

1. Federal Employees Compensation Act (FECA)

Current Year Findings and Recommendations

a. Medical Providers with Multiple Provider Numbers

The policies and procedures governing the establishment and verification of new medical providers is not being followed. The FECA Procedure Manual 5-0200-(5)(d) requires that a person within each district office be designated to maintain and update the Bill Pay System (BPS) provider file. This designated person is responsible for verifying that each name or firm entered into the provider file is, in fact, a recognized provider or firm, and for keeping the exclusion list and the directory supply current. Before entering a provider into the provider file, the designated person is to follow three steps in verifying the information which is to be entered into the provider file: 1) the most current excluded providers report is to be queried; 2) the regional telephone listings are to be checked for a listing and if none exists, contact with the provider is to be made to determine why they have no listing; and 3) the provider file is to be queried to determine whether the provider is using a slightly but not significantly different address.

We identified a population of 8,461 payments in the BPS which were made to 3,571 providers. Many of these payments went to providers with differing provider numbers, but with the same provider name and address and were for services rendered to the same claimant. We tested a sample of 64 of the 8,461 items, representing 26 medical providers and found that all 64 of the items involved payments where the same medical provider was being paid under two or more different provider numbers. The sample tested indicated that claimants were often reimbursed for medical expenses under more than one provider number. Although overpayments were not noted in the 64 items we reviewed, assigning more than one provider number to a provider increases the potential for overpayments. The edit controls within BPS, which are fundamental to identifying potential duplicate payments, cannot be effective if medical providers are issued more than one provider number.

Recommendation

1. We recommend that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure:

- S that persons designated to establish and update provider numbers are following the established policies and procedures for verifying whether the provider is already in the database prior to assigning a new provider number in the BPS; and
- S that a review be conducted of the providers in the BPS which have multiple provider numbers and the excess provider numbers be eliminated.

Management's Response:

As part of the regular Accountability Review process that OWCP conducts in the District Offices, the review items include a check to see that all the correct procedures are being followed regarding the upkeep of the provider file. This includes separation of duties security issues, along with

ensuring that the individual charged with provider file updates is following all procedures. In addition, the current Bill Pay System (BPS) has controls in place to prevent a provider from double billing under multiple provider numbers. Specifically, if the same service is billed under the same claim number, on the same date of service, it will suspend for manual review. If these are in fact duplicate bills, they will deny as such. The fact that a provider can simply submit the same bill twice, with different provider numbers, will not allow them to receive duplicate payments.

It should be noted that many medical groups bill OWCP under a single name, but with multiple provider numbers. This would be the case when the medical group simply acts as a billing service, not a corporate entity, and bills all charges from each individual provider within the group separately. There is no OWCP, DOL, or U.S. Treasury regulation prohibiting this practice. Since it would not be possible to distinguish when a particular provider among the tens of thousands of providers that OWCP uses should or should not have multiple provider numbers, OWCP cannot feasibly conduct any type of review as suggested. However, as noted above, the BPS has controls to identify duplicate billings under multiple provider numbers.

OIG's Conclusion:

This recommendation remains **unresolved**. Resolution is dependent upon management ensuring that proper procedures are being followed in establishing providers which are eligible for payment from OWCP systems. Providers should be properly screened to ensure the provider is a valid provider and that the provider is not being issued more than one provider number. The opportunity for duplicate or erroneous payments is increased when one provider, with appropriate billing information, has multiple provider numbers under which services can be billed. Management will be notified of the duplicate provider numbers indicated as a result of the next fiscal year's audit. Management's actions will be reviewed during our review of the duplicate provider numbers in the next fiscal year's audit.

b. Documentation of Actuarial Model

During FY 2000, ESA contracted with an actuarial firm for a new model to calculate the FECA actuarial liability. The actuarial firm prepared the new model, made revisions to the new model, and conducted a final meeting regarding the model. The firm was required to provide ESA with documentation of the model once the model was complete. As of December 15, 2000, the documentation of the model was not provided. The documentation of the model should include detailed, step-by-step instructions for completing the various phases of the estimated liabilities preparation. Such instructions should be sufficiently detailed to permit preparation of the estimated liability by OWCP staff.

Assessing the accuracy and validity of the calculations within the model was difficult due to the lack of complete documentation in the model. Additionally, the preparing of the estimated liability in future years, which is to be accomplished within OWCP, may not be timely and consistently accomplished if the actuarial model cannot be utilized by OWCP staff without the actuary's assistance.

Recommendation

1. **We recommend that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that documentation of the new model is obtained.**

Management's Response:

Expanded documentation of the model as provided by the vendor will be made available.

OIG's Conclusion:

This recommendation remains **unresolved**. Resolution is dependent upon the receipt of complete documentation of the model to ensure that the actuarial liability can be timely and consistently determined in the future.

Status of Prior Year Findings and Recommendations

Continuing Eligibility - SSA Earnings Confirmation

In our FY 1995 audit (OIG Report No. 12-96-007-13-001), we noted that claimant files did not always contain updated earnings statements from the Social Security Administration (SSA) as required by FECA Procedure Manual, Part 2, Section 2-0812-9 b.

- ***We recommended that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure adherence to policies regarding file maintenance, and request wage information from the SSA every 3 years for claimants on the periodic roll to determine continuing eligibility for compensation.***

Earnings statements are requested from the SSA for comparison to the earnings information provided by the claimants on Form CA-1032. In order for the claims examiner to request an earnings statement from the SSA, a signed release from the claimant must be obtained. The release is only valid for 60 days. Wage earnings are to be requested from SSA every 3 years.

During the current year's audit, in 9 of 104 cases (9 percent), authorizations to obtain earnings history reports from the SSA were not obtained. In 1 of 86 cases (1 percent), verification of earnings was not requested from SSA, once authorization had been obtained from the claimant. Improvement in errors from prior years was noted; however, until an automated match of electronic wage information is accomplished, the manual verification of wages from SSA is crucial.

New regulations, effective January 1999, allowed OWCP to obtain electronic wage information from State programs. Implementation of these new regulations to obtain wage information electronically from State unemployment agencies would negate the authorization request process and would resolve this recommendation. Management responded to last year's recommendation

that OWCP was working with the Employment and Training Administration, Unemployment Insurance Service, to obtain wage information for matching. We continue to encourage and support an automated matching of electronic wage information.

This recommendation remains **resolved** and **open**. Closure is dependent on the establishment and implementation of a corrective action plan that results in a reliable method of verifying the current earnings of claimants whether by the electronic matching of earnings information or through the verification of earnings information with SSA as is currently required by the FECA Procedure Manual.

