepare the costs for entry to DOLAR\$ on a timely basis, and that the OCFO promptly record the costs in DOLAR\$ once received from ETA. We have addressed the issue of completing EIMS in a separate finding. However, we conclude that completion of EIMS is the most effective and efficient means by which to resolve this issue as well as other grant issues identified in this report.

Management's Response:

ETA Response

ETA management disagrees with the conclusions reached by the OIG and believes this finding should be closed based on ETA/OFAS efforts for the past two fiscal years.

Since January 2000, ETA/ OFAS has met its planned goal each quarter of creating cost transaction files in the month after the reports are due and submitting the files to the Office of the Chief Financial Officer (OCFO) who uploads the files in the DOLAR\$. As the OIG well knows, any files that were not recorded timely in the DOLAR\$ were caused by the OCFO and not ETA. Moreover, efforts to record cost activity via hard copy reports have been stepped up to include logging in the cost reports and ensuring that ETA/ OFAS staff record the activity promptly in the DOLAR\$.

OIG Conclusion on ETA's Response:

Costs were not recorded timely in FY 2001. This was noted in both regional office and national office processing of grant costs. Regardless of the reasons, the fact remains that the manual process required to record EIMS costs in DOLAR\$ continues to cause delays in recording grant costs. These delays would be alleviated if ETA would complete the EIMS system, at which point costs would be interfaced on a routine basis and the general ledger would be updated timely.

OCFO Response

In management's opinion, with respect to these financial statements, DOL has recorded grant costs in accordance with Federal Accounting Standards. Management's opinion is supported by the fact that the OIG did not propose or pass any grant cost adjustments to the FY 2001 statements. Based on these facts, OCFO management has provided reasonable assurance that the following objectives have been met:

- S Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Principal Statements and Required Supplementary Stewardship Information in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and
- S Compliance with applicable laws and regulations - transactions are executed in accordance with laws governing the use of budgetary authority and other laws and regulations that could have a direct and material effect on the Principal Statements or Required Supplementary Stewardship Information.

OIG Conclusion on OCFO's Response:

While it is true that there have been no audit adjustments to grant costs, this is due to the fact that ETA records an accrual for missing cost reports at year end. This does not mean that the system for recording grant costs meets all existing standards for financial management systems. The financial system requirements set forth in JFMIP publications and OMB Circular A-127 require that financial systems provide complete, timely, reliable and consistent information for decision making purposes (not just for year end financial reporting). In addition, OMB Circular A-123 establishes specific management control standards, including standards for recording and documentation. Part II of this circular states, "transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports."

We conclude that grant costs should be recorded timely, in accordance with existing standards. This recommendation remains **resolved and open**, pending completion of the items previously described.

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Accounting for Accrued Costs

In FY 1994 (OIG Report No. 12-95-004-07-001), our audit stated that the books of account (in this case, accrued liabilities) should be maintained throughout the year in accordance with the accounting policies described in the notes to the financial statements, rather than at year end only. We made the following recommendation:

- *We recommended that the Acting Chief Financial Officer ensures that departmental policies and procedures are implemented to require the books of account be maintained in accordance with the accounting policies described in the notes to the annual financial statements. Specific action should include incorporating the following items into the Department's routine accounting rather than at year end or for financial statement purposes only:*

S Refinement of accrued costs for ETA grants and reclassification of grant-related receivables and payables.

In prior years, management agreed with this finding and indicated that accruals would be prepared on a quarterly basis beginning in FY 2001. Despite management's intentions, we noted that the accruals were once again recorded as part of the year end process. The OCFO is in the process of refining the accrual methodology to use on a quarterly basis. In future years, the Department will be required to issue quarterly financial statements and it will be essential that management prepare quarterly accruals. This recommendation remains **resolved and open**. Closure is dependent on our review of the quarterly accruals during our FY 2002

Management's Response:

Management agrees with the OIG that accruals should be recorded in accordance with Federal Accounting Standards and OMB reporting requirements. During FY 2001, management recorded accrued costs in accordance with the aforementioned standards and requirements and will continue to do so in the future.

OIG Conclusion:

This recommendation remains **resolved and open** pending completion of the items previously described.

ETA Grant Closeout Process

In our FY 1996 audit report (OIG Report No. 12-97-005-13-001), we recommended that:

- *The Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that procedures are established to ensure that the regulatory time requirement for submitting all financial, performance, and other required documents within 90 days after the end of the grant is met by the grantee or contractor and that grants are closed out in a timely manner, i.e., 1 year or less.*

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In FY 2000, the responsibility for closing ETA grants was moved to the Office of Grants and Contracts Management. Since that time the Closeout Unit has significantly improved the grant closeout process, including the development of a tracking system to monitor the progress of grants and contracts moving through the closeout process. The inventory of grants in closeout has been substantially reduced, as follows:

The status reports prepared by the Closeout Unit reflect the following number of cases in the ending inventory:

Grants in closeout at September 30, 1999	2,353
Grants in closeout at September 30, 2000	1,810
Grants in closeout at September 30, 2001	1,030

Of the 1,030 cases in closeout at year end, over 200 cases were with the Division of Accounting pending final certification and deobligation. We noted that many of these cases have been pending certification for a considerable amount of time. We also noted that grants sent for final certification were sometimes subsequently adjusted before the certification was complete. These subsequent entries either put the grant out of balance or made the amount of the deobligation entry obsolete. We concluded that ETA needs to improve the timeliness of the certification process and the process used to close a grant in the PMS. This will help prevent entries to the grant after the closeout unit has processed the grant for closure.

For the most part, the closeout process is initiated when grants are forwarded from the Division of Federal Assistance, the Division of Contracts, or the Office of Job Corps. The closeout unit has indicated that often grants or contracts are submitted several years after the final cost reports were due to ETA, and that this practice results in an untimely closeout process. In fact, the closeout unit has had to perform unilateral closeouts because the grantees' record retention period has expired. Therefore, the closeout unit initiated various procedures to identify additional grants and contracts from prior years which had not been submitted for closeout on a timely basis. In FY 2001, they performed a DOLAR\$ query and identified 697 additional cases that had not been forwarded for closeout by the Division of Federal Assistance and the Division of Contracts. A review of a sample of these cases disclosed that many were very old grants or contracts which were actually closed in prior years. The closeout unit is currently investigating these cases to determine which cases need closure and should be included in the ending inventory.

We conclude that while the Closeout Unit has made significant improvements in closing grants and contracts, the process remains untimely. Grants and contracts are not consistently forwarded to the Closeout Unit on a timely basis, and, as indicated above, certain procedures within the closeout process are not being performed on a timely basis.

This recommendation remains **resolved and open**. Closure is dependent on the timely forwarding of grants and contracts to the Closeout Unit by the Division of Federal Assistance, Division of Contracts, and the Office of Job Corps, in accordance with the closeout requirements and time frames specified in the governing regulations. Closure is also dependent upon the timely processing of grants and contracts once in closeout.

Management's Response:

Management concurs.

Grants Accounting Procedures

In FY 1997 (OIG Report No. 12-98-002-13-001), we reported that high turnover of staff and lack of written grants accounting procedures for ETA hampered the effectiveness and efficiency of the grants accounting function. At the ETA regional offices, this resulted in inefficiencies, significant procedural errors, and/or over dependence on a single individual to ensure the integrity of the operation.

- ***We recommended that the Acting Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that the Office of Regional Management (ORM) and the Office of the Comptroller (OC) coordinate the development of standard written grants accounting procedures for use by the regional offices.***

There are no written procedures in place as of FY 2001 at the regional offices. Written procedures are necessary to provide continuity at the regions in areas such as: processing Job Corps invoices, reviewing data recorded in DOLAR\$ for accuracy and completeness, certifying information recorded by grantees in EIMS, and monitoring grantees to ensure that cost reports are submitted or recorded in EIMS on a timely basis.

In addition, there are very few written accounting procedures at the national office. However, the majority of ETA's grants and contracts are now recorded at the national office, including the process by which EIMS grant costs are recorded in DOLAR\$. In fact, this process is controlled solely by one individual within ETA. Therefore, we are extending this recommendation to include written procedures at the National Office. This recommendation remains **unresolved**.

Management's Response:

ETA management disagrees with the conclusions reached by the OIG for the FY 2001 audit, and instead, we believe this finding should be resolved. The ETA regional offices developed written procedures in draft during FY 2001 that were available for OIG review. Accordingly, we believe this finding should be resolved.

OIG Conclusion:

To date, we have not been provided with a copy of written grant accounting procedures for the regional offices. At the three regions visited during the FY 2001 audit, we inquired as to the existence of written accounting procedures. While the regions believed that procedures had been in the making for many years, none had a copy in house, nor were they aware that procedures had been completed. As to the need for national office procedures, management did not address this issue in their response.

Based on these facts, this recommendation remains **unresolved**. Resolution is dependent upon our receipt of written grant accounting procedures for ETA's grants and contracts.

4. Wage and Hour's Back Wage System

Status of Prior Year Findings and Recommendations

Backwage System Design

Our FY 1997 audit report (OIG Report No. 12-98-002-13-001) identified the need to improve back wage financial systems. We made the following recommendations to the Acting Chief Financial Officer and the Assistant Secretary for Employment Standards:

- *The back wage financial management systems should include the following features:*
 - *A proper cutoff of accounting periods, with a limited period of time for correcting and recording transactions subsequent to the end of the period.*
 - *The ability (and requirement) to close accounting periods.*
 - *The ability to generate subsidiary reports using the same accounting cutoff and frequency as the general ledger control accounts, and controls which will ensure that totals on the subsidiary reports agree to totals posted to the general ledger.*
 - *Controls to ensure that recorded information is accurate, reliable, timely and complete.*
 - *The ability to edit, track and correct transaction, with proper authorization.*

In prior years, management agreed with these recommendations and planned to include appropriate cutoff controls in the redesign of the Back Wage Collection and Disbursement System (BCDS), as well as controls to ensure timely and accurate data entry. The system was implemented in FY 2001, and management made substantial efforts to improve the quality of data recorded in the new system. However, while the new system was substantially completed and implemented, not all of the system features have been completed to date. Management addressed this issue by implementing compensating controls to ensure proper cutoff at year end. However, we conclude that it is essential for cutoff controls to be built into the financial systems as a long- term solution. The need for cutoff will be crucial in future years as the Federal Government moves to quarterly reporting. In addition, we continued to note that cash receipts were not recorded in BCDS on a timely basis. These recommendations remain **resolved and open** pending completion of the BCDS system design to include the cutoff features identified above, and the successful outcome of the FY 2002 audit.

Management's Response:

We agree that additional steps can be taken to improve the system of controls within BCDS. Changes are necessary in both the operational processes and automated features of the system to ensure the timely recording of financial activity and financial events. We are in the process of developing procedures for applying accounting dates that may be different from the actual transaction date to allow for the recording of activity in the month in which the event occurred. The difference between the accounting date and the transaction date will allow for the

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identification of transactions relating to a prior period so that the previously reported balances are not affected. This system will include an automated feature to prevent transactions from being “back dated” to prior periods after the cutoff of the system’s reporting period.

While operational processes for cutoff and closeout are already in place, additional procedural guidance is needed for the back wage accounting operations conducted by regional managers and accounting technicians. These increased accountability standards will require manager review of monthly cash reconciliation and accounts receivable subsidiary records to ensure that all financial activities are reported properly. Additionally, a central oversight process will be implemented for regional cash reconciliation and the reporting of back wage activities.

We anticipate that all of these operational changes in BCDS will be fully implemented in January 2002, with automated changes completed by June 30, 2002. These system enhancements and operational changes will result in meeting the requirements for proper cutoff and closing of accounting periods in the system.

OIG Conclusion

This recommendation remains **resolved and open**. We concur with the actions described by management and will review the progress made during our FY 2002 audit.

Back Wage Accounts

In our FY 1993 audit (OIG Report No. 12-94-012-07-001), we recommended the following:

- ***Differences between the Back Wage regional (BCDS) and national (Back Wage Tracking System (BTS)) office systems should be reconciled and either or both systems should be adjusted accordingly so that complete, accurate, and documented balances by employer agree with the related control accounts in DOLAR\$.***

Management has implemented procedures requiring regional and national office staffs to perform monthly comparisons of receipts and disbursements recorded in the BCDS with those amounts recorded in the BTS. Observations and inquiries at both the regional and national offices and a review of cash reconciliations performed by Office of Management Administration and Planning (OMAP) reveal that reconciliations between the BCDS and BTS are being routinely performed. However, we noted that differences identified in this process are not adequately documented and tracked to ensure complete and timely resolution. Additional reconciliations had to be performed at year end in order to fully identify differences between BTS and BCDS, and to record the corresponding correcting entries in the system. In addition, a cumulative unreconciled difference between the BTS and BCDS remains. As of September 30, 2001 the cumulative unreconciled difference between the two systems was \$5,468,305. This amount represents a cash balance related to prior years and cannot be identified to specific back wage cases. We conclude that this amount should be reverted to Treasury.

Management concurred that there is a need for further improvements in the reconciliation of BCDS, BTS and DOLAR\$, and provided the OIG with a document that outlines the anticipated procedural changes and improvements to the reconciliation process which will be implemented in FY 2002. However, this recommendation remains **resolved and open**.

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Closure is dependent upon implementation of management's plan for full and complete reconciliations of BCDS, BTS and DOLAR\$, and on our review of the reconciliations performed in FY 2002. Closure is also dependent upon the proper disposition of the \$5.4 million unreconciled difference.

Management's Response:

We agree that further improvement in the reconciliation of BCDS, BTS and DOLAR\$ is necessary to ensure that all cash activities are timely and properly recorded in the subsidiary system and general ledger. As referred to in the OIG update, we have provided a document that outlines the anticipated procedural changes and improvements to the reconciliation process to be implemented in FY 2002. These changes will provide improved National Office and Regional Office accountability for the tracking of differences between Treasury and BCDS each month to ensure complete and timely resolution. Additionally, we will implement a central oversight of the regional cash and account subsidiary reconciliation processes to ensure the BCDS and DOLAR\$ accounts remain in balance.

We also agree that, as of September 30, 2001, an unreconciled difference exists between BCDS and DOLAR\$. After changes to the reconciliation process are implemented and the review by the central oversight is completed we will make the appropriate adjustments in DOLAR\$ to reclassify funds in the back wage deposit accounts to the miscellaneous receipts accounts.

OIG Conclusion:

This recommendation remains **resolved and open**. We concur with the planned actions described by management and will review during the FY 2002 audit.

5. Wage and Hour's Civil Monetary Penalties System

Status of Prior Year Findings and Recommendations

CMP System Design

Our FY 1997 audit report (OIG Report No. 12-98-002-13-001) identified the need to improve CMP financial systems. We made the following recommendations to the Acting Chief Financial Officer and the Assistant Secretary for Employment Standards:

- *The CMP financial management systems should include the following features:*
 - *A proper cutoff of accounting periods, with a limited period of time for correcting and recording transactions subsequent to the end of the period.*
 - *The ability (and requirement) to close accounting periods.*
 - *The ability to generate subsidiary reports using the same accounting cutoff and frequency as the general ledger control accounts.*

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- *Controls which will ensure that totals on the subsidiary reports agree to totals posted to the general ledger. Specifically, WHD should develop and implement procedures for reconciling cash receipts recorded in the CMP system with those recorded at the National Office into the DOLAR\$ general ledger.*
- *Controls to ensure that recorded information is accurate, reliable, timely and complete.*
- *The CMP subsidiary systems used to support DOLAR\$ general ledger accounts should:*
 - *Meet the requirements listed in previous CMP recommendation above (The CMP financial management system should include the following features . . .).*
 - *Provide a complete and accurate report of the source transactions which comprise the general ledger balance, thus providing an audit trail.*

While the new CMP system was not completed or implemented in FY 2001, compensating controls were put into place to ensure an adequate cut off of activity recorded at year end, and to improve the reliability of data recorded in the existing system. However, the new CMP system needs to include the features listed above as a long-term solution. The need for automated system controls will be crucial in future years as the Federal Government moves to quarterly reporting. These recommendations remain **resolved and open**. Closure is dependent on our review of all anticipated changes to the CMP automated and manual systems and the successful outcome of the FY 2002 audit.

Management's Response:

Although we agree that additional measures can be taken to improve the CMP systemic controls, it is our belief that operational processes already in place are as important in ensuring timely and proper recording of financial activity. These operational processes for cutoff and closeout were implemented in July 2001 to ensure a proper cutoff at the end of the fiscal year.

Automated features are necessary to ensure that financial activities are properly reported in the system. Within CMP 2001, we have included the ability to indicate both an accounting date and a transaction date and are working to establish a uniform policy for the use of accounting and transaction dates. The proper use of these dates will permit the identification of transactions related to a prior period without affecting previously reported balances to ensure that accounting periods are closed as required.

OIG Conclusion:

These recommendations remain **resolved and open**. We concur with the actions described by management and will review the new CMP system in our FY 2002 audit.

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In our FY 1993 audit (OIG Report No. 12-94-012-07-001), we recommended the following:

- ***The Wage and Hour Division should complete its CMP tracking system so that it can function as a subsidiary system for CMP assessments, collections, adjustments, and related receivable balance on a case-by-case basis.***
- ***Procedures should be developed and implemented to ensure that the CMP system and Back Wage Tracking System (BTS) remain up-to-date and in agreement with the control accounts in DOLAR\$.***

As noted previously, the new CMP system was not completed or implemented in FY 2001. However, management has stated that the new system will provide a complete and accurate subsidiary report of the CMP receivables on a case-by-case basis, and will maintain balances which agree to the general ledger control accounts. These recommendations remain **resolved and open**. Closure is dependent on the review of the new CMP system and the successful outcome of the FY 2002 audit.

Management's Response:

The new CMP 2001 system went into production on October 22, 2001. This new system is an enhancement to the existing CMP system that adds increased functionality and streamlined reporting. The Regional Office Civil Monetary Penalties (ROCMP) system of record as of September 30, 2001, provides complete and accurate subsidiary reports on CMP receivables on a case-by-case basis and maintains balances that agree to the general ledger control accounts. The differences between the CMP system and DOLAR\$ noted by the auditors are considered small and immaterial and should not justify the continuance of this recommendation. We are currently working with OMAP to examine the reports that we provide and the procedures that we use for reconciliation to ensure that CMP-DOLAR\$ balances stay in agreement.

OIG Conclusion:

We do not concur that the dollar amount of the differences noted are an indication that the issues raised in this finding are fully resolved. This recommendations remain **resolved and open** pending our review of the new CMP system during our FY 2002 audit.

Account Receivable Balances

Our FY 1997 audit report (OIG Report No. 12-98-002-13-001) identified high error rates in the accuracy of CMP accounts receivable balances. We made the following recommendation:

- ***Implement properly designed internal controls which will provide management with reasonable assurance that the CMP financial management systems are operating effectively.***

This recommendation was originally made due to the high error rates noted in the testing of CMP accounts receivable. Errors were noted as to the accuracy, validity and timeliness of transactions recorded in the CMP system. Our FY 2001 audit indicated that management

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made significant improvements in the accuracy and reliability of accounts receivable recorded in the CMP system. However, we continued to note that new receivables and, to a lesser extent, cash receipts were not recorded in the system on a timely basis. Out of 169 cases selected for testing, 120 represented new receivables for FY 2001. Of these new cases, 23 (19.2 percent), were not recorded timely. Our sample of 169 cases also included 97 cases with cash collections in FY 2001. Of these 97 cases, we noted 9 (9.3 percent) with cash receipts which were not recorded timely. Therefore, this recommendation remains **resolved and open**. Closure is dependent on the successful outcome of the FY 2002 audit.

Management's Response:

While improvements in the accuracy, validity and timely recording of CMP accounts receivable balances are evident in the reduced audit error rates, we agree that additional steps can be taken to improve the system of controls for recording transactions. In this regard, we have taken steps to improve the operational processes to ensure timely and proper recording of accounts receivable and cash receipts. These operational processes were implemented in July 2001 when Wage and Hour issued CMP Operations Memo 01-02. These new procedures were designed specifically to ensure a proper cutoff at the end of a fiscal year. In March 2001, an automated version of the monthly Pending Cases report was implemented, whereby District Office managers receive a list of all untransferred CMP assessments. They are required to report (no later than the 10th of each month) the status of these cases to allow Regional Office reviewers to determine if there are debts that should have been transferred. In March 2002 we will also implement an alert to Regional Office management if a District Office fails to run the daily tickler report for 5 consecutive days. This report is used to advise a District Office of those cases that require action on any given day.

Wage and Hour is designing a Regional and National-level monthly report to provide Check Log statistical data generated by District and Regional Offices. This will include information on which specific offices are experiencing delays transferring debts (for which the Regional Office has received a check.) This should increase office accountability and prevent delays in the processing of checks by the Regional Offices.

Wage and Hour has continued to conduct training for District Office personnel in the various Regions to emphasize the importance of promptness in transferring debts to the CMP system. Some Regions are incorporating standards for timely transfer of debts in the Accountability Reviews that they conduct to ensure procedural consistency and uniformity. In March 2002, we will incorporate an additional alert screen in WHISARD to advise District Office personnel of a case that appears to meet the criteria for transfer, but that has not yet been transferred to CMP 2001.

OIG Conclusion:

This recommendation remains **resolved and open**. We concur with the actions described by management and will review the new CMP system during our FY 2002 audit.

6. FECA Program

Status of Prior Year Findings and Recommendations

Chargeback Accounting/Reconciliation with Treasury

In our FY 1994 audit (OIG Report No. 12-95-004-07-001), we noted that the transactions per the Division of Federal Employees' Compensation (DFEC) Chargeback System and the Statement of Transactions (SF-224) were not reconciled. Requisite adjustments made from FY 1994 through FY 2001 have ranged from \$2 million to \$11 million. Additionally, a complete reconciliation between the accounting systems and the Treasury SF-224 reports is not performed. We made the following recommendations which have been reworded for clarity:

- *We recommended the Chief Financial Officer ensures that monthly reports are designed and generated that contain the information necessary for the district offices to reconcile the transactions contained in the dispersing databases to the Chargeback System and subsequently to the transactions reported in the SF-224.*
- *We recommended the Chief Financial Officer ensures that the FECA Division reconciles the differences reported on the Funds with Treasury SF-224s with DOLAR\$ and appropriate identifies and resolves the differences by ALC.*

The Office of Workers' Compensation Programs (OWCP), DFEC, does not reconcile the disbursing databases (Automated Compensation Payment System (ACPS) and Bill Payment System (BPS)) to the billing database, the Chargeback System. Further, neither the Chargeback System nor the ACPS and BPS, from which more than \$2.1 billion is paid annually, are reconciled to the Treasury SF-224 reports.

Management has not investigated the differences between the disbursing databases and the Chargeback System or the differences from the SF-224 to the extent adjustments for the differences could be posted to the proper ALCs. A report has not been designed with the details of credits, deposits, and cancellations in the ACPS and BPS which could be provided to the district offices to enable a complete reconciliation of the disbursing databases to the Chargeback System and the SF-224s.

In prior years, the amount contained in the Chargeback System has varied from the Treasury SF-224 reports from \$2 million to as much as \$11 million. The unreconciled differences have not been investigated to determine where the differences originated and their proper resolution. The Chargeback System varied from the Treasury SF-224 reports by \$2 million during FY 2001.

These recommendations remain **unresolved**. Resolution is dependent on the development and implementation of a process that requires each of the district offices to reconcile the SF-224s to the ACPS and BPS and the national office to reconcile the ACPS and BPS to the Chargeback System and DOLAR\$.

Management's Response:

In previous responses to this recommendation, it was indicated that OWCP would dedicate additional budgetary and organizational resources to a new fiscal position. These new positions have been filled, and training for all the new Fiscal Operations Specialists has been completed. As proposed, the position description focuses on the areas necessary to accomplish the monthly reconciliation objective along with other important fiscal objectives.

OWCP has attempted to develop a report that would be used for complete reconciliation, but as explained in response to last year's Audit, we have determined that such a report is not possible without system redesign. Thus, as stated in prior years, the ultimate solution to this recommendation must await the FECS redesign system, which will comprehensively update and integrate the separate legacy systems for compensation (ACPS), bill payment (BPS), Debt Management and chargeback. Given the need for system changes and OWCP's commitment of additional staff and resources for proper recording and investigation of differences, this recommendation should be resolved and open pending next year's audit results and the completion of the FECS Redesign.

OIG Conclusion:

This recommendation will remain **unresolved**. OWCP should develop procedures to facilitate the reconciliation of the separate legacy systems with the transactions recorded in DOLAR\$ and in the Chargeback system. The development and successful completion of these procedures in cooperation with the redesign of the FECS system is necessary for closure of this recommendation, which will be reviewed during the FY 2002 audit.

7. Performance Measures

Status of Prior Year Finding and Recommendation

In our FY 1992 audit, we made the following recommendation (OIG Report No. 12-93-008-07-001) to improve controls over the existence assertion for reported performance measures:

- *The Chief Financial Officer should ensure that all material weaknesses identified in individual agency performance measures audit reports are addressed by the agencies to ensure the integrity and accuracy of information supporting program measurements.*

The single remaining open issue involves the verification process used to ensure the integrity of Unemployment Insurance Data Validation (UIDV) reporting.

Verification Process — Office of Workforce Security, formerly known as Unemployment Insurance Service

The Office of Workforce Security (OWS) has completed its 3-state pilot test of data validation. However, at this time the UIDV has not been fully implemented. Until the remaining 50 reporting units achieve full UIDV implementation, this recommendation remains **resolved and open**. Closure is dependent on completion of the OWS verification process and OIG assessment during the FY 2002 audit.

Management's Response:

Management Concur.

8. Funds with Treasury

Status of Prior Year Findings and Recommendations

Unreconciled Differences with Treasury

In FY 2000 we noted a lack of document-level cash reconciliations being performed for Departmental Agency Location Codes (ALCs). We also noted a lack of cash reconciliations being performed at the appropriation level for Departmental transactions processed through non-Departmental ALCs (e.g., grant disbursements processed by the Department of Health and Human Services Payment Management System (HHS-PMS)). This lack of timely and effective reconciliations resulted in large cash differences at year end.

In our FY 2000 audit report (OIG Report No. - 22-01-006-13-001) we recommended that the Chief Financial Officer ensure that:

- *Agencies identify and clear differences at the document level at least monthly.*
- *Reconciliation procedures effectively address Departmental funds processed through non-DOL ALCs (e.g. HHS, USDA, Treasury, etc.)*
- *Reconciliation worksheets are prepared in compliance with Treasury and OCFO guidance.*
- *The resolution of differences is adequately supported by source documentation.*

The last three recommendations are considered **closed**. The first recommendation, *Agencies identify and clear differences at the document level at least monthly*, remains **unresolved** with respect to ETA. Resolution is dependant on ETA developing a corrective action plan to perform prior year reconciliations for the HHS-PMS cash differences at the appropriation level.