Management's Response:

OWCP has changed the procedures for obtaining earnings information by requiring submission of the authorization to obtain earnings data from SSA (form SSA-581) every year along with the CA-1032 instead of every three years. The procedures emphasize the requirement to follow-up with a second request within 30 days, and then refer the case to the OIG for investigation if the SSA-581 is not signed and returned. In addition, each district office has been required to establish improved procedures to assure that the CA-1032 is issued and returned in each applicable case, and that remedial action is taken promptly when the CA-1032 is not returned.

The OIG identified items in which compensation benefits had been paid, with no medical payments during the past 2 years. Current medical evidence is required from every year to every 3 years (depending on case type) to verify the claimant's continuing disability status. The OWCP Periodic Roll Management project (PRM) is the highly successful process used to review the entire universe of periodic roll cases. The cases identified by the OIG's computer match are among those which have not been reached by the PRM. We will explore including the OIG method of identifying cases with no medical payments for two years as a supplement to existing PRM prioritization techniques. However, since the original universe of older periodic roll cases will not have been reviewed by the PRM Teams for another 2-3 years due to resource constraints, some cases of this type will continue to be present during that time period.

OIG's Conclusion:

This finding remains **resolved** and **open**. Closure is dependent on our review of the new procedures which have been implemented to obtain earnings information annually with the CA-1032 which will be reviewed during the next fiscal year's audit.

Accounts Receivable

In our FY 1996 audit (OIG Report No. 12-97-005-13-001), we noted that accounts receivable balances were inaccurate and overstated.

- *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 review 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. Improvement over errors identified in prior years was noted. In the current year's audit, we noted the following:

1. Two of 20 debts (10 percent) were not timely finalized; consequently, no attempts were made to establish a repayment plan.
2. In 3 of 77 debts (4 percent), the balance in the accounts receivable system was inaccurate.
3. In 3 of 77 debts (4 percent), interest was either assessed at the wrong amount or was assessed when, under a court order, interest was not to be assessed.

The first recommendation remains **resolved** and **open**. Closure is dependent on the timely finalizing of debts, the accuracy of accounts receivable balances and the accuracy of interest assessments which will be determined during the FY 2001 audit.

The Division of Employees' Compensation (DFEC) does not maintain the social security number of beneficiaries in its ACPS database when an individual other than the claimant is receiving benefits. 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 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. DFEC has procedures in place which address debt management, including the accuracy of accounts receivable balances and interest rates. Improvement in these areas is evidenced by the fact that no finding was made in the current

audit report 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's Conclusion:

These recommendations are now **resolved** and **open**. Closure is dependent on timely finalizing debts, the accuracy of accounts receivable balances, the accuracy of interest assessments, 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 2001 audit.

Updated Procedure Manual

In our FY 1999 Management Advisory Comments (OIG Report 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 2000 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 which are to be followed.

The DFEC is updating the computer systems used in processing payments under FECA. The FECA Procedures Manual should be updated in coordination 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 coordination with the FECA computer system updates.

Management's Response:

With regard to updating the FECA Procedure Manual, Part 5 Benefit Payments, as noted by the auditors the Procedure Manual is currently undergoing a massive overhaul. We recognize that many of the updates to the procedures that have taken place have not been incorporated into Part 5, Chapters 300 through 600. Additional staff have been assigned to the Branch of Regulations and Procedures who have been tasked to accomplish the Procedure Manual updates of Part 5 Chapters 300 through 600 as a priority.

DFEC has an established informal policy with respect to prompt updates of the Procedure Manual in general, which is that FECA Bulletins that describe new procedures must be incorporated into the Procedure Manual within one year of the FECA Bulletin's publication. Our plan is to formalize this policy in writing by including it in Part O (Overview), Chapter 200 on Program Directives.

OIG's Conclusion:

These recommendations are now **resolved** and **open**. Closure is dependent on the receipt and implementation of the new policy regarding updating the Procedure manual within one year of FECA Bulletin publications and receipt of the updated FECA Procedure Manual.

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 2000 audit, inaccurate compensation payments were made in 31 of 340 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.

We also noted instances where claimants had notified OWCP that they had not received a compensation payment, at which time OWCP was to initiate a check tracer with Treasury and process a replacement check. OWCP did not issue a check tracer nor subsequently resolve whether the original check was processed by Treasury in 10 of 43 (23 percent) instances reviewed. As a result, some claimants may have been overpaid.

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:

1. the receipt of documentation which prescribes additional controls designed to ensure that pay rates are calculated accurately;
2. that SCEs or higher grade certifiers detect errors made in the computation of compensation payments; and

3. that follow up on check tracers be conducted and the ACPS notated 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.

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.
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.

This recommendation should be resolved and closed.

OIG's Conclusion:

This recommendation is **resolved** and **open**. Closure is dependent on the effectiveness of the corrective actions which have been implemented which will be evaluated during our next fiscal year's audit.

2. Procurement

Current Year Findings and Recommendations

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

The Department of Labor requires the use of credit cards for all micro-purchases whenever possible. A micro-purchase is defined as being any authorized purchase which does not exceed \$2,500 (including freight charges).

In BLS, for the 3 months tested, two credit card statements had purchases that exceeded the \$2,500 threshold. One incident occurred as a result of the shipping charges being higher than expected. The second incident occurred when a cardholder was able to make a purchase which exceeded the threshold although the card had a \$2,500 single purchase limit.

These transactions violate the FAR Part 13.301 (c) and Departmental policy. Purchases in excess of \$2,500 should not be made with the credit card.

Recommendations

We recommend that the Chief Financial Officer and the Assistant Secretary for Administration and Management:

1. **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); and**
2. **adequately monitor purchases to ensure that single purchases do not exceed the \$2,500 limit.**

Management's Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. The Division of Departmental Procurement Policy (formerly OAA) has received a number of memoranda from FMSC concerning potentially split purchases. There will always be the necessity to make judgment calls on these items, as sometimes purchases to the same vendor for different items, or on different dates, may be true fragmentation, or may be legitimately different needs, supporting different offices, for example. This office will plan to meet with personnel from FMSC to determine a better way of identifying purchases that are truly fragmented. At the same time, however, it is necessary to note that the Department, in a joint effort of OASAM/BOC and the OCFO, is exploring greater use of the credit card as a payment mechanism for items greater than the micropurchase threshold which are obtained through GSA Advantage! or from a Federal Supply Schedule contract. 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's Conclusion:

We acknowledge that detecting split purchases requires judgment and recognize that FMSC has taken steps to better detect split purchases, but this particular finding is concerning **single** purchases which exceed the \$2,500 micropurchase threshold, not split purchases. Detecting single purchases in excess of the limit should be relatively straightforward.

We acknowledge that increasingly the purchase cards will be used to make payments (which can exceed the \$2,500 limit) from an existing procurement, in addition to using it as a purchase mechanism. This can create problems if there is not adequate information readily available for the Approving Official or management to determine which type of transaction it is, and thus its allowability.

Therefore, we believe it is important that adequate controls are established to ensure that the distinction between a payment and a purchase is clear. Also, limiting the number of people who are authorized to use the card to make payments would also strengthen controls.

Issuing a memorandum to cardholders and approving officials reminding them of their responsibilities may be a good idea, but we do not believe this will adequately address our concerns, as the monitoring by the approving officials does not appear to be effective.

Finally, although following up on cardholders who have a single purchase limit in excess of \$2,500 may be beneficial, management's response did not address the need to work with CitiBank to make sure these limits are functioning properly. As stated in our finding, we found an instance where a cardholder was supposedly limited to \$2,500 for a single purchase, but this control was not functioning properly and was violated by the cardholder and not detected.

Because we do not believe that management's response adequately addresses these concerns, this finding is **unresolved**, pending receipt of an acceptable corrective action plan.

Status of Prior Year Findings and Recommendations

Audit results for FY 1999 identified missing credit card statements and supporting documentation. In addition, our FY 1998 audit results identified that the DLMS had not been updated and problems existed with ETA cardholders fragmenting credit card purchases to avoid the \$2,500 threshold for micro-purchases.

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, supporting documentation for many of the credit card charges lacked adequate documentation, such as, receipts, invoices, packing slips, and other supporting documentation.

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.***

OASAM indicated they believed the policies clearly stated what documentation is required for credit card purchases. BLS disagrees with these policies and wants them to be revised. They do not believe that original invoices, receipts, etc., are needed to be maintained. ETA believes that the policy does not require receipts to be maintained after payment is made to Citibank. OSHA indicated they intend to address this issue.

Because there clearly is some confusion and disagreement, this recommendation is now **unresolved** pending receipt and review of a corrective action plan. Also, we recognize that the Department is piloting an online credit card system. We believe the implementation of any new system must adequately address the documentation issue.

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, and a draft has been provided to the "Proof-of-Concept" group (POC), comprised of personnel from OASAM and from OCFO. This group is working 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 micropurchase threshold of \$2500.

Completion of the purchase card procedure revisions is expected by the end of July, when it will have been reviewed and approved by the POC team; it will then require circulation and concurrence of stakeholders and we anticipate final publication within the Department before the end of the fiscal year.

In a prior finding, it was noted that update to the DLMS is also required (DLMS 2 Chapter 830). Please see response below under that heading.

OIG's Conclusion:

This recommendation remains **unresolved**, pending receipt and review of the draft manual and receipt of a timeline for completion.

- ***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 review the credit card procedures manual and determine if any changes are necessary; however, they have not implemented any Department-wide procedures on this matter. Although BLS and ETA have both indicated that they have new policies regarding the revocation of credit cards as a result of missing statements or documentation, there is not

consistency throughout the Department in these matters. Therefore, this recommendation remains **resolved** and **open**, pending review of the corrective action during our FY 2001 audit.

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.

OIG's Conclusion:

This recommendation remains **resolved** and **open**, pending review of the corrective action during our FY 2001 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 when the CitiDirect online program is implemented in the pilot agencies. As of September 30, 2000, there had not been any formal training. Therefore, this recommendation remains **resolved** and **open**, pending review of corrective action implementation during our FY 2001 audit.

Management's Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. Training in the use of the CitiDirect system has been implemented for those individuals who are participating in the pilot program ("Proof-of-Concept"), and will be provided prior to general implementation of the use of CitiDirect. In the interim, the Procurement Executive will survey the agencies to assess their need for training and their commitment for participation.

OIG's Conclusion:

This recommendation remains **resolved** and **open**, pending review of the corrective action during our FY 2001 audit.

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 2000, BLS established a new policy that would revoke the credit cards of those cardholders with missing statements. In addition, BLS provided credit card training to cardholders and approving officials. While we noted improvement, 46 of the 180 statements we tested were not available at the time of our audit. BLS did subsequently provide all of these except one. Regarding the supporting documents, BLS believes that receipts are not needed because the approving official approves the purchases before payment is sent to Citibank.

We believe that cardholders should be responsible for maintaining the documentation to support the purchase. This is necessary for the review of the purchases. The statements do not provide adequate evidence to determine what was purchased. We believe that original receipts, packing slips, etc., will provide stronger evidence as to what was actually purchased, as opposed to what may have been requisitioned. Additionally, we do not believe that requiring the cardholders to maintain receipts and attach them to the statements places a significant burden on the cardholders or the finance offices. Therefore, with respect to BLS, this issue is still **resolved** and **open**.

Our testing of a sample of ETA statements did not reveal any missing statements or documentation. However, 7 of the 22 statements tested were not available at the time we performed our initial testing. All of these were subsequently provided to us. ETA began canceling the cards of those who have not complied with the procedures. Because the statements are still not submitted timely, with respect to ETA, this issue is now **resolved** and **open**.

Our FY 2000 testing revealed 6 missing and 4 untimely statements of the 40 we tested at OSHA. OSHA staff said this oversight occurred during a period of employee transition. OSHA says it has made its staff aware of the Department's procedures to ensure that this oversight does not happen again. Since there has been no significant improvement, with respect to OSHA, this recommendation remains **resolved** and **open**.

When statements are not submitted timely or when documentation is missing, it is not possible to determine if the charges made are proper. At BLS, one of the cardholders is being investigated for possible unlawful and/or fraudulent charges. This cardholder did not submit the statement timely nor have appropriate documentation.

Management's 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. The BLS reduced the purchase limits of all BLS cardholders to 1 cent 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. The BLS procurement office, which has oversight responsibility for the BLS credit card program, has rigorously followed up with cardholders and their approving officials in order to ensure that all statements are received in a timely manner. These steps have resulted in a zero backlog of missing statements and a tremendous increase in the quality of the supporting documentation that is received from the cardholders.

OSHA has conducted credit card training for all card holders and approving officials as agreed to in our 1999 response. Procedures for Use of Credit Cards for MicroPurchase (Revised May 17, 1999), was used as the source reference for instructional material for the training, with emphasis on credit card statement documentation. OSHA will continue to follow OASAM policies and procedures. We also completed a process review within OSHA and implemented several changes to the process which hopefully will address some of the deficiencies identified in the past audits.

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. 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*.

OIG's Conclusion:

With respect to BLS and OSHA, this recommendation remains **resolved** and **open**, pending review of the corrective action during our FY 2001 audit.

Because ETA did not respond nor provide a corrective action plan, this recommendation is changed from resolved and open to **unresolved**, pending receipt and review of a corrective action plan for ETA.

Updating the DLMS

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.***

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. This lack of formal policy has left the agencies on their own without direction in the procurement function resulting in diverse implementation of the Federal Acquisition Regulation (FAR).