Management's Response:

ETA/OFAS developed a corrective action plan last year to address the issues raised by the OIG. Several of the prior year's differences between the Fund Balance with Treasury and DOLAR\$ have been resolved and corrected. Additionally, we have implemented a number of procedures and processes directly related to the OIG's recommendations. Accordingly, we believe this finding should be resolved.

OIG Conclusion:

We acknowledge ETA's submission of a corrective action plan; however, the plan stated that an assessment of the fund balance by appropriation would be completed by August 1999 and the resolution of differences would be completed by September 2001. However, our FY 2001

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audit results found that appropriation level differences still accounted for 85 percent of the total cash adjustment for FY 2001, which is substantially unchanged from FY 2000. Therefore, this recommendation is **unresolved**. Closure is dependent on the submission of an updated corrective action plan with new time frames for completion. The implementation of the proposed corrective action will be evaluated during the FY 2002 audit.

In FY 1998 (OIG Report No. 12-99-002-12-001), we reported that the Department had unreconciled differences with Treasury. We recommended that the Chief Financial Officer:

- ***ensure that agencies are reconciling their differences properly and on a timely basis. The OCFO should monitor the agencies' differences and work with the agencies and Treasury to resolve those differences.***

Our review of the Department's ALCs revealed unreconciled differences of \$10.3 million (absolute value) as reported on the September 30, 2001 TFS 6652s, *Statements of Differences*, for deposits and disbursements. This reflected a 22 percent decrease from the prior year. These differences were found in 33 of the Department's 53 ALCs. Although timing differences may be expected (for transactions posted by Treasury at the end of a month and by the Department in the following month), over half (67%) of the total differences at year end relate to June 2001 or prior, dating back as far as September 1999.

The following ALCs had an increase in differences recorded at September 30, 2001, as compared to differences recorded for September 30, 2000:

Agency	Absolute Value		
	FY 2001	FY 2000	Increase
ETA - National Office	\$ 3,311,317	\$ 1,434,162	\$ 1,877,155
ETA - Dallas	\$ 1,204,731	\$ 42	\$ 1,204,689
OASAM - Dallas	\$ 500,197	\$ 176,357	\$ 323,840
OASAM - Denver	\$ 103,031	\$ 3,062	\$ 99,969
ETA - Philadelphia	\$ 173,453	\$ 91,981	\$ 81,472

Since the differences are netted at the ALC level, the actual misstatement could not be determined

In July 2001, the Department began submitting to Treasury on a trail basis two ALCs monthly SF 224s, *Statements of Transactions*, via an electronic bulk file transfer through the GOALS II system. This process eliminates manual adjustment of the SF 224s and directly submits cash receipts and cash disbursement data as recorded in the DOLAR\$ general ledger. While this system will minimize the need for year end adjustments at the appropriation level, it may not affect differences reported on the monthly TFS 6652s. These differences arise when amounts reported to Treasury from SF 224 data are compared with amounts reported to

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Treasury by third-party depositories and disbursement centers. Therefore, the use of a bulk file transfer does not eliminate the need for agencies to identify and clear differences on a monthly basis. Because full implementation of the bulk file transmission did not occur until fiscal year 2002, we were unable to determine the effectiveness of this process along with the monthly cash reconciliations in reducing cash differences reported on the monthly TFS 6652s.

This recommendation is **resolved**, closure is pending verification of the corrective action implementation in FY 2002.

Management's Response:

Management concurs.

Management Advisory Comments

1. Grant Accounting

Current Year Findings and Recommendations

a. Tracking Grant Closeout Process:

DOL's granting agencies need a means by which they can track, in DOLAR\$, whether or not a grant has been closed. While the agencies are able to track which grants have gone through the closeout process, there is no effective method to identify grants and contracts which have not yet been submitted for closure. As a result, grants often remain open long after the grant period has ended. There are instances where transactions have been posted in DOLAR\$ after the grant has been closed and received final certification. Also, grants can be archived from DOLAR\$ without consideration of whether or not the grant has been closed. There are thousands of grant and contract documents recorded in DOLAR\$, and the granting agencies need an efficient means of identifying open grants, preventing grants from being archived prior to closure, and preventing additional grant transactions after the grantee has certified final costs and payments.

The Department's accounting system should be used to achieve these objectives. One option would be to add a one-digit status code to DOLAR\$ which would indicate whether a grant document is closed or open. Any document carrying a closed status would not be accessible for further transactions, and a document must carry a closed status in order to be archived (i.e., removed from the active DOLAR\$ database). Alternatively, grant closure could be coordinated with the archiving process. When a grant is certified and closed, it would be archived from DOLAR\$. Thus, the granting agencies could go to the DOLAR\$ Detailed Grant Report and know that all of the grants listed have not yet been closed. Archived grants would not be available for further transactions.

1. **We recommend that the Chief Financial Officer work with the granting agencies to develop a method, using DOLAR\$, that will provide the agencies with the necessary information for closed versus open grants, would restrict access to closed grants, and would ensure that grants are not archived from DOLAR\$ prior to grant closure.**

Management's Response:

Management will discuss this recommendation with the Department's grantor agencies. Modifications of the accounting system will be based on the result of those discussions.

OIG Conclusion:

This recommendation is **unresolved**. Resolution is dependent upon development of an appropriate corrective action plan.

Status of Prior Year Finding and Recommendation

Obligations Inappropriately Moved to Subsequent Fiscal Year

Our FY 2000 audit (OIG Report No. 22-01-006-13-001) identified that ETA moved a portion of the obligation, payments and costs for certain grants from one fiscal year to the next. This practice was not in compliance with 31 U.S.C. Chapter 15. In response to this finding, ETA stated that OFAS was considering actions to be taken to alleviate this concern, and that a decision would be made on a course of action to be taken by the end of the third quarter of FY 2001 and the action implemented during the fourth quarter of FY 2001. However, no actions were taken by management regarding this issue.

We made the following recommendation:

- *We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that ETA establishes controls (including written policies and procedures) which will ensure that adjustments to obligations for closed accounts are posted only to current year appropriations and are properly authorized by the head of the agency when the amount of the adjustments exceeds the dollar threshold established in the regulations.*

This recommendation remains **unresolved** pending management's submission of a specific corrective action plan for our review which identifies procedures and time frames for completion.

Management's Response:

ETA's OFAS implemented procedures in FY 2001 to prevent a reoccurrence of this type of transaction coming from the DHHS/ PMS.

In July 2001, ETA/ OFAS sent a list of all the obligations in appropriations that would cancel at the end of FY 2001 to the DHHS who placed a block on all the obligations included in the list. The block prevented any transactions from taking place unless designated ETA/ OFAS staff authorized DHHS staff to remove the block.

The OIG did not inquire about this finding as part of the OIG's follow-up on prior year's findings and recommendations to see if ETA/ OFAS had addressed the issue. Based on the procedures implemented in FY 2001, we believe this finding should be resolved.

OIG Conclusion:

Our recommendation asserts that ETA needs to establish written policies and procedures which would address the appropriate recording of obligation adjustments in DOLLAR\$, as well as the authorization requirements for such adjustments when required by the regulations. While the actions described by ETA may help to prevent situations requiring adjustment of obligations after they have expired, these actions do not address the appropriate course of action when an adjustment is necessary.

This recommendation remains **unresolved** pending receipt of a corrective action plan addressing the actions defined above.

2. Property

Status of Prior Year Findings and Recommendations

Capitalized Asset Property Management

In our FY 1999 Management Advisory Comments (OIG Report 12-00-006-13-001), we reported that management's capitalized asset tracking and reporting procedures are inadequate to ensure that disposals of capitalized assets are reported in a timely and accurate manner, and that assets are adequately safeguarded against loss or theft.

We recommended the Chief Financial Officer ensure that:

- *physical inventories of capitalized assets are performed on a periodic basis;*
- *periodic reconciliations of the capitalized asset subsidiary ledger are performed, using CATARS Physical Inventory Reports; and*
- *Accountable Property Officers (APOs) and Capitalized Asset Management Officers (CAMOs) receive adequate training in the disposal of capitalized assets.*

In response to our recommendations, the OCFO began to conduct regular meetings with Capitalized Asset Management Officers (CAMOs) to train them and emphasize the need for accurate and timely processing of disposals, and reconciliations between CATARS and physical inventories.

Additionally, the OCFO sent instructions to the CAMOs which detailed physical reconciliation procedures. Although the agencies are now performing physical inventories to determine if the assets in CATARS still exist and are in use, we still found errors in the CATARS database. We tested a sample of 66 items from the April 30, 2001, CATARS database. We could not physically locate or verify the existence of 10 of the 66 items tested (15 percent), totaling \$170,595 (asset cost). Seven of these 10 items are still included on the CATARS Detail Balance Report as of September 30, 2001, resulting in an overstatement of \$117,534. Three of the 10 missing items are recorded as disposed on the CATARS Disposal Report as of September 30, 2001. Of these three items, two items could not be supported by a disposal form and one item was disposed in a prior year but is still listed on CATARS.

Also, we tested 212 items reported on the September 30, 2001 CATARS disposal report and could not find the supporting DL 1-55c for 168 (79 percent) of them. This totaled \$3 million of disposals which could not be supported. We also noted 19 instances in MSHA where an asset was disposed of but was still being carried in CATARS, thus resulting in an overstatement of assets at year end of \$270,702.

Part of the reason for these disposal errors is that agencies may write off assets not located without adequate follow-up. In order to ensure proper accountability, agencies should be completing a DL 1-55c at the time an asset is disposed, not when an asset cannot be located. In particular, we noted that BLS and ETA do not complete disposal forms at the time an asset is disposed but only at year end when the physical inventory is taken. At BLS, 99 items were

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recorded in CATARS as disposed but did not have adequate documentation supporting the disposal. This results in a lack of adequate safeguards and a lack of accountability over these assets.

With respect to the performance of physical inventories on a periodic basis, this recommendation is **closed**. With respect to the periodic reconciliations and the disposal of assets, these recommendations are now **unresolved** pending receipt and review of a corrective action plan which addresses the proper accountability and disposals of assets. The corrective action plan should encompass the following new recommendations:

- **We recommended that the Chief Financial Officer, the Commissioner of the Bureau of Labor Statistics and the Assistant Secretaries for Mine Safety and Health and Employment and Training ensure that:**
 1. **procedures specified in the DLMS are followed for documenting the disposal of an asset *at the time* it is placed out of service, transferred, donated, etc., not as a means for reconciling the physical inventory.**
 2. **accountable Property Officers and Property Management Officers follow procedures specified in the DLMS for determining liability for lost/missing, stolen, or damaged property.**

Management's Response:

BLS Response: BLS concurs with the OIG and has taken appropriate action to ensure that disposal forms are prepared by the Accountable Property Officers, submitted to the finance office, and recorded in CATARS in a timely manner. BLS property staff prepare form DL 1-55c for each disposal at the time of the disposal. BLS property staff will prepare a report each month of all disposals and the finance staff will use this report to ensure that CATARS is updated for all disposed capitalized assets and that the DL 1-55c is on file in the property office to support the disposal. BLS will advise Accountable Property Officers and Property Management Officers of the procedures for determining liability for lost/missing, stolen, or damaged property and follow these procedures.

ETA Response: In an ideal world, ETA management cannot argue with the requirements of the DLMS and the OIG's recommendations. Practically speaking, however, we make every effort to account for ETA property, plant, and equipment (PP&E) as timely and effectively as possible. Beginning in FY 2002, the ETA, OFAS has begun to implement quarterly reconciliations of PP&E.

MSHA Response: MSHA will take steps to ensure we follow DLMS processes and procedures for the documentation and the disposal and equipment. MSHA is undertaking a complete inventory of all equipment and upon completion of the inventory MSHA will reconcile this information in CATARS.

OIG Conclusion:

With respect to BLS, this recommendation is **resolved and open** pending our review of the corrective action implementation during the FY 2002 audit.

With respect to ETA and MSHA, this recommendation remains **unresolved**. Resolution is dependent upon the receipt and review of agency corrective action plans with timeframes for completion. The corrective action plans must address the procedures for ensuring disposal forms are completed at the time of disposal, and the process for identification of missing, stolen and damaged property, and the procedures to be followed for determining liability in such cases.