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.

This issue has not been addressed by the Department; therefore, this recommendation remains **unresolved**, pending receipt and review of a corrective action plan.

Management's Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. The last OIG report also addressed the update of the Department of Labor Acquisition Regulations (DOLAR), as well as the DLMS. Because the DOLAR is a derivative regulation of the Federal Acquisition Regulation, and the DLMS provides further departmental procedures to implement both FAR and DOLAR, the revision of the DOLAR received higher priority than revision of the DLMS. At present, a draft revision for the first half of the DOLAR is in circulation for informal review by stakeholders, and we anticipate publication as a proposed rule before the end of the year. The second half of DOLAR has been preliminarily revised and will be offered for review shortly after the first half is approved. This sequence of events will allow for revision of DLMS after the DOLAR is published as a proposed rule, because it is necessary to maintain consistency among these documents. We anticipate beginning the revision to the DLMS during the fourth quarter of 2001, and obtain agency review and clearance during the first quarter of 2002.

OIG's Conclusion:

This recommendation is **resolved** and **open**, pending review of the corrective action during our FY 2001 audit.

3. Accounting for Non-Payroll S&E Accounts Payable

Current Year Finding and Recommendation

a. Working Capital Fund

The New York Centralized Administrative Support Unit (CASU) underestimated their 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.

OMB Circular No. A-123, Revised, paragraph II. *Establishing Management Controls* states:

. . . Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives. . .

Recommendation

1. **We recommend that the Chief Financial Officer and the Assistant Secretary for Administration and Management 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.**

Management's Response:

OASAM concurs with this recommendation and has implemented procedures to ensure compliance with it. As background, the Cooperative Administrative Support Unit (CASU) is a self-sustaining business unit that provides services to the Department of Labor (DOL) and other federal agencies on a cost-reimbursable basis. As such, the Northeast Regional CASU must compete with other members of the CASU network for new customers and business. Several members of the CASU staff have as their primary responsibility the development of new customers and business. Because of these efforts, the CASU adds new customers throughout the year and has the potential to add customers that, at the beginning of the year, would have been difficult to foresee.

We strongly concur with the recommendation that an on-site review of the CASU's financial operations and internal controls should be conducted. Pursuant to this, the CASU has hired an independent CPA firm (Goff, Backa & Alfera) to conduct this review. The review will begin in mid-June and results are expected to be presented to CASU and OASAM management by September. The issues to be addressed in the review include the timeliness of the CASU's invoicing procedures, type and form of collections, accounting controls for collections, effectiveness of the interaction between the CASU and DOL, as the host agency, in handling and accounting for CASU funds, overall completeness and accuracy of the CASU's financial records, and the preparation of a balance sheet.

In addition, we have established a panel of DOL managers from the OASAM Business Operations Center, Office of Budget, Procurement Services Center, Financial Management Services Center (FMSC), the CASU and the Boston/New York OASAM whose mission is to develop a 5-Year Business Plan for the CASU. Issues to be addressed by the Plan will be "managed growth" and internal controls. This group had its first meeting in May 2001 and will be meeting again later in June. A final draft of the plan is expected to be available for OASAM Executive staff review by the end of this fiscal year. The CASU will also address internal control issues through the staffing process by adding a Resource Management Analyst GS-501-12 to the staff. This position will be expected to play a key role in planning and tracking the use of financial resources. The incumbent will be expected analyze CASU financial data to identify trends that may require the CASU to spending patterns. It is expected that vacancy recruitment for this position will commence in early June.

Finally, in order to improve cooperation with the OASAM National Office, CASU has arranged to conduct formal meetings on a semi-annual 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. The first such meeting has already taken place and we expect to have at least one more prior to the end of the current fiscal year.

OIG's Conclusion:

This recommendation is **resolved** and **open**, pending review of corrective action implementation during the FY 2001 audit.

Status of Prior Year Findings and Recommendations

Documentation for Year-End Accrual Estimates and Prior Year Unliquidated Obligations

On August 10, 1998, OCFO issued a memorandum on *Documentation for Year-end Accrual Estimates and Prior Year Unliquidated Obligations* which defined procedures by document type for calculating year-end accruals and for adequately documenting these estimates. The memorandum also required that periodic reviews be made of unliquidated obligations, and that all Servicing Finance Offices (SFOs) certify, in writing, to OCFO that obligation balances greater than \$1,000 were still valid.

The SFOs in FY 1998 regarded the memorandum as “optional” based on the resources available. Because these procedures have not been incorporated into the DLMS and the memorandum addressed FY 1998 only, SFOs did not perceive these guidelines as required.

As a result, in the FY 1998 management advisory report (OIG Report No. 12-99-009-13-001), we recommended that the Chief Financial Officer:

- ***Incorporate procedures which were issued in the OCFO memorandum dated August 10, 1998, concerning year-end accrual estimates and periodic review of unliquidated obligations into the DLMS.***

On August 30, 2000, the OCFO revised its guidance and issued new procedures. Although management previously indicated they will prepare a plan to incorporate the year-end procedures into the DLMS, we found no evidence that this has been done. Therefore, this recommendation remains **unresolved** pending completion and review of a plan to make year-end accrual guidance into permanent procedures.

Management’s Response:

The OCFO is currently gathering information on various types of accruals to determine if a DLMS chapter is needed.

OIG’s Conclusion:

This recommendation remains **unresolved** pending the receipt and review of a corrective action plan.

Accounts Payable

In the FY 1995 management advisory report (OIG Report No. 12-96-016-13-001), we recommended that the Chief Financial Officer:

- ***Expand existing OCFO guidance on year-end procedures for accrual estimates to include specific instructions for calculating accruals and documenting estimates.***

Audit results for FYs 1995 through 1999 showed that agency and regional finance offices were not adequately reviewing documents at fiscal year-end to determine whether an accrual for goods or services received should be recorded. OCFO issued a memorandum to the agency and regional finance offices, in September 1996, in August 1998, and in August 2000, which addressed this issue and implemented new procedures.

We noted improvements in the Department’s accrual processing for purchase orders during our testing in FY 2000. The Accounts Payable Subsystem enhancement in DOLAR\$ and the revised guidance provided by the OCFO memorandum dated August 30, 2000, have simplified recording these accruals throughout the Department. However, the results of our testing found 34 out of 196 documents (17 percent) still had accrual errors. We found that OSHA and ETA have not

implemented the OCFO's guidance regarding the accruals, and FMSC did not accrue all of its contracts this year.

This recommendation is now **resolved** and **open**, pending review of effective corrective action implementation.

Management's Response:

The Acting CFO will send the Administrative Officers for OSHA, ETA, and FMSC a memo requesting assistance in ensuring that their staff follow the procedures outlined in the August 30, 2000 guidance memorandum.