3. Job Corps Data Center Operations

Current Year Findings and Recommendations

The Job Corps Student Pay Allotment and Management Information System (SPAMIS) is used by the Job Corps program to process approximately \$80 million (annually) of student allowance and bonus payments. Cash required to fund student payrolls is electronically transferred from the SPAMIS data center to the individual Job Corps centers (via electronic fund transfers), and then reimbursed from DOL to the data center (via the HHS PMS system). Our audit of the activities processed by the data center during FY 2001 disclosed the following:

a. A general ledger was not maintained to record the financial activities of the SPAMIS data center

In FY 2001, the data center discontinued preparation of a monthly general ledger. In the past, a general ledger system was utilized to account for all of the financial transactions of the data center, including cash received from DOL, cash transferred to the Job Corps centers for various allowance and bonus payments, and payments made to the IRS for student payroll taxes and FICA taxes. The cash balance recorded in the general ledger was routinely reconciled to the data center bank account to which the cash draws were transmitted. However, in FY 2001, the data center discontinued these practices. This is not in accordance with the contract Statement of Work, which requires JCDC to perform all payroll functions including general ledger posting and reconciliation.

b. HHS drawdowns could not be reconciled with the data centers bank statements

We attempted to trace SPAMIS drawdowns made via the HHS Payment Management System (PMS) into the SPAMIS bank account to determine if the drawdowns were accurately and completely credited to the data center's account. We found that HHS drawdowns could not be readily identified on the bank statements, and that the total credits per the bank statements exceeded the total HHS draws. The difference was approximately \$1.2 million. The center had not been routinely performing these reconciliations and was unable to provide an explanation as to the \$1.2 million difference. In addition, the bank did not list individual transactions on the bank statements, and it was very difficult to identify individual draws.

c. Drawdowns exceeded SPAMIS cash requirements due to overpayment of IRS taxes

We tested the amount of SPAMIS cash requirements (i.e., student payroll, termination and post-termination bonuses, and related payroll taxes) during the interim period (October 1, 2000, to March 31, 2001). For the 6 month period ending March 31, 2001, SPAMIS cash requirements (adjusted) consisted of the following:

CFO FINDINGS AND RECOMMENDATIONS

Student Payroll	\$ 22,828,742
Payroll Tax	2,599,902
Termination Pay	11,810,178
Termination Payroll Tax	2,679,275
Post-termination Payroll Tax	<u>463,548</u>
Total SPAMIS Cash Requirements	<u>\$40,381,645</u>

Total cash drawdowns made by SPAMIS for the purpose of meeting cash obligations were \$40,612,475, for a variance of \$230,830. This variance was identified as a duplicate tax payment to the IRS.

d. The Job Corps Data Center overpaid taxes by \$267,309

We traced Federal income taxes withheld in CY 2001 per IRS Form 941 to the supporting schedule of SPAMIS cash requirements without exception. However, we noted that an adjustment to withholding payments was made by the data center in the amount of \$267,309, which resulted in a net reduction in payments to the IRS. Upon inquiry we found that the data center had identified tax overpayments for CY 2000 and applied the credit to the current (CY 2001) tax liability. While the data center eventually credited the overpayment, the overpayments resulted in an excess amount of cash being drawn down and unnecessarily paid out over the course of the previous year.

These findings were caused by the fact that the general ledger and corresponding controls were not maintained during the year. The data center underwent a contractor change and the individual in charge of preparing a general ledger is no longer employed at the data center. The new staff had limited knowledge of the prior practices and procedures for generating a general ledger or for preparing some of the requisite cash reconciliations, and were unable to locate the chart of accounts, operating manuals and prior period financial records.

It is essential that the data center operate a general ledger system to fully account for Job Corps resources under their control. Without a general ledger and corresponding controls (such as cash reconciliations, etc.), the data center cannot provide a complete and accurate accounting of the resources transferred from DOL. Furthermore, the lack of general ledger controls creates a higher level of inherent risk that the existing records will not accurately identify and record all cash, payroll expenses, tax liabilities, and other financial transactions relative to the data center's activities, and that errors or irregularities will occur and not be detected and corrected on a timely basis.

We recommend that the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that the Office of Job Corps:

- 1. Require the current contractor for the Job Corps Data Center to provide a complete and accurate accounting of the resources transferred from DOL, and resume operation of a general ledger system complete with reconciliation processes and other relative procedures.**
- 2. Require Job Corps staff assigned to the data center to monitor and report on the progress of the data center in bringing the accounting records up to date, as well as ensuring that the processes put into place are performed on a routine basis as part of regular, routine operations.**

CFO FINDINGS AND RECOMMENDATIONS

Management's Response:

We concur with the finding. Steps will be taken to re-establish the general ledger and use it on a regular basis to assist in regularly reconciling bank statements against draws and student payroll. Specific action items are as follows:

1. Acquire the services of a certified public accountant (CPA) to assist the JCDC in re-establishing the general ledger.
2. Receive proposal for services from the CPA
3. Review proposal and finalize the statement of work.
4. Issue purchase order. Estimated date: 25 January 2002.
5. Based on an initial discussion with the CPA, the following actions will be required:
 - a. Re-define the account structure reducing the current 4000 accounts to a more manageable size.
 - b. Acquire an improved accounting software package to facilitate producing the GL.
 - c. Define reports for account management.
 - d. Bridge data from the SPAMIS application to the new accounting software.
 - e. Interface bank data to the new accounting software.
 - f. Establish the new accounting structure and report definitions into the new accounting software.
 - g. Test data bridge from SPAMIS.
 - h. Test data transfer of bank information to the new accounting software.
 - i. Test system implementation.
 - j. Develop procedures for GL use on a daily/monthly basis.
 - k. Train JCDC personnel on the new system.
 - l. Bring the account up to date and validate the GL.
 - m. Implement operational use of the system by April 30, 2002.

With respect to reconciling HHS draw downs versus bank cash deposits, the data center has been successful in persuading the bank to revise the format of the bank statements which will readily identify individual deposits. We have already reconciled HHS draws for the past year and will make this part of our routine monthly procedures.

OIG Conclusion

We concur with the plan outlined by management. This recommendation is **resolved and open**. Closure is pending our review of the progress made at the data center during our FY 2002 audit.

4. Accounting for Nonpayroll S&E Accounts Payable

Current Year Finding and Recommendation

a. Accounts Payable

We noted that several agencies did not follow the OCFO's guidance for establishing an accrual for goods and services received. Specifically, we noted that ETA, OSHA and FMSC did not record all accounts payable accruals at year end as required by the OCFO guidance. We tested \$33.4 million of recorded accounts payables and found this amount was understated by \$4.7 million (14 percent).

ETA and OSHA have chosen not to record an accrual unless they have an invoice in hand. FMSC has made progress in refining its year end accrual process; however, they have not been able to obtain the necessary information from the ordering offices in order to make all year end accruals.

Recommendation

- 1. We recommend that the Chief Financial Officer and the Assistant Secretaries for Occupational Safety and Health, Administration and Management, and Employment and Training, ensure year end accruals are properly determined and recorded.**

Management's Response:

ETA Response: The ETA, Office of Financial and Administrative Services (OFAS) is doing everything possible to reflect accounts payable activity in the appropriate fiscal year. From October 1 until the day the OCFO stops our dual year authority in the DOLAR\$, the ETA, OFAS processes every invoice received in the appropriate fiscal year, including tracking the invoices that are received in October and processed back to September.

However, the time frames established by the OCFO to process year end activity are too constrained in order to process invoices received and determine if there is a need to accrue properly for every single open obligation. For FY 2001, the cut-off date to process invoices in the DOLAR\$ Accounts Payable System was October 18, 2001. Consequently, there was, simply, not enough time to ensure that every invoice is processed or accrued given that (1) vendors close their accounting systems and prepare and submit invoices in the following month, (2) invoices received must be routed for approval by the Contracting Officer's Technical Representative, and (3) the ETA, OFAS's primary objective is to process all September invoices received before the cut off date and avoid the duplicate work in processing invoices for payment and accruing and reversing any invoices not processed.

OSHA Response: OSHA has requested and received dual year access authority for the employee responsible for entering these data into the DOLAR\$ system. We believe that all accounts payable accruals in 2001 were handled according to guidance and that this finding is no longer an issue for OSHA. OSHA expects the 2002 accounts payable data also will be recorded as required by OCFO guidance and believe that this recommendation should be considered resolved and closed for OSHA.

CFO FINDINGS AND RECOMMENDATIONS

OCFO Response: It is the OCFO's policy and guidance that accruals should be made for goods and services that have been received but not paid for as of the balance sheet date. However, the OCFO also recognizes that materiality and cost-benefit are important factors in management's decision to allocate scarce resources to the goal of recording all accruals at year end as required by OCFO guidance. While the OCFO will continue to provide guidance and assist agencies in recording accruals, it is our opinion that the Department's accounts payable are fairly stated, in all material respects. We consider this matter closed.

OIG Conclusion:

The Department issued guidance to the agencies for procedures to ensure that reliable year end accrual estimates are recorded. Some agencies have effectively implemented the guidance and others have not. OCFO indicates in its response that compliance is at the option of management based on agency constraints.

We concur that accounting procedures need to be developed in light of materiality and cost-benefit factors. However, these factors should have been considered before the guidance was issued. The OCFO should either review and revise the guidance to efficiently and effectively address the accrual process or enforce the implementation of the existing guidance. Therefore, this recommendation remains **unresolved** pending receipt and review of effective and enforceable accrual guidance.

Status of Prior Year Findings and Recommendations

Working Capital Fund

The New York Centralized Administrative Support Unit (CASU) underestimated its requirements for services provided through the Working Capital Fund (WCF) in FY 2000. This could have resulted in a potential Anti-Deficiency Act violation had the Department not identified the shortfall and submitted to OMB a fourth quarter apportionment request for additional funding. The signed apportionment was returned to the Department in mid-September, and contract modifications for the additional obligational authority were submitted by the CASU at fiscal year end. However, the services to be paid for with these funds were received throughout the fourth quarter. Our testing revealed that 3 CASU documents out of the 25 WCF documents in the sample had obligations posted on or near September 30th relating to expenses incurred earlier in the fourth quarter.

Because the Department was monitoring these funds independently from the CASU, a timely apportionment was submitted which prevented the potential violation of the Anti-Deficiency Act. However, it appears that due to the rapid growth and expansion of services, the New York CASU lacks the necessary internal controls to adequately determine its costs and to obtain the necessary funding on a timely basis.

In our FY 2000 management advisory report (OIG Report No. 22-01-009-13-001), we recommended the Chief Financial Officer and the Assistant Secretary for Administration and Management:

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- ***Ensure that an onsite review is conducted of the New York CASU operations and internal controls for developing adequate funding estimates for services provided through the WCF.***

In FY 2001, OASAM hired an independent CPA firm to review the CASU's financial operations. The Department will be receiving a report and will forward it to us for review.

In addition, OASAM established a panel of DOL managers to develop a 5-Year Business Plan for the CASU. The draft plan will also be forwarded to us for review.

Also, CASU has arranged to conduct formal meetings on a semiannual basis with the Director of the FMSC and members of the FMSC staff. The purpose of these meetings will be to review budget performance, identify trends and patterns, and utilize that information to assist in financial planning for the CASU.

This recommendation remains **resolved and open**, pending our receipt and review of the report, the business plan, and implementation of the corrective actions identified.

Management's Response:

The independent CPA audit of the CASU's financial operations for the 6 months ending 3/31/01 has been completed and a corrective action plan has been drafted. Copies of both will be forwarded to the OIG as the OCFO receives them.

OIG Conclusion:

This recommendation remains **resolved and open** pending our review of the corrective action implementation during the FY 2002 audit.

5. Unemployment Trust Fund

Status of Prior Year Finding and Recommendation

Unemployment Compensation Advisory Council

During our FY 1997 audit, we noted that the Unemployment Compensation Advisory Council (UCAC) required by the Social Security Act has not been reestablished. Section 908 of the Social Security Act makes no provision for delaying the establishment of a new Advisory Council, and the issues for which the Council is responsible are significant to the UI program. We made the following recommendation (Report No. 12-98-002-13-001):

- ***We recommended that the Assistant Secretary for Employment and Training ensures that the Unemployment Compensation Advisory Council is reestablished as required by Section 908 of the Social Security Act.***

CFO FINDINGS AND RECOMMENDATIONS

As of FY 2001, a new UCAC has not been established. Because a new Advisory Council has not been established nor has a time frame been provided as to when another council would be discussed or established, this recommendation remains **unresolved**.

Management's Response:

Management has no further comments.

6. Federal Employees Compensation Act (FECA)

Status of Prior Year Findings and Recommendations

Accounts Receivable

In our FY 1996 audit (OIG Report No. 12-97-005-13-001), we made the following recommendations:

- *We recommended that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that FECA implements the following in regard to the accounts receivable:*
 - S *Implement an accounts receivable system that ensures that debts are reviewed periodically, collected timely and written off in accordance with the Debt Collection Improvement Act of 1996.*
 - S *Implement the Debt Collection Improvement Act of 1996 with regard to maintaining the social security number of the individual to whom benefits were paid.*

Adequate reviews of the detailed accounts receivable subsidiary ledger for posting errors, correct assessments of interest, current status of balances, and the write-off of uncollectible balances are not being performed. Management issued a Bulletin that directs the district offices to review the accounts receivable balances, determine those debts on which a perpetual debtor status is in effect and make attempts to rectify the perpetual debtor status through compromise, write-off, or alteration of the existing payment plan. The number of errors identified has been reduced from prior years; however, accounts continue to have interest assessed which is greater than the amount of the payment which is meant to cover principle and interest. There are 88 accounts receivable with a payoff life greater than 30 years totaling \$8,090,515.

The first recommendation remains **resolved** and **open**. Closure is dependent on debts being updated to final from preliminary in a timely manner, the accuracy of accounts receivable balances and the accuracy of interest assessments to prevent claimants from being placed in a perpetual debtor status which will be determined during the FY 2002 audit.

The Division of Employees' Compensation (DFEC) does not maintain the social security number in its ACPS database for individuals paid benefits and are other than the claimant, such as widows and other beneficiaries. As such, DFEC is not in compliance with the Debt Collection Improvement Act, which requires that the social security number of each recipient of Federal benefits be maintained. Also, referral of debts to the Treasury for administrative offset requires

CFO FINDINGS AND RECOMMENDATIONS

the social security number of the individual to which benefits were paid. A redesign of the ACPS is in process that will provide for the recording of the benefit recipient's social security number when different from the social security number of the claimant.