OIG's Conclusion:

This recommendation is **resolved** and **open**, pending review of corrective action implementation during the FY 2001 audit.

4. 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.*

Completion of the documentation is targeted for the First Quarter of FY 2001. Both recommendations remain **resolved** and **open**.

Management's Response:

Professional staff in the accounting section completed training sessions provided by the Treasury Department. The accounting section adopted Treasury guidelines for achieving reconciliation. Supervisory review has not identified significant discrepancies in the process. DCMWC will continue to work with counter part staff at Treasury to perfect reconciliation of the Statement of Differences.

A memorandum by the Chief of Accounting to the Accounting Staff documents the procedures that are followed to reconcile the statement of differences at the desired level of detail.

This initiative is completed.

OIG's Conclusion:

These recommendations are **resolved** and **open**. Closure is contingent upon the reconciliations being performed as specified in the November 1999 Supplement to the Treasury Financial Manual, ITFM 2-5100, and upon our review of the implementation of the memorandum by the Chief of Accounting to the Accounting Staff.

Inaccurate RMO Accounts Receivable Balances

The FY 1999 DOL Management Advisory Comments (Report No. 12-00-006-16-001) made four 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 recommended that the Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the Division of Coal Mine Workers' Compensation:

- *inventory the RMO accounts receivable forwarded to the Solicitor's Office no less frequently than once a year and reconcile amounts to the Solicitor's records;*
- *update each account receivable as required, including disability benefits and medical bill payments paid during the year;*
- *ensure that interest is not recorded on cases at the Solicitor's Office; and*
- *review all uncollectible RMO accounts receivable forwarded to the National Office BAE no less frequently than once a year and ensure that:*

- S the accounts are updated for new activity;*
- S no interest has been accrued on these receivables; and*
- S any necessary adjustments required are recorded.*

The first reconciliation is targeted for the first quarter of FY 2001. This activity will encompass all four recommendations. All four recommendations remain **resolved** and **open**.

Management's Response:

(Note: The fourth recommendation incorporates the previous three!)

As recommended, DCMWC staff is reviewing the enforcement case files and updating accounts receivable where appropriate. Staff of the Enforcement Section is conducting the review and updating of accounts during the second and third quarter of the fiscal year as an annual event. Interest accruals will be noted and corrected where appropriate.

OIG's Conclusion:

These recommendations are **resolved** and **open**. Closure is contingent upon our review of the implementation of the corrective action plan.

Accounting for Bankruptcy Accounts Receivable

The FY 1996 DOL Management Advisory Comments (Report No. 12-97-013-04-433) reported that the Black Lung Disability Trust Fund does not have a properly designed accounting policy for bankruptcy-related transactions. The report recommended that:

- *The DCMWC Director, in conjunction with assistance from the Chief of the Accounting Section, should pursue the modification of existing accounting policies to include bankruptcy accounts receivable activity. The DCMWC Director should also initiate the following actions to properly record known bankruptcy account receivables:*

- *clear the suspense accounts for all bankruptcy related collections; and*
- *record all the accounts receivable from bankruptcy settlements and identify the source of any future settlement due.*

During FY 1999, DCMWC cleared the suspense account of all bankruptcy-related collections by setting up a new account receivable in the amount of the payment that had been received. However, the collections were not posted to the individual accounts receivable which were settled by these payments. Instead, a new account receivable showing the amount of the payment (a credit balance) was recorded. This causes the control GL account balance to be correct, but does not adjust the detail.

DCMWC indicated that since bankruptcy settlements are often for a lower amount than the sum of the claims, they lack the guidance to identify which specific claim should be credited with the payment (e.g., should certain claims be credited and others not, or should the payment be proportionally allocated to each individual claim involved in the settlement).

After discussions with DCMWC, management has agreed that when a settlement is reached, all the claims involved in the settlement will be deleted and a new single claim in the amount of the settlement will be recorded. This recognizes the economic substance of the transaction, which substitutes the settlement amount for the sum of the individual claims. Since settlements are often (but not always) for a lower amount than the sum of the claims, the difference will be charged to the allowance for bad debts. Since noncompliance with the terms of the settlement may result in the individual claims becoming receivables as a result of a default event, management further agrees that a proper audit trail supporting the recording of the entry discussed above will be created to properly reinstate the individual claims if this becomes necessary as a result of default. During FY 2000, there was no material change in the status of work in this area.

This recommendation remains **resolved** and **open**. Closure is dependent upon identifying and writing off all the individual RMO accounts receivable affected by the payments from bankrupt RMOs that were removed from the suspense account.

Management's Response:

During previous years the program resolved many of these accounts as reported by DCMWC in earlier responses. The accounting section identified remaining individual RMO accounts receivable affected by payments from bankrupt RMOs that were removed from the suspense account. These accounts were resolved in May of 2001.

OIG's Conclusion:

This recommendation remains **resolved** and **open**. Closure is contingent upon verification that accounts receivable of bankrupt RMOs have been consolidated into a single claim and recorded in the amount of the settlement amount.

Cost Containment for Medical Payments

The FY 1997 DOL Management Advisory Comments (Report No. 12-99-001-13-001) reported that the Black Lung Disability Trust Fund could save money on payment of medical bills for both inpatient hospital services and professional services through the use of negotiated schedules. The report recommended that:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that a plan is developed to identify cost containment techniques, including use of Medicare payment schedules where appropriate, that can be used to maximize the resources available to the program.*

DCMWC is unable to work on significant improvements in this area until the client/server environment is implemented in approximately February 2001. Because no corrective action plan has been developed, this recommendation remains **unresolved**.

Management's Response:

DCMWC reported that significant improvements in this area are anticipated when the client/server environment is fully operational. This system was implemented on April 9, 2001. Additionally, the program has already undertaken a number of steps to improve the management of the medical bill payment process. Since the original report was written, the Branch responsible for bill payment oversight has been reorganized to better devote resources to payment oversight. Employees have received training in fraud prevention and detection techniques. Payment files are routinely audited to detect suspicious patterns and activities. Finally, effective July 1, 2000, DCMWC adopted the HCFA allowable rate for oxygen concentrator rentals and supplies. Additional enhancements to the new client server system will begin in the fourth quarter FY 2001.

OIG's Conclusion:

This recommendation is now **resolved** and **open**. Closure is contingent upon implementation of additional enhancements to the new client server system, as well as verification of improvements reported by DCMWC during testing of medical bill payments in the FY 2001 audit.