The second recommendation is now **resolved** and **open**. Closure is dependent on the implementation of the system redesign and verification that the benefit recipient's social security number is being maintained.

Management's Response:

Both parts of this recommendation are considered resolved by the OIG. DFEC has procedures in place which address debt management, including the accuracy of accounts receivable balances and interest rates. District offices report any outstanding delinquent debts to the National Office on a quarterly basis, and this data is also reviewed by our own internal accountability reviews. Improvement in these areas is evidenced by the fact that no finding was made in recent audit reports in this area. With respect to the second part of this recommendation, a procedure for maintaining the social security number of the individual recipient of death benefits will not be implemented until the system redesign is in effect.

OIG Conclusion:

These recommendations remain **resolved and open**. Closure is dependent on debts being updated to final from preliminary in a timely manner, the accuracy of accounts receivable balances and the accuracy of interest assessments to prevent claimants from being placed in a perpetual debtor status and the implementation of the system redesign and verification that the benefit recipient's social security number is being maintained which will be determined during the FY 2002 audit.

Updated Procedure Manual

In our FY 1999 Management Advisory Comments (OIG Report No. 12-00-002-13-001), we noted the FECA Procedures Manual was outdated in several areas. We made the following recommendations:

The Acting Chief Financial Officer and the Assistant Secretary for Employment Standards:

- ***Update the FECA Procedures Manual.***
- ***Establish a policy that the FECA Procedures Manual be promptly updated.***

During our FY 2001 audit, we found that the FECA Procedure Manual was still outdated and did not contain complete and accurate information on how transactions are processed or policies and procedures to be followed.

CFO FINDINGS AND RECOMMENDATIONS

The DFEC is updating the computer systems used in processing payments under FECA. The FECA Procedures Manual should be updated in conjunction with the update of the FECA computer systems. Failure to update the FECA Procedures Manual could preclude the complete, accurate and timely processing of FECA transactions.

These recommendations remain **unresolved**. Resolution is dependent on a corrective action plan that would update the FECA Procedure Manual in conjunction with the FECA computer system updates.

Management's Response:

The FECA Procedure Manual is continually undergoing update and revision. The revision of Part 6, Debt Management, is complete for the present time, and will be published pending review by the Office of the Solicitor. Drafts for portions of Part 5, Benefits Payment, of the FECA Procedure Manual are completed and will be published pending upper level review. At least two additional full-time staff will be dedicated to review and update of Parts 2 and 3, Claims and Medical, of the FECA Procedure Manual, and the incorporation of aged FECA Bulletins. With regard to small scale updates and minor corrections to the procedure manual, the method of going directly to the manual via a transmittal will be used more widely.

In addition, the FECA computer system update (ADP redesign) is fully underway. It is recognized that when implemented, the new system will require corresponding procedures. The additional employees in the Branch of Regulations and Procedures will be set to the task of accomplishing this objective.

OIG Conclusion:

The first recommendation remains **unresolved**. Resolution is pending a specific plan that includes updating the necessary parts of the Procedures Manual and the actual updating of those sections. The second recommendation is now **resolved and open**. Closure is dependent upon the receipt, review and implementation of the updated portions of the Procedure Manual and FECA's adherence to the policy that the FECA Procedure Manual be updated within one year of FECA Bulletin publications.

Accuracy of Compensation Payments

In our FY 1997 Management Advisory Comments (OIG Report No. 12-99-001-13-001), the following recommendation was made:

- ***The Acting Chief Financial Officer and the Assistant Secretary for Employment Standards emphasize to claims examiners the necessity of computing accurate compensation payments.***

During our FY 2001 audit, inaccurate compensation payments were made in 16 of 177 cases tested (9 percent). Daily and initial periodic roll payments are required to be reviewed for appropriateness and accuracy by a Senior Claims Examiner (SCE). The district offices have received additional staffing through periodic roll units to concentrate on the review of long-term cases. The periodic roll units should review in detail the pay rate and compensation percentage.

CFO FINDINGS AND RECOMMENDATIONS

We also noted instances where claimants had notified OWCP that they had not received a compensation payment, at which time OWCP was to determine whether the previous payment to the claimant had cleared Treasury and if not, process a replacement check. If the previous payment had not cleared Treasury, the payment was to be canceled with Treasury and in the ACPS. OWCP did not properly cancel payments both with Treasury and in the ACPS in 6 of 63 (10 percent) of the instances. As a result, the ACPS reflects that some claimants have been paid in duplicate, when in fact, the original payment was not received by the claimant but has not yet been canceled in the ACPS.

The importance of computing accurate pay rates, determining the correct effective pay rate and pay date, and computing the proper period for which compensation is to be paid, should be communicated to the claims examiners. Also, properly resolving outstanding check tracers should be emphasized to the claims examiners.

This recommendation remains **unresolved**. Resolution is dependent upon receipt of a corrective action plan that ensures:

- additional controls are developed that are designed to ensure that pay rates are calculated accurately;
- that SCEs or higher grade certifiers detect errors made in the computation of compensation payments; and
- that follow up on check tracers are conducted and the ACPS annotate accordingly.

Management's Response:

Higher grade certifiers are currently used to verify that all the factors or elements used/entered for calculating the payment are correct. The factors for calculating the payment include the pay rate, the effective date of the pay rate, whether or not night differential or premium pay is involved, whether or not the claimant has dependents other than him or herself, and the period of entitlement. In almost all instances the computer system (ACPS) does the actual calculation of the dollar amount based on the factors entered. Review of the existing controls and instructions has indicated that they are comprehensive. In addition we continue our vigilance in monitoring this area through both the audit and the accountability reviews conducted each year. Towards that end, we have made payment accuracy one of our critical review ("index") items. These index items are used to factor our overall measure of quality of work for the individual offices, as measured during accountability review.

In order to improve agency performance regarding the tracing of lost or stolen checks, the DFEC has taken two major steps:

1. We have installed the Treasury's new electronic check tracing system (PACER) which allows the immediate cancellation of outstanding checks. The system also provides an imaged copy of the check in question, so that the signature on the check can be quickly confirmed. All district offices are using the system, allowing quicker processing on check tracers. In addition, an on-line Check Register has been established, to facilitate obtaining the information necessary to trace a payment. More importantly, these steps greatly improve the response time between the Treasury and the DFEC, allowing the agency to properly re-issue or cancel checks as necessary.

CFO FINDINGS AND RECOMMENDATIONS

2. The DFEC has created a new position (Fiscal Operations Specialist) which has been charged with tracking all check trace requests. The individual assigned to that position will request tracers from the Treasury, and either re-issue or cancel payments, as necessary. More importantly, the individual will also be required to track all related actions, to insure that credits are posted timely and duplicate payments due to lost or stolen checks are avoided.

We believe that this finding should be closed.

OIG Conclusion:

This recommendation is now **resolved and open**. Closure is dependent on the review of the new PACER system and the effectiveness of duties being performed by the Fiscal Operations Specialist in ensuring that follow up on check tracers are conducted and the ACPS annotated accordingly which will be evaluated during the 2002 fiscal year audit.

Continuing Eligibility

In our FY 1997 Management Advisory Comments (OIG Report No. 12-99-001-13-001), we made the following recommendation:

- ***We recommended that the Acting Chief Financial Officer and the Assistant Secretary for Employment Standards reemphasize (through training or other means) that claims examiners:***
 - ***are responsible for obtaining the support for a claimant's current disability status;***
 - ***should document their requests for such support; and***
 - ***should follow the procedures in the Federal (FECA) Procedure Manual, Chapter 2-812 when a claimant fails to provide requested information.***

Prior years' audits noted that current CA-1032s had not been requested or received. A CA-1032 is a claimant's annual self-certification as to eligibility for benefits and report of earnings information. Claimants are required to disclose a change in marital, dependent, or employment information as well as whether or not the individual has been incarcerated. The Claims Examiners check the information reported by the claimant on the CA-1032 with the information in the ACPS and claimant file and adjust the claimant's benefits accordingly.

The FY 2001 audit found that in 2 of 82 instances (2.4 percent), a current CA-1032 was not obtained to support the claimant's current disability status. The audit also found that in 2 of 82 instances (2.4 percent), current medical evidence was not obtained to support the claimants' current disability status. Current medical evidence is required from every year to every 3 years to verify the claimant's continuing disability status. In addition, we selected a sample of 50 items on which compensation benefits had been paid, no medical payments were identified during the past year in the BPS, and which were in a short-term disability status. Thirteen of the 50 (26 percent) cases tested, from a population of 1,313 cases, did not contain medical evidence.

CFO FINDINGS AND RECOMMENDATIONS

This recommendation is **resolved and open**. Improvement was noted from the prior year's errors. Closure is dependent upon the continued decline of errors in ensuring that CA-1032s and medical evidence are requested and received from claimants on a timely basis or that benefits are suspended if claimants do not furnish required information, which will be reviewed during the FY 2002 audit.

Management's Response:

OWCP continues to follow its recently established procedures for obtaining the evidence to support continuing eligibility for compensation benefits payment. We continue to emphasize (through training and monitoring via the bi-annual accountability reviews) the claims examiners' responsibility to obtain the evidence and take action when the claimant does not comply by completing and returning the CA-1032.

We agree with OIG's finding that this recommendation is **resolved**, and based on continued improvement demonstrated by the continued decline of errors from prior years, this recommendation should be **closed**.

OIG Conclusion:

This recommendation remains **resolved and open**. Closure is dependent upon the sustained decline of errors in ensuring that CA-1032s are requested and received from claimants on a timely basis. Closure is also dependent on improvements on obtaining medical evidence or suspending benefits if claimants do not furnish required information.

7. Procurement

Status of Prior Year Findings and Recommendations

Audit results for FY 1998 through FY 2000 identified purchases in excess of the \$2,500 micro-purchase limit, missing credit card statements and supporting documentation, and the DLMS had not been updated.

Purchases that exceed \$2,500 micro-purchase limit

In FY 2000, we reported that in BLS, two credit card statements had purchases that exceeded the \$2,500 threshold, in violation of the FAR and departmental policy.

In the FY 2000 management advisory report (OIG Report No. 22-01-009-13-001), we recommended that the Chief Financial Officer and the Assistant Secretary for Administration and Management:

- *ensure that the purchase limits on the cards are properly established and are functioning (i.e., work with Citibank and perform tests of these limits)*

CFO FINDINGS AND RECOMMENDATIONS

The Department has not yet addressed this recommendation. In addition, we noted two instances in ETA where the cardholder did not even have a single purchase limit established. Therefore this finding remains **unresolved** pending receipt of corrective action.

Management's Response:

The Federal Acquisition Regulation at Parts 8 and 13 provides for use of the purchase card as a payment mechanism where an ordering mechanism already exists in the form of an agency contract, a GSA schedule contract or other agency contract, or a purchase order. Although the Department of Labor's current procedure manual provides guidelines which emphasize the micro-purchase limit for the purchase card, this restriction is intended to prevent misuse by cardholders who do not have adequate training to make this distinction. We have initiated a procurement management review program for DOL contracting offices, of which the purchase card program is a part. Due to limited resources, our procurement analysts are not able to review the transactions of every credit card holder in the Department. Therefore, the analysts are required to conduct samplings of the credit card transactions for the agency being reviewed and to collect use and abuse data. Through this review mechanism, we are able to gather trend data and ensure that the purchase limits on the cards are properly established and enforced. We are also working with Citibank, the contractor, to ensure all credit card limit restrictive mechanisms are activated as delineated under its contract provisions. The Department's Procurement Executive will also issue a memorandum to all purchase cardholders and approving officials, reminding them of their responsibility to adequately monitor purchases to ensure that the single purchase limit is not exceeded. We will also obtain a list of cardholders who have single purchase limits above \$2500 in the CitiBank system, to be used in discussion with the agencies for corrective action.

OIG Conclusion:

Management has proposed several corrective actions to address this finding, but has not provided timelines for completion. Additionally, the issue concerning cardholders without a single purchase limit was not addressed. Therefore, this recommendation remains **unresolved** pending receipt and review of a corrective action plan with timeframes for completion.

Missing credit card statements and supporting documentation

In FY 1999 we reported that BLS, ETA, and OSHA had many cardholder statements missing from Servicing Finance Office (SFO) files. In addition, many of the credit card charges lacked adequate supporting documentation, such as receipts, invoices, packing slips, and other supporting documentation.

We made several recommendations addressing Department-wide policy and training issues. In the FY 1999 management advisory report (OIG Report No. 12-00-006-13-001), we recommended that the Chief Financial Officer and the Assistant Secretary for Administration and Management:

- ***Revise the credit card policies to clarify what documentation agencies must maintain to support credit card purchases.***

CFO FINDINGS AND RECOMMENDATIONS

In FY 2001, the Department indicated that the *Procedures for Use of Credit Cards for Micro-Purchases* (May 17, 1999) is being revised and that it has formed a group to address issues related to invoice processing using the card vendor's on-line payment system (CitiDirect).

The Department has not, however, provided to us the draft manual nor a corrective action plan which includes timelines for completion and indicates the responsible official. Therefore this recommendation remains **unresolved**, pending receipt and review of an acceptable corrective action plan.