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 recommended that:

- *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 amounts in the suspense account, beginning with the amounts in the account for the longest period of time, i.e., starting with 1985 amounts.*
- *Determine whether these amounts belong to BLDTF, and if so, if they should be credits against accounts receivable.*
- *Identify amounts in the suspense account that are not associated with either a district office or the national office.*
- *Assign responsibility for resolving the amounts.*
- *Develop an accounting solution for disposition of monies received that belong to the BLDTF but are non-claimant related (e.g., monies embezzled). These amounts should not remain in the suspense account indefinitely.*

During FY 2000, no material change was made in the suspense account. On September 30, 2000, the balance in the suspense account was approximately \$1.5 million, compared to \$1.7 million 12 months earlier. Management agreed to remove items that have been in the suspense account longer than 6 years. DCMWC is considering the remaining accounts that could include the most difficult to resolve.

This recommendation remains **resolved** and **open**. Closure is dependent upon verification that substantially all of the older receipts have been removed and properly disposed of, and that the account is used only as a temporary clearinghouse for unidentified receipts.

Management's Response:

DCMWC staff continues to perform the type of analysis recommended by OIG prior to submitting unidentified receivables to the suspense file. As resources permit, staff will review these accounts. Furthermore, accounts receivable continue to be routinely compared to the suspense files for discernible matches. The suspense file, which was reduced from \$7.5 million in FY 1998 to \$1.5 million in FY 2000, is currently a reference source in resolution of medical provider overpayments. Nevertheless, older amounts that cannot be identified with specific program receivables will be removed from the suspense file based on the advice and consent provided by the OIG recommendation. Prior to the OIG recommendation, DCMWC staff was reluctant to dispose of suspended items based on age alone.

Further elimination of older suspense items will be completed when an automated protocol can be developed to accomplish the task and provide backup documentation. As noted above, enhancements to the new system will begin in the fourth quarter, FY 2001.

OIG's Conclusion:

This recommendation remains **resolved** and **open**. Closure is dependent upon verification that substantially all of the older receipts have been removed and properly disposed of, and that the account is used only as a temporary clearinghouse for unidentified receipts.

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 report recommended that:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure the development of a checklist or worksheet identifying avenues of appeal and require that the checklist be used to document the completion of each step in the process, as well as the calculation of the receivable. The completed checklist should be reviewed and approved by management and included as part of the formal accounts receivable documentation prior to recording an account receivable.*

As a result of findings in the FY 1999 audit, we concluded that BLDTF's policy of not recording a receivable until every possible appeal has been exhausted is difficult to follow and in several cases subjective. Further, compliance with the policy often requires deleting receivables that were previously recorded because new appeals arise. This condition unduly complicates the bookkeeping process and very likely is the cause behind the errors we have noted during the audit. DCMWC management proposes to add a code to those RMO accounts receivable cases that are in litigation so that they can be readily identified. This action cannot be taken until after the client/server environment is implemented.

During FY 2000, no improvement was made in this area as the client server environment has not yet been implemented. This recommendation remains **resolved** and **open**. Closure is dependent on documentation that RMO accounts receivable in litigation are identified and included in the allowance for bad debts.

Management's Response:

DCMWC management proposed in previous audits to add a code to those RMO accounts receivable cases that are in litigation so they can be more readily identified. This will be developed now that the client/server system has been implemented. A completion date for this enhancement and all others will be established once all the enhancement requests are evaluated and prioritized. As noted above, this process will begin in the fourth quarter, FY 2001.

OIG's Conclusion:

This recommendation remains **resolved** and **open**. Closure is dependent on DCMWC adding a code to those RMO accounts receivable that are in litigation so they can be readily identified and included in the allowance for bad debts.

Accruing 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 practice overstated accounts receivable. The report recommended that:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that necessary programming changes are made so that interest does not accrue on an account receivable once it is classified as bankrupt. In the interim, accounting personnel should be instructed to change the interest rate due on the account receivable to "zero," once it is determined that the account receivable is due from a bankrupt entity.*

Management believed that the objectives of this recommendation could be achieved without system changes and proposed to prepare and issue a memorandum advising of the need to change the interest rate to zero when it is determined that the account receivable is from a bankrupt entity.

During FY 2000 interest accrued since the date of bankruptcy decreased by \$200,597 (from \$595,554 at September 30, 1999 to \$394,957 at September 30, 2000). Also during FY 2000, interest of \$3,309 accrued on a bankrupt RMO. This recommendation remains **resolved and open**. Closure is dependent on OIG receipt of documentation showing that interest has been removed from the accounts and will not accrue on the accounts in the future, except in those isolated situations where it is appropriate.

Management's Response:

As recommended, once accounting personnel determine that an account receivable is due from a bankrupt entity, the interest rate due on the account receivable is changed to zero. When these events occur, DCMWC staff will retain documentation of the relevant transactions for the audit file.

OIG's Conclusion:

This recommendation remains **resolved** and **open**. Closure is dependent upon whether interest has been removed from the accounts receivable of bankrupt RMOs which will be determined during the FY 2001 audit.

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 the following four recommendations:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the following reports and information be produced from BLDTF's databases:*
 - *Identification of bankrupt RMO accounts receivable*
 - *Amounts due from each RMO*
 - *Accounts receivable agings by type of account receivable and by both date of last payment and date of service.*
- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that an alternative benchmark is developed to define an uncollectible account, such as the account's aging (for example, 1 or 2 years without any collections).*
- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that historical data (percentage of receivables collected) is developed to predict the collectibility of accounts by age and account type (e.g., RMOs, bankrupt RMOs, individuals).*
- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the percentages developed above are applied to each aging/account type category to calculate the allowance for bad debts.*

During the FY 1999 audit, we advised that to resolve, management should provide a corrective action plan that addresses all four recommendations, as well as the additional issues noted during FY 1999. Where the specific identification method is not feasible or practical, the corrective action plan should include a write-off policy that is linked to a predetermined period of time when no collections are received. Write-offs must be recorded in the accounting system according to the policy (or, if this is not practical, write-offs must be coded for identification and included as part of the allowance account). Percentages used to calculate the allowance account must be updated annually.

These recommendations remain **unresolved**. During the FY 2000 audit, we found that management does produce a report listing all bankrupt RMOs. However, this report does not show amounts due for each claimant and the total owed by each RMO. Accounts receivable are not aged by both date of last payment and date of service. We also found that management still had not developed an alternative benchmark to define an uncollectible account.

Also, during FY 2000, DCMWC proposed a plan that includes collection of data for a 3-year period to include the categories cited by OIG as not previously included. In the interim, historical data based on the percentage of receivables collected and written off will be used to calculate the allowance for bad debts. The program will attempt to automate this procedure no later than

September 30, 2001. Categories not previously included in the allowance that require development of a new database, will be included when the 3 years of experience is available. Management believes that they would not have enough data until FY 2002. We believe that this data are already available as a by-product of the quarterly SF 220, Schedule 9 reports submitted to Treasury. Management should develop a percentage to apply to all accounts receivable for determining the allowance for bad debts based on this available data.