Management's Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. The Department's purchase card manual is in the process of being revised. A workgroup established to make the revisions is also addressing issues related to invoice processing using the card vendor's on-line payment system (CitiDirect), and relating to threshold issues as they affect the Department's credit card rebate. The current draft of the manual will require that documentation be retained for three years, and institutes training requirements for card holders who will use the purchase card for purchases above the micropurchase threshold as a payment mechanism only. Open market single purchases using the card continue to be prohibited above the micro purchase threshold of \$2500. Completion of the purchase card procedure revisions is expected by the end of the third quarter FY 2002. It will then require circulation and concurrence of stakeholders and we anticipate final publication within the Department before the end of the fiscal year. It was our stated intention to issue a complete revision of the Department's purchase card procedure manual by the end of FY 2001. Due to the aforementioned workgroup, which is also charged with working out procedures to implement use of CitiBank's online reporting and payment system known as CitiDirect, this new procedure manual has only been partially drafted.

OIG Conclusion:

Our recommendation addresses the need to clarify what documentation should be maintained in support of credit card transactions. Although Management has indicated that a manual is being drafted and has included timeframes for completion, it has not specifically addressed this documentation issue. Therefore, this recommendation remains **unresolved**.

- ***Establish procedures for all agencies to follow and identify the consequences of instances of missing cardholder statements or lack of adequate documentation.***

OASAM has indicated they will incorporate guidelines for revocation in the revised *Procedures for Use of Credit Cards for Micro-Purchase*. We have not yet received this manual for review with these changes incorporated.

Although some agencies have begun to aggressively pursue cardholders who have not submitted statements, we noted several instances in our FY 2001 audit where a cardholder was repeatedly delinquent or did not have adequate documentation.

CFO FINDINGS AND RECOMMENDATIONS

Missing statements and/or documentation are “red flags” which indicate increased risk of possible fraud, waste, or abuse. These red flags require immediate attention to determine if there is evidence of any wrongdoing. Agencies should work with the OIG Office of Labor Racketeering and Fraud Investigations (OLRFI) to determine under what conditions or circumstances agencies should refer cardholders to OLFRI for possible investigation related to unsupported/unauthorized charges.

Therefore, this recommendation remains **resolved** and **open**, pending receipt and review of the revised manual.

Management’s Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. Revocation of credit cards as a result of missing statements or documentation is an option to all program officials who have oversight of their credit card programs, not just to BLS and ETA. Additional guidelines for when such revocation is advised will be incorporated into the revised Procedure Manual. The Department has approximately 1600 cardholders. Due to limited resources needed to conduct such reviews DOL-wide, the Procurement Executive will issue an *Approving Official's Self Certification Checklist* for use by agency approving officials to promote compliance. In addition, survey questions will be sent to these officials and responses used as an indicator of the need for additional technical assistance. Moreover, these procedures already exist in the current version of the credit card procedure manual on page ten under the heading “Supporting Documentation.” Upon discovery that there is insufficient documentation, servicing finance offices normally pursue the additional documentation, and advise approving officials and/or AOPCs of any persistent problems. This is also an item which is reviewed by this office when procurement reviews are conducted (see the manual entitled *Procedures for Use of Credit Cards for Micro-Purchases*). Where additional guidance is needed, interim policy guidance may be issued by the Procurement Executive to ensure that cardholders are fully advised of Departmental policy regarding documentation.

OIG Conclusion:

Management is addressing this recommendation in its proposed corrective action. Therefore, this recommendation remains **resolved** and **open** pending review of the corrective action implementation during the FY 2002 audit.

- ***Ensure that cardholders, approving officials, and other financial management and procurement staff are trained in the Department’s credit card use procedures and in their respective responsibilities.***

OASAM indicated they will conduct training in the use of the CitiDirect system and will survey the agencies to assess their need for training. A few agencies have begun training

their cardholders (notably BLS and OSHA); however, we are not aware of any Department-wide training. Therefore, this recommendation remains **resolved** and **open** pending review of the corrective action.

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Management's Response:

Although OASAM does not provide training to all Departmental offices, we have identified recommended sources of training, and have provided this information to credit card coordinators from all agencies. Many of the individual DOL agencies provide their own training. In addition, appropriate OASAM staff are available to provide technical assistance. We will assess the effectiveness of the agencies' training during the conduct of procurement management reviews.

OIG Conclusion:

We will review OASAM's training assessments and guidance during our FY 2002 audit. This recommendation is **resolved and open**, pending completion of our review.

In FY 1999, we recommended that the Chief Financial Officer, as well as the Commissioner of the Bureau of Labor Statistics, the Assistant Secretary for Employment and Training, and the Assistant Secretary for Occupational Safety and Health:

- ***Ensure that the cardholders, approving officials, finance office, and procurement office staff adhere to requirements in the Procedures for Use of Credit Cards for Micro-Purchases (Revised May 17, 1999) regarding the timely submission of monthly cardholder statements and the inclusion and review of supporting documentation.***

During FY 2001, BLS provided training to cardholders and more aggressively pursued missing statements and documentation. In addition, we noted significant improvement in the quality of the documentation. Although BLS has made significant improvement, 5 of the 127 statements in our sample for May and July 2001 were not available from the finance office at the time of our fieldwork in October. All five of these statements were subsequently provided to us. In addition, two of these five were for the same cardholder in May and July. Therefore, with respect to BLS, this issue remains **resolved and open**.

In ETA, we tested a sample of 24 statements for May and July (12 each month). Eight of these statements were not available at the time of our fieldwork in October. Six of these eight statements were subsequently provided to us. The two statements which are still missing were for the same cardholder for May and July. In addition, 1 of the 24 statements lacked adequate supporting documentation. We are unable to determine the propriety of the transactions on the missing statements or the unsupported transactions. Because of these significant problems, with respect to ETA, this issue is now **unresolved**.

In OSHA, we tested a sample of 33 statements for May and July 2001. Two of the 33 statements were not available at the time of our fieldwork in October. One of these two was subsequently provided to us. In addition, 4 of the 33 statements lacked adequate documentation (2 of these 4 are the same cardholder). Although OSHA has provided an extensive

cardholder training and emphasized the importance of documentation, because these weaknesses still exist, this recommendation remains **resolved and open**.

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According to the *Procedures for Use of Credit Cards for Micro-Purchases*, credit card statements are to be turned into the respective finance office within 14 days of receipt by the cardholder. The procedures manual also specifies certain remedies available to the approving officials and procurement offices, including confiscation of the cards. It is not clear why the cards for these cardholders, who did not submit their statements timely or at all, were not confiscated.

Management's Response:

OASAM Response: OASAM concurs with this recommendation and has implemented procedures to ensure compliance. Procedures regarding the timely submission of monthly cardholder statements and the inclusion and review of supporting documentation will be included as part of the aforementioned *Approving Official's Self-Certification Checklist*. We will assess its effectiveness during the conduct of procurement management reviews.

BLS Response: BLS has taken appropriate action to ensure compliance with DOL policy regarding the timely submission of monthly cardholder statements and the inclusion and review of supporting documentation.

BLS reduced the purchase limits of all BLS cardholders to \$1 at the beginning of FY 2001 and these limits were not raised until the individual cardholders attended a training session on the use of the purchase cards and their individual responsibilities. Cardholders signed a statement that they attended this training and understood their responsibilities, including requirements for timely submission and supporting documentation. New cardholders during the year were provided one-on-one training on the use of the purchase cards and their individual responsibilities and signed a statement that they received training and understood their responsibilities.

The BLS procurement staff rigorously followed up with cardholders and their approving officials in order to ensure that all statements were received in a timely manner and included the required supporting documentation. These steps resulted in a significant improvement in the timeliness of the statement submissions and a tremendous increase in the quality of the supporting documentation.

BLS continued its policy of revoking or suspending cardholder privileges for failure to comply with DOL policy. Close monitoring of cardholder usage by the procurement staff indicated that there were no cases that warranted revoking or suspending cardholder privileges during FY 2001. This improvement is a direct reflection of the training provided to cardholders and the comprehensive review by the procurement staff.

To further ensure that cardholders and approving officials submit statements on time, BLS will suspend the cardholder's privileges if the statement has not been submitted to the procurement staff by the 28th of the month or if documentation is not adequate.

ETA Response: The ETA did require all cardholders to attend training last January where the regulations and procedures were explained to them. New cardholders are now required to take the on-line GSA purchase card course and hand in their completion certificate with their application.

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A concerted effort has been made, through vigilant tracking and card cancellations, to get monthly cardholder statements with the supporting documentation into the Office of Financial and Administrative Services in a timely manner. These efforts have been hampered recently by delivery problems of the cardholder statements through the USPS due to the mail processing issues in the Washington area. The missing statements in the audit were due to a cardholder who went on extended sick leave and then resigned, and we are attempting to resolve the issues with his statement.

We believe that ETA has made substantial progress in the management of its purchase card program and we will continue to work to improve it.

OSHA Response: OSHA plans to continue cardholder training. OSHA began using the CitiDirect system in 2002.

OIG Conclusion:

Based on BLS' and OSHA's proposed corrective actions, this recommendation remains **resolved and open** pending our review of corrective action implementation in the FY 2002 audit.

ETA has not adequately identified steps to be taken to ensure that cardholders submit statements and documentation in a timely manner. Therefore, this issue is **unresolved** with respect to ETA, pending receipt of an adequate corrective action plan.

Updating the DLMS

Some sections of the DLMS pertaining to procurement have not been updated since 1976. Certain changes have been handled as memoranda to the agencies, but most have not been formalized into the DLMS, which is the official policy manual for the Department. Since the DLMS has not been updated, there is insufficient and inadequate documentation of departmental procurement policies and procedures, which has resulted in inconsistent implementation of the procurement requirements in the FAR.

In the FY 1998 management advisory report (OIG Report No. 12-99-009-13-001), we recommended that the Chief Financial Officer and the Assistant Secretary for Administration and Management:

- ***Ensure that the DLMS is updated to reflect recent changes in procurement law and establish procedures to identify changes in the law and update the DLMS timely.***

The Department is working to update the Department of Labor Acquisition Regulation first and it plans to complete the revision to the DLMS in the first quarter of 2002. Therefore, this recommendation is **resolved and open**, pending review of the corrective action during our FY 2002 audit.

Management's Response:

The aforementioned DLMS has been revised, all comments resolved and will published by April 1, 2002.

OIG Conclusion:

This recommendation is **resolved and open**, pending our receipt and review of the revised DLMS.

8. Black Lung Disability Trust Fund

Status of Prior Year Findings and Recommendations

Lack of Detailed Reconciliation of the Statement of Differences

The FY 1999 DOL Management Advisory Comments (Report No. 12-00-006-11-001) made two recommendations concerning the lack of reconciliation of the Statement of Differences received from Treasury.

We recommended that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the Division of Coal Mine Workers' Compensation:

- *develop policies and procedures for the reconciliation of the Fund Balance with Treasury; and*
- *document the reconciliations and subsequent supervisory review of the reconciliations.*

During FY 2001, DCMWC issued a memo documenting policies and procedures for the reconciliation of the Fund Balance with Treasury. The first recommendation is **closed**.

During FY 2001, DCMWC began the process of performing monthly reconciliations of the TFS-6652, Statement of Differences. However, the reconciliations were not documented nor were they prepared timely. The second recommendation is **resolved and open**. DCMWC must develop a standard reconciliation template, list each reconciling item, attach the supporting documentation, and complete this work in a timely manner so that the reconciliation can be used when preparing the next SF-224.

Management's Response:

The Treasury Department has undergone substantial changes in the way it records and furnishes data to its customer agencies in the past two years. Most of this data is retrieved from an on-line database to be matched to paper documents. The accounting staff works with the knowledge that all documents are not available at a given point in time, such as when a SF224 is prepared. This fact may contribute to a perception that documentation is not complete or timely. Nevertheless during the current fiscal year the accounting staff will work to perfect documentation, including a template if appropriate, that will facilitate audit of the reconciliation process.

OIG Conclusion:

The second recommendation remains **resolved and open**. Closure is dependent on DCMWC adequately documenting and timely preparing the reconciliation of the Fund Balance with Treasury.

Suspense Account in Black Lung Accounting System (BLAS)

The FY 1998 Management Advisory Comments (Report No. 12-99-009-013-001) reported that the Black Lung Accounting System (BLAS) had a suspense account with a balance of approximately \$7.5 million as of September 30, 1998. Many amounts in the suspense account relate to complex bankruptcy issues or repayment of funds embezzled by former employees. The account also contains unresolved cash receipts dating back to 1985. Because of this situation, individual accounts receivable in BLAS do not always reflect the correct balance. The report made recommendations regarding resolving the outstanding suspense account items which have been restated as follows:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the suspense account is substantially cleared and procedures developed to ensure it remains only a temporary clearinghouse for unidentified receipts. Procedures should include the following:*
 - *Research and resolve the amounts in the suspense account which have been outstanding for more than one year, beginning with the amounts in the account for the longest period of time, i.e., starting with 1985 amounts.*
 - *Implement a policy and procedure which requires that items temporarily placed in the suspense account be resolved within a prescribed timeframe which should not be longer than one year.*

The balance of the suspense account declined in FY 1999 and FY 2000 but increased slightly during FY 2001. Although the balance in the suspense account has been reduced substantially (from \$7.5 million in FY 1998 to \$1.7 million in FY 2001), the amount attributed to medical providers needs to be resolved and applied to proper accounts receivable. Additionally, an accounting solution has not been developed for non-claimant related monies that belong to the BLDTF (repayment of embezzled monies.) This recommendation is **resolved and open**. Closure is dependent on the implementation of the recommendation which will be reviewed during the FY 2002 audit.