Management's Response:

DCMWC will continue to collect data for a three-year period to include the categories cited by OIG as not previously included. Automation of the data may be delayed from the 9/30/01 target date pending enhancements to the recently implemented client/server system. Historical data used in the Schedule 9 is essentially the same as that which produced the allowance level the OIG rejects. Nevertheless, DCMWC staff would be pleased to discuss with the auditor how the Schedule 9 data could be used to produce a more accurate allowance.

OIG's Conclusion:

These recommendations remain **unresolved**. Resolution is dependent on management establishing a corrective action plan that addresses all four recommendations. Where the specific identification method is not feasible or practical, the corrective action plan should include a write-off policy that is linked to a predetermined period of time when no collections are received. Write-offs must be recorded in the accounting system according to the policy (or, if this is not practical, write-offs must be coded for identification and included as part of the allowance account). Percentages used to calculate the allowance account must be updated annually.

5. Wage and Hour's Back Wage and Civil Monetary Penalties (CMP) Systems

Status of Prior Year Findings and Recommendations

In our FY 1992 audit (OIG Report Nos. 03-94-008-04-001), we made several recommendations to the Assistant Secretary for the Employment Standards Administration relating to the Wage and Hour's Back Wage and CMP Systems. These five recommendations are being tracked for audit resolution purposes even though they are similar to recommendations made subsequently to the OCFO and ESA because they establish the date OIG brought these weaknesses to ESA's attention for correction. These five recommendations and their status are as follows:

Civil Monetary Penalties

We recommended that the Assistant Secretary for Employment Standards instruct the Wage and Hour Division to do the following:

- *establish procedures whereby at the end of each month a listing of outstanding employer civil money penalty receivables is prepared by each of the regional and district offices;*
- *once the information is gathered, reconcile the information to the CMP receivable balance calculated at the National Office and make appropriate adjustments to the records; and*
- *once the procedures are established, responsible personnel should monitor the performance of these procedures.*

During our FY 2000 audit, we found that the system is not recording information accurately, timely, reliably and consistently. Primary problems noted in the FY 2000 audit were that the CMP system continues to lack a proper cutoff of accounting periods and the ability to close accounting periods. In addition, we found problems with the calculation of interest and recording errors.

Although we noted progress in the development and implementation of system features and improvements in the recording of information accurately, these recommendations remain **resolved** and **open**. Closure is dependent on our review of continued corrective actions in the monthly and yearly cutoff and closing of accounting periods and steps taken to correct problems with the recording of interest.

Management's Response:

Wage and Hour has established and implemented an automated system that features operational and administrative procedures sufficient to ensure proper recording and tracking of civil monetary penalties assessed. We note the FY 2000 audit found that certain improvements are necessary to ensure the timeliness in the recording of account receivable balances. As a result we have reemphasized the established "Final Order" policy and procedures in place that require the accurate and timely recording of accounts.

Additionally, in reviewing the interest calculation errors found, we think the errors relate primarily to the front-end loading of interest on accounts. Although interest amounts reported on accounts are not material to the total CMP revenue totals accounted for in the system, we recognize that front-end loading of interest in the account receivable balance is not appropriate. Accordingly, we are changing our methods of accounting for installment accounts to allow for interest to be accrued with the passage of time. These changes should be implemented no later than August 31, 2001.

While the FY 2000 audit noted that certain accounting improvements are needed, Wage and Hour considers the recommendations to have been substantially met and, therefore, should be closed.

OIG's Conclusion:

We understand that Wage and Hour management is in the process of strengthening the internal controls over the CMP system. This includes plans for implementation of a new accounting system as well as improvements to procedural controls. These recommendations remain **resolved and open** pending the outcome of our internal control testing in the FY 2001 audit.

Back Wage

We recommended that the Assistant Secretary for Employment Standards establish procedures to:

- *review the reconciliation process and improve the weaknesses noted; and*
- *bring the reconciliations up-to-date and make the necessary adjustments to the appropriate records so that the BCDS regional system, and the BTS National Office system of records are in agreement.*

During our FY 2000 audit, we found that the BCDS and BTS systems did not reconcile and did not provide a sufficient subsidiary record of the cash, accounts receivable or accounts payable (cash balances pending disbursement to employees) recorded in DOLAR\$. While the regional offices are now effectively reconciling cash activity recorded in BCDS with that recorded by the National Office in BTS (and DOLAR\$) reconciliations have not been performed to adequately address the long outstanding differences between BCDS and BTS. Therefore, these recommendations remain **unresolved**. Resolution is dependent on our receipt and review of specific reconciliation procedures and controls that address the long outstanding differences between BCDS and BTS.

Management's Response:

OMAP personnel located in the ESA National Office manage the reconciliation conducted between the BCDS regional system and the BTS National Office System. This reconciliation process as noted by the auditors effectively addresses the current monthly differences between the two systems.

The reference to older outstanding differences is addressed in the newly redesigned BCDS 2000

implemented October 2, 2000 which eliminates the need for the BTS. As part of the implementation, Wage and Hour is in the process of completing the verification of accounts converted from the old BCDS into the newly redesigned BCDS 2000. Once this process is completed the DOLAR\$ general ledger back wage accounts will be adjusted to record the BCDS 2000 liability amounts supported in the new system. We anticipate the conversion process will be completed as of September 30, 2001 with appropriate adjustments recorded

OIG's Conclusion:

It is our understanding that cash reconciliation procedures are currently performed at the National Office using the BTS system, and that Regional Offices are required to reconcile BCDS cash receipts to cash reports received from the Lock Box. We will review these reconciliations as part of the FY 2001 audit and will assess Wage and Hour's resolution of any differences noted. This recommendation remains **unresolved** pending the outcome of our review.

6. Longshore and Harbor Workers' Compensation Act Special Fund

Status of Prior Year Finding and Recommendation

Issuance of IRS Form 1099s to Rehabilitation Providers

In our FY 1999 audit, we noted that the Longshore Program did not issue IRS Form 1099s as required by law. Specifically, we made the following recommendation:

- *The Chief Financial Officer and the Assistant Secretary for Employment Standards ensure that the Longshore Program establishes procedures to ensure all payments made to rehabilitation providers are recorded in the new rehabilitation bill payment system and IRS Form 1099s are issued for CY 2000 and beyond.*

During FY 2000, Longshore management began issuing 1099s to required recipients. However, as result of a delay in implementing the new rehabilitation bill payment systems in all of the regions, some of the 1099s issued were incomplete. This recommendation remains **resolved and open**. Closure is dependent on our review of the new rehabilitation bill payment system during our FY 2001 audit to ensure all payments to rehabilitation providers will be included in the issuance of future 1099s.