Management's Response:

The recommendation to limit residence in the suspense file to one year for unresolved medical bills is not acceptable as it is not in the best interest of program operations. Program experience has shown that some of these accounts resolve over time and in excess of one year as errors become evident to providers. A time limit between three to five years will be considered to be applied to the older accounts cited in the recommendation. Medical bills do not suspend when "proper" accounts receivable exist, any further reductions in the suspense file are being addressed as workload permits.

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Accounting solutions to the management of non-claimant related monies (such as restitution) have been rejected to date because they compromise internal control mechanisms disproportionate to their value in managing these monies. The limited activities in this category have allowed the Chief of Accounting to successfully reallocate funds from suspense to appropriate accounts. These accounts are available for audit. A significant increase in the number of accounts in this category would prompt reconsideration of the issue.

The program's primary consideration in managing the suspense file will continue to be its usefulness to program operations. Any significant increases will be monitored in view of that consideration and adjustments made if necessary.

OIG Conclusion:

OIG recognizes DCMWC's efforts to research and resolve suspense items resulting in a reduction in the suspense account from \$7.5 million to \$1.7 million. However, because DCMWC has not established a policy or procedure which would preclude the suspense account from increasing due to long outstanding items in the future, this recommendation is **unresolved**. Resolution is dependent on the establishment of policies and procedures which requires that items in the suspense account be resolved within a reasonable period of time (such as one to two years). This policy should require that DCMWC take a proactive role in determining the sources of the items remaining in the suspense account in order to resolve these items. DCMWC's proactive role would preclude the need to wait an unreasonable amount of time for the providers or other sources to contact them to provide information to resolve these items.

Allowance for Bad Debts

The FY 1998 DOL Management Advisory Comments (Report No. 12-99-009-13-001) reported that the allowance for bad debts was understated by approximately \$2,400,000. Program policies, accounting systems support and availability of information are all factors which are responsible for this understatement or hinder the development of proper estimates. The report made recommendations which have been restated as follows:

- *DCMWC should ensure that historical data (percentage of receivables collected) is used to calculate the allowance for bad debts account balance for the three types of accounts (medical provider, RMO, and claimant); and*
- *DCMWC should ensure that a benchmark is developed to define an uncollectible account, such as the account's aging (for example, 1 or 2 years without any collections) and ensure the subsequent write-off of the account, especially for medical providers.*

In FY 2001, there was no progress on these findings. These recommendations are **unresolved**. To resolve these recommendations, DCMWC must develop a corrective action plan, including time frames, to implement policies and procedures which ensure that the

computation of the Allowance for Doubtful Accounts is based on historical data, by account type and a benchmark is developed to define an uncollectible account.

Management's Response:

DCMWC is using the Department's guidelines that refer to the Federal Accounting Standards Advisory Board (FASAB) standards to develop allowances based on two years of experience for claimants, responsible operators, and providers. The new allowances are being developed now and will be applied at least by the 4th quarter of FY 2002 and adjusted when necessary.

The recommendation to define a medical provider account as "not collectible" based on its age will be considered after completion of a planned clean-up of aged accounts, targeted for completion by the 1st quarter of FY 2003. The presence of these older accounts would distort such an analysis at this time.

OIG Conclusion:

This recommendation remains **unresolved**. Resolution is dependent upon DCMWC implementing FASAB's standards for allowances and the computation of the allowance for bad debts, which will be reviewed during the 2002 fiscal year audit.

Incorrect Recording of Responsible Mine Operators (RMO) Accounts Receivable

The FY 1998 DOL Management Advisory Comments (Report No. 12-99-009-13-001) reported that claims examiners establish RMO accounts receivable before a final decision and order are issued, and that in some cases accounts receivable are incorrectly computed. The recommendation has been restated as follows:

- *DCMWC should ensure that RMO accounts receivable that are in litigation are identified as such on the automated system since collection action is suspended during this period. This will facilitate a more accurate calculation of the allowance account so that accounts receivable are shown in the financial statements at net realizable value.*

During FY 2001 the client/server environment was implemented. However, the system does not contain the necessary codes to produce a listing which identifies the accounts receivable which are in litigation. The recommendation is **resolved** and **open**. Closure is dependent upon the change to the system to add a code which will allow a report to be generated of all accounts receivable in litigation.

Management's Response:

It is now possible to make the recommended change to the data system and specifications are being developed by DCMWC staff to implement this recommendation.

OIG Conclusion:

This recommendation remains **resolved and open**. Closure is dependent on DCMWC making the changes to the data system to add a code which will allow a report to be generated of all accounts receivable in litigation.

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Inaccurate RMO Accounts Receivable Balances

The FY 1999 DOL Management Advisory Comments (Report No. 12-00-006-16-001) made recommendations concerning RMO Accounts Receivable Balances sent to the Solicitor's Office. These accounts often remain at the Solicitor's Office for extended periods of time but are not updated as appropriate while there. We have restated these recommendations as follows:

- *DCMWC should maintain a perpetual inventory of RMO accounts receivable forwarded to the Solicitor's Office and perform a physical inventory of case files once a year;*
- *DCMWC should update each account receivable no less frequently than once a year for disability benefits and medical bills paid since the account was last updated; and,*
- *DCMWC should ensure that interest is recorded on cases at the Solicitor's Office only after the principal has been paid in accordance with BLBM policy.*

During FY 2001, DCMWC prepared a listing of responsible mine operator (RMO) accounts receivable at the Solicitor's Office for enforcement. Three of the 14 accounts receivable tested did not contain a tracking code that indicated the case was at the Solicitor's Office. Nine of the 14 accounts tested needed to be updated; only two were updated. Neither of the two was updated correctly. Five of the 14 accounts tested had zero account balances but were at the Solicitor's Office. One of the 14 accounts tested had interest accruing on the account since 1992 which is contrary to BLBM policy.

These three recommendations have not been fully implemented and are **resolved** and **open**. Closure is dependent upon the results of the FY 2002 audit.

Management's Response:

Although DCMWC contested some of the test results in 2001, the cases submitted to the Solicitor's office for enforcement are being monitored by the Chief of the Enforcement Section, cataloged and updated as necessary. These cases are being reviewed routinely, at least annually, to verify accounts receivable. Enforcement Section staff will update the accounts receivable record to reflect the benefits paid as shown on the benefit screen.

The claims examiners will note reasons for a zero account balance when they are encountered to inform and assist the auditor.

OIG Conclusion:

These three recommendations have not been fully implemented and are **resolved** and **open**. Closure is dependent upon the results of the FY 2002 audit.

Assessing Interest on Accounts Receivable Due from Bankrupt Entities

The FY 1998 DOL Management Advisory Comments (Report No. 12-99-009-13-001) reported that interest was being accrued on accounts receivable of 12 bankrupt RMOs. This

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practice overstated accounts receivable. The report made recommendations which have been restated as follows:

- *DCMWC should ensure, if interest is assessed on accounts of bankrupt RMOs, that the assessment of interest is proper.*

During FY 2001, interest of \$25,979 was assessed on the accounts of three bankrupt RMOs. At fiscal year end, the total interest which had been assessed since bankruptcy for all bankrupt RMOs was \$417,404. In general, interest assessed after bankruptcy is uncollectible. However, exceptions may apply and each account must be researched to determine whether the interest assessed was proper. This recommendation remains **resolved and open**. Closure is dependent upon DCMWC review of the interest assessed on the RMO accounts since bankruptcy and the subsequent write-off of any improper interest.

Management's Response:

The chief of the accounting section wrote off improper interest on accounts for bankrupt RMOs.

OIG Conclusion:

This recommendation remains **resolved and open**. Closure is dependent upon review of the interest amounts written off for the bankrupt RMOs which will be conducted during the FY 2002 audit.

9. Fines and Penalties

Status of Prior Year Finding and Recommendation

Incorrect Dates Used for Recording Revenues

In our FY 1999 audit (OIG Report Number 12-00-003-13-001), we reported that PWBA did not record revenue transactions as of the date that a legally enforceable claim was established. The Office of Program Planning, Evaluation and Management (OPPEM) records penalties (revenue) using the date that the plan administrator is sent written notification that a penalty has become final (Notice of Penalty Assessment). The date on this correspondence is also used to determine the cutoff for accounting purposes, rather than the date that the grace period expired and a valid claim was established. For example, if the grace period expired in September 1999, but the plan administrator is not notified of the final penalty until October or November, revenue is not recorded in FY 1999. We made the following recommendation:

- *We recommended that the Chief Financial Officer ensures that PWBA revenues are recorded and recognized for financial statement purposes in accordance with the effective dates established by the Regulations and FASAB requirements. Revenues should be recorded to the correct fiscal year using the date the claim becomes enforceable rather than the correspondence date listed on the final notification. In cases referred to an ALJ, the revenue should be recorded to the correct fiscal year using the date of the ALJ decision.*

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PWBA has requested a Regulatory Review to be done by the Office of the Solicitor to determine whether any changes to the Code of Federal Regulations are needed in order to clarify the date of the Final Order. To date, a Solicitor's opinion has not been issued. This recommendation remains **resolved** and **open** pending the outcome of the Solicitor's opinion.

Management's Response:

PWBA requested a legal opinion from the Office of the Solicitor's Pension Benefits Security Division (PBSD) on the ERISA 502(c)(2) regulation in question. The crux of the issue is whether a Notice of Intent to Assess a Penalty (NOI) is a self-effectuating final order at the expiration of the allowable time for filing an administrative appeal thereby creating a legally enforceable claim for revenue recognition purposes. PWBA has not yet received a written response from PBSD; however, based on discussions we have had with appropriate officials, it appears that PBSD is leaning toward affirmation of the OIG's interpretation of the relevant ERISA 502(c)(2) regulatory provision.

In an effort to avoid further delay in achieving compliance and closing this FY 1999 condition in the MAC, PWBA is revising its internal operating procedures to generally recognize revenues arising from ERISA 502(c)(2) civil penalties 30 days (rather than the current practice of 60 days) after the date that the NOI is issued. However, during this revised 30-day window, as circumstances warrant (e.g. notification of filing for an appeal, receipt of a Statement of Reasonable Cause, etc.), PWBA's Office of the Chief Accountant may take alternative courses of action that may eventually result in a withdrawal of an NOI or the issuance of a Notice of Determination (NOD). Where an NOD is involved, the determination generally becomes a final order 30 days after the date of issuance to allow for possible appeals. Absent the receipt of a notification for appeal, the NOD becomes a "final order" 30 days after the date of issuance of that NOD for revenue recognition purposes.

We are confident that this modification to the agency's 502(c)(2) procedures, which is consistent with the OIG's interpretation of the underlying regulations, will close the FY 1999 audit condition on this issue.

OIG Conclusion:

We concur with the proposed changes discussed by management. This recommendation remains **resolved and open** pending our review of the policy changes implemented by management during the FY 2002 audit.

10. Miscellaneous Revenues

Status of Prior Year Finding and Recommendation

Working Capital Fund Allocations

Our FY 1999 audit (OIG Report Number 12-00-006-13-001) reported that the method used to allocate object class No. 2507, Forms and Publications, does not allocate expenses incurred on an appropriate basis. We made the following recommendation:

- *We recommended that the Chief Financial Officer ensures that a method is developed for allocating forms and publication costs which provides an equitable allocation of such costs based on actual usage.*

The Department indicated it had not performed work on this in FY 2001, but it will address this issue during its FY 2002 pricing review. Therefore, this recommendation remains **unresolved**.

Management's Response:

Management has no further comments.

11. Performance Measures

Status of Prior Year Findings and Recommendations

The following prior year audit recommendations were issued in the cited audit reports directly to the appropriate Assistant Secretary. We request that the CFO work with the respective Assistant Secretaries to address these recommendations.

Unemployment Trust Fund

Four recommendations are resolved and open from OIG Report No. 03-93-034-03-315, and one recommendation is resolved and open from OIG Report No. 03-95-011-03-315. The open recommendations and current status are as follows:

- *The total amount of claimant overpayments outstanding at the beginning of the fiscal year plus the amount of overpayments established and recovered during the fiscal year should be included as a baseline measurement.*
- *UIS should include the . . . payment accuracy rate . . . by including denials in the BQC sample and reporting the overpayment and underpayment rates for the payment accuracy rate.*
- *UIS should initiate quality control programs to measure the accuracy of denied initial claim determinations and report the results and associated underpayments in the financial overview.*

With the implementation of the Benefit Accuracy Measurement (BAM) program, management initiated action to collect overpayment and underpayment information, and subsequently review this data in their quality control process (BAM). The current GPRA measure utilizes a broad-based approach and states "Unemployed workers receive fair unemployment insurance benefit eligibility determinations and timely benefit payments." These recommendations remain **resolved and open**. OIG will review the current measure to ensure that overpayments, underpayments, and denied claims are all considered as part of the measure during the FY 2002 audit.

Management's Response:

The ETA, Office of Workforce Security (OWS) believes that although these data are readily available from the ETA 227 report, they would be of marginal value. In particular, overpayments outstanding at the beginning of the period include many overpayments established in previous periods that states cannot write off, even though they know they have no chance of recovering. This gives an exaggerated picture of potentially recoverable overpayments.

In August 2001 all States began including denied claims in their Benefit Accuracy Measurement program. Sufficient cases will have been drawn to include a measurement of denied claims accuracy in reports for FY 2002 and thus to provide a more complete measurement of underpayments in payment accuracy. The denials accuracy measure is based on the number of claims denied at three stages of the UI claims process – the determinations of the claimant's monetary, separation, and non-separation eligibility. ETA plans to publish the percentages of proper and improper denial determinations issued by state workforce agencies for each of these three eligibility categories. Because denial determinations--rather than benefits paid--constitute the universe for the denials accuracy measure, methodologically acceptable imputations of benefit amounts that were not paid due to erroneous denial determinations cannot be developed.

OIG Conclusion:

These recommendations remain **resolved and open**. OIG will evaluate OWS' measures pertaining to payment accuracy and denied claims during the FY 2002 audit.

- ***UIS should review validation methods for all other data elements contained on the ... Unemployment Insurance Required Reports.***

The data validation system OWS has developed will validate half of the roughly 2,400 data elements states report on 43 UI required reports. The plans for implementing this system have been approved and implementation is scheduled throughout FY 2002. However, the UIDV only validates that information in the states' systems are properly reported to OWS. Verification of state data to source documents is performed by the states. This recommendation remains **resolved and open**. OIG will review controls over data verification of states' data during FY 2002.

Management's Response:

In December 2001, OWS received clearance to implement the UI Data Validation system nationwide. At this point, about one third of the states have been trained in the system and are implementing it. The target for complete implementation, including a complete first validation, is July 2003.

OIG Conclusion:

This recommendation remains **resolved and open**. UIDV implementation will not be completed until FY 2003. Once the data element validation process has become operational, management must reassess their approach to determine whether desired results were achieved. Once this reassessment has occurred, management should realistically determine the feasibility of including those data elements previously excluded from the UIDV program. Since all data elements used in official Department of Labor reports are important, this issue can only be closed after measures are taken to validate all data elements used in the Federal reporting process.

- *UIS should increase the period being validated from one month for quantity and one quarter for quality to an entire year.*

At this time, OWS management has not increased the validation period to an entire year. Management has undertaken an initiative to standardize approximately 2,400 data elements. Currently, they validate one month's or quarter's data using both quantity and quality validation. This is to ensure that the validations can be accomplished at reasonable cost. A three state pilot test was completed in 1998 to assess the feasibility and costs associated with standardizing and validating the 2,400 unemployment insurance required reporting data elements. Extending the validation period should only marginally increase costs once programming is completed to create an automated environment (that is not manpower intensive). States can then be encouraged to validate additional quarters and compare results with completed quarters. This issue remains **resolved and open**. The UIDV system must be fully implemented and the validation period increased to close this recommendation.

Management's Response:

Until all states have fully implemented the UIDV program, and the true costs of conducting a continuing validation are known, OWS is not in a position to judge whether increasing the amount of data validated for quantity and quality validation are cost effective. Because most reporting problems are systemic--due to improper computer coding or misinterpreted reporting definitions--correction of the errors identified by examination of a month's worth of data will result in proper reporting in the future and more extensive validations are unnecessary. Expanding the extent of data validated in dynamic databases can also make it more difficult to match up the data used to create an original report and used to conduct the quantity validation (which is done by reconstructing the count, at a later date.)

OIG Conclusion:

This recommendation remains **resolved and open**. Since OWS has not committed to increase the periods being evaluated, this issue is unresolved pending OWS' evaluation of UIDV implementation costs. Once these costs are known, an evaluation can be performed to determine the cost efficiency of increasing the validation period. The UIDV system must be fully implemented and the validation period increased to close this recommendation.

Occupational Safety and Health Administration (OSHA)

In OIG Report No.05-95-003-10-001, one recommendation remains **resolved** and **open**.

- *We recommended that OSHA continue development of meaningful and relevant measures of OSHA's performance that can be linked to program costs. We also recommended that OSHA ensure its proposed systems that gather injury and illness data directly from employers contain specific controls that address completeness and accuracy.*

During FY 2000, OSHA participated in a pilot project conducted jointly by the OCFO and a contractor to apply cost accounting principles to the activities of the Voluntary Protection Program. This pilot was an initial step toward recognizing and understanding the problems and opportunities involved in implementing a cost accounting system. OSHA has not developed the capacity to consolidate data from a variety of financial and other system sources to link financial data to performance measures. OSHA is limited by the current agency and departmental financial and personnel systems and their incompatibility. OSHA remains committed to developing a cost accounting approach and system that will more accurately track program costs against program activities.

The OSHA Data Initiative (ODI) database contains various edit checks, and requires that employers be contacted to correct any deficient data. In FY 1998, OSHA began conducting annual onsite audits of the injury and illness records of a random selection of employers participating in the ODI to determine the accuracy and reliability of the OSHA 2000 logs, the source of data for the ODI, and the BLS Annual Survey. OSHA's Integrated Management Information System (IMIS) uses several methods of data validation, including: comparison with previous IMIS data and other reliable sources; daily edit checks; required field office review of significant and egregious cases; corporate settlements and other selected cases; instructions in citation letters on how to review OSHA inspection data on the Internet; and, instructions for employers and workers on how to correct information they believe to be incorrect.

Management's Response:

In accordance with OSHA's revised strategic and annual performance plans, the agency will establish new performance goals for FY 2003. These will include reducing three of the most significant types of workplace injuries and causes of illnesses by fifteen percent annually, reducing injuries and illnesses by ten percent annually in four industries characterized by high-hazard workplaces, and reducing fatalities in construction by 15 percent from the baseline. OSHA will continue to assess its progress toward its FY 2002 goals. Based on the most current data available, most of the prior-year goals established in the strategic and annual performance plans have been achieved. The upcoming transition to the North American Industry Classification System (NAICS) will require OSHA to modify virtually all of industry and establishment performance goals. OSHA will continue to work with OCFO to apply managerial cost accounting to its programs.

OSHA will continue to audit the injury and illness records of approximately 250 establishments each year to ensure the quality of the establishment-specific data collected as part of the OSHA Data Initiative (ODI) and used to target programmed inspections. Other data validation efforts will be expanded, as OSHA enhances its system capabilities, collects data for new program areas and goals, and addresses the timeliness of data reporting.

CFO FINDINGS AND RECOMMENDATIONS

OIG Conclusion:

The recommendation to link performance measures with program costs remains **resolved and open**. To close this recommendation, OSHA and the OCFO should implement Managerial Cost Accounting and match costs with results. OSHA explains how new goals will emerge in FY 2003, however, this issue relates to linking performance measures to cost. Our FY 2003 audit will evaluate whether new goals were linked to a new cost accounting process to match costs with results.

The recommendation to ensure completeness and accuracy of Illness and Injury data remains **resolved and open**. OIG will review newly implemented OSHA controls over injury and illness data collection during our FY 2002 audit. Upon validation these controls were implemented, this issue can be closed.

For OIG Report No. 05-93-006-10-001, one recommendation remains **resolved and open**.

- ***We recommended that OSHA implement a program to monitor the quality of employer injury and illness records and undertake a broader review than was previously conducted.***

OSHA's revised record keeping regulation was published in the Federal Register on January 19, 2001. The revised rule, which replaces requirements implemented in 1971, will produce better information about occupational injuries and illnesses, while simplifying the record keeping system for employers and protecting the privacy of employees. The rule combines previous regulatory requirements and interpretations into one document for greater clarity. If approved by the new Administration, the final rule will become effective on

January 2002. OSHA's quality control program will continue to include an information and outreach program on the new record keeping guidelines.

Management's Response:

Most provisions of OSHA's revised recordkeeping regulation became effective on January 1, 2002. The effective date of provisions dealing with work-related hearing loss and musculoskeletal disorders have been delayed until January 1, 2003. The rule increases employee involvement, creates simpler forms and gives employers more flexibility to use computers to meet OSHA regulatory requirements. The agency is carrying out a major outreach effort to help employers and workers understand the changes and to provide assistance in complying with the requirements. A page on OSHA's web site highlights new provisions, changes and training programs.

OIG Conclusion:

This recommendation remains **resolved and open**, closure is dependant upon our review of the revised guidance relating to record keeping and determine the progress of OSHA's monitoring of the quality of employer injury and illness records.

Employment Standards Administration, Wage and Hour Division

In OIG Report No. 12-96-011-04-420, one recommendation remains **resolved** and **open**.

- ***CMP collections be matched against their respective assessments so that a more accurate collection rate can be established.***

During FY 2000, Wage and Hour revamped its CMP tracking system which tracks CMP assessments and collections on a case-by-case basis. This system should match collections with the corresponding assessments for a more accurate collection rate. CMP 2001 became fully operational in October 2001.

Management's Response:

The "revamped" CMP 2001 system that went on line on October 22nd resulted in improvements in system functionality and reporting. However, the CMP tracking system has had the ability to accurately and completely match collections with the corresponding assessments for every case assessed since June, 1997. The system tracks information about individual case records including (1) assessed amount, (2) post-assessment adjustments, (3) original receivables, (4) subsequent interest, penalties or other charges and (5) all payments and write-offs. The system has been able to establish accurate collection rates since FY 1998.

The CMP system which was the system of record as of September 30, 2001 fully addressed the OIG recommendation. Accordingly, we believe that this recommendation should be resolved and closed.

OIG Conclusion:

This recommendation remains **resolved and open** closure is dependant upon our review of the full implementation of the system including validation of the "revamped" system's accuracy and integrity.

12. Debt Management

Status of Prior Year Finding and Recommendation

Noncompliance with the Debt Collection Improvement Act of 1996

In our FY 1998 audit (OIG Report No. 12-99-002-13-001), we reported that eight Department of Labor agencies or programs did not submit all receivables that have been delinquent for a period of 180 days to the Department of the Treasury. The Debt Collection Improvement Act of 1996 (DCIA) provides that any non-tax debt or claim owed to the United States that has been delinquent for a period of 180 days or greater be turned over to Treasury for appropriate action to collect or terminate collection actions on the debt or claim. We made the following recommendation:

CFO FINDINGS AND RECOMMENDATIONS

- *We recommended that the Acting Chief Financial Officer ensures that receivable cases presently over 180 days delinquent are submitted to the Department of the Treasury to bring the Department of Labor into substantial compliance with the DCIA.*

In FY 2001, the Department continued to improve compliance with the DCIA. Only one agency is not in substantial compliance, as follows:

- S ESA's Wage and Hour Division currently does not have a process in place to transfer delinquent back wage accounts receivable to Treasury. As of September 30, 2001, the accounts receivable system reflected 70 accounts totaling \$1.26 million which were eligible for transfer, but had not yet been sent to Treasury.
- S ESA's Black Lung Disability Trust Fund (BLDTF) does not submit cases to Treasury on a timely basis for their medical provider accounts. Although management implemented a new reporting system in FY 2000 which ages accounts receivable for medical providers, ESA still does not submit the cases to Treasury within the time frame established in the DCIA. The reporting system reflects that there are 1,209 accounts totaling \$672,133 that had been delinquent for more than 180 days as of September 30, 2001. Only 40 of the 1,209 accounts, totaling \$137,717, were submitted to Treasury. That means 1,169 cases totaling \$534,416 have not been submitted to Treasury as of September 30, 2001.

With respect to Back Wage accounts receivable, this recommendation remains **resolved and open**. With respect to the BLDTF medical provider accounts receivable, this recommendation remains **unresolved** pending the submission of a corrective action plan, including time frames, as to how ESA will ensure that the programs listed above will achieve substantial compliance with the DCIA.

Management's Response:

ESA Wage Hour Division Response

Throughout FY 2001, Wage and Hour staff, in conjunction with SOL, have made extensive efforts to identify potential Back Wage Debt Collection cases. When appropriate, Regional Offices have issued demand letters and letters to inform employers that their debts will be transferred to Treasury in 60 days if they do not pay or set up a repayment plan. In response to these letters, the Regions have collected the back wages in many cases and set up repayment plans for others.

We currently have a number of debts ready to be transferred to Treasury, and we anticipate that the modified Debt transfer module will be released in late December 2001. As soon as this module is released we will transfer all debts currently eligible and continue transferring debts approximately once per month from that point on. If for any reason the release of the corrected debt-transfer module is not able to process the electronic transfer of our debts to Treasury, Wage and Hour will complete the manual transfer of these debts no later than January 30, 2002, and will continue this manual process until such time as the electronic transfer is fully operational.

OIG Conclusion on Wage and Hour Division's Response:

We concur with the actions described by management. This recommendation is **resolved and open**. Closure is dependent upon substantial compliance with DCIA in FY 2002.

ESA Black Lung Disability Response

Disputed Medical Bills

The audit findings reflect an accumulation of debts prior to availability of the Treasury Department as a collection agent. With the perfection of the DCMWC's information technology system during FY 2002, debts that cannot be confirmed or which are too old for effective enforcement will be identified and written off from the accounts receivable records. The substantial number of accounts for which it is not cost effective to pursue collection will also be identified and written off. These actions will significantly reduce both the number of accounts and the volume of the debts reported in the audit finding.

Additional follow-up on remittance advice notices of overpayments and offsets against subsequent payments are expected to prevent current debts from advancing in age to the 180-day limit.

By the fourth quarter of the current fiscal year, DCMWC expects to be in compliance with the requirement that debts over 180 days old are referred to the Treasury Department for collection. We recommend that this finding be resolved and open pending audit follow-up.

OIG Conclusion on Black Lung's Response:

This portion of the recommendation will remain **unresolved** until DCMWC has removed the debts that either cannot be confirmed as collectable or are too old for effective enforcement from its records, and has effectively complied with the DCIA requirement that debts over 180 days old be referred to Treasury. The successful completion of these procedures is necessary for resolution and closure of this recommendation which will be reviewed during the FY 2002 audit.