Management's Response:

All payments made to rehabilitation providers are now recorded in the new rehabilitation bill payment system and IRS Form 1099s were issued for CY 2000. This is now a permanent function of the RBPS.

OIG's Conclusion:

This recommendation remains **resolved and open**. Closure is dependent on our review of the new rehabilitation bill payment system during our FY 2001 audit to ensure all payments to rehabilitation providers will be included in the issuance of future 1099s.

7. Fines and Penalties

Status of Prior Year Finding and Recommendation

Incorrect Dates Used for Recording Revenues

Our FY 1999 audit procedures included tests of controls over PWBA's revenue and accounts receivable cycle. The results of our tests indicated that revenue transactions were not recorded 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 (Notice of Penalty Assessment) that a penalty has become final. 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.

In our FY 1999 audit (OIG Report Number 12-00-003-13-001), 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.*

PWBA has adopted a policy that will ensure the timely recognition of revenue in accordance with Generally Accepted Accounting Principle (GAAP) requirements. In addition to the policy, PWBA has requested a Regulatory Review to be done by the Office of the Solicitor to determine the intent of the Code of Federal Regulations. The response from the Office of the Solicitor will determine whether any changes to the Code of Federal Regulations are needed in order to clarify the date of the Final Order. According to PWBA, this review process could be done as early as December 2001. This recommendation is now **resolved** and **open**.

Management's Response:

PWBA expects a Solicitor opinion soon.

OIG's Conclusion:

This recommendation remains **resolved** and **open** pending the outcome of the Solicitor's opinion.

8. 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.*

Our FY 2000 audit procedures indicated that the method used to allocate object class No. 2507, Forms and Publications, still does not allocate expenses incurred on an appropriate basis.

Even though there was a change in the allocation process from FY 1999 to FY 2000, the allocation process is still inappropriate. In FY 1999, the agencies were charged based on the number of line item requests versus the number of items requested. In FY 2000, agencies are charged per line item filled and per requisition filled. This method will still result in the same charge regardless of the size of the line item request. Since the allocation is not based on usage, the agencies may be over- or undercharged as compared to the actual cost associated with each request. We contend that the allocation should be based on the quantity of items filled rather than the number of different line items. This recommendation remains **unresolved**.

Management's Response:

The WCF charges for storing and issuing forms and publications in the DOL warehouse. For fiscal year 2000, the Office of Printing and Supply Management Services has revised the strategy for allocating charges for Forms & Publications. A two (2) tier approach is being used for cost recovery. The first tier is space usage. Agencies are charged one half of the warehouse budget less bulk paper storage. Charges are allocated based on percentage of space used by each agency plus an allocation of departmental space used based on DOL employment. The second tier is a \$47.75 charge per line item filled. All pricing strategies will be further researched to determine the feasibility of charging based on volume instead of lines filled. If we find this method to be more equitable, the strategy will be modified and implemented for fiscal year 2002.

OIG's Conclusion:

This recommendation remains **unresolved** pending the development of an equitable pricing strategy based on actual usage.

9. 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 ensures 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, OCFO began to conduct regular meetings with Capitalized Asset Management Officers (CAMOs) to emphasize the need for accurate and timely processing of disposals, and reconciliations between CATARS and physical inventories. Additionally, OCFO issued a new capitalized asset management directive (DLMS 6-730) in September 2000, aimed at clarifying the property management responsibilities between CAMOs and APOs. Finally, OCFO planned to monitor more closely CATARS activity to ensure agencies are following the prescribed policies and procedures.

During our FY 2000 testing of capitalized assets, we identified 22 instances (13 percent) in which capitalized property items had been disposed of, but were still reflected in the CATARS subsidiary ledger. Based on the positive trend between FY 1999 and FY 2000 in terms of error rates (22 percent and 13 percent, respectively), it appears that the efforts taken by OCFO to ensure that capitalized asset disposals are reported in a timely and accurate manner, and that assets are adequately safeguarded against loss or theft have begun to yield positive results.

Our recommendations remain **resolved** and **open**. Closure is dependent upon the successful implementation of the OCFO corrective action plan as evidenced by FY 2001 CATARS testing results.

Management's Response:

On March 13, the CFO sent a memo to each of the Agency Administrative Officers that were cited for failure to remove property from failure after disposal of the property. E-copies of the memos are attached FYI.

In June, the OCFO will present a reconciliation workshop for CAMOS. OCFO will also work closely with the CAMOs to ensure adequate monitoring of the APOs bi-annual (June & December) physical inventory.

OIG Conclusion:

Our recommendations remain **resolved** and **open**. Closure is dependent upon the successful implementation of the OCFO corrective action plan as evidenced by FY 2001 CATARS testing results.

Accountable Property Officer Listing

In our FY 1997 Management Advisory Comments (12-99-001-13-001), we recommended that the Chief Financial Officer:

- ***Ensure that the CATARS APO listing accurately reflects responsible management officials.***

In response to OIG concerns, Management reissued DLMS 6-730 in September 2000, for the purpose of clarifying the property management responsibilities among Capitalized Asset Management Officers (CAMOs) and Accountable Property Officers (APOs). DLMS 6-730, paragraph 732.4, Capitalized Asset Management Officer (CAMO), states in part that:

“Each CAMO will appoint an Accountable Property Office (APO) for each cost center and maintain a contact list of all valid APOs.”

Due to the late issuance of the above cited directive, the accuracy, reliability and completeness of APO listings compiled by agency CAMOs could not be determined in conjunction with our FY 2000 capitalized asset testing. We did, however, continue to encounter numerous instances in which the APO identified as having custodial responsibility over property items per the CATARS subsidiary ledger did not correspond with the APO actually having custody.

Our recommendation remains **resolved** and **open**. Closure is dependent upon our review of APO listings, as well as an assessment of the accuracy, reliability and completeness thereof during our FY 2001 audit.

Management’s Response:

A copy of the memo that the CFO sent to Agency Administrative Officers that transmitted an overview of CATARS and requested a list of the APOs is attached FYI.

OIG Conclusion:

Our recommendation remains **resolved** and **open**. Closure is dependent upon the results of our FY 2001 audit.

Inadequate Property Management at Job Corps Centers

In our FY 1998 Management Advisory Comments (OIG Report 12-99-009-13-001), we identified deficiencies with respect to non-expendable Government personal property at the Delaware Valley Job Corps Center (JCC), consisting of understated property balances; a failure to perform annual physical inventories; and an unacceptably high risk of unauthorized use, loss and theft of Center Office Automation Project computer equipment.

- ***We recommended that the Chief Financial Officer and the Assistant Secretary for Employment and Training:***
 1. ***ensure property transactions occurring during the period March 1997 through February 1998 at all JCCs have been recorded in CPMS;***
 2. ***ensure all property transactions occurring at the Delaware Valley JCC during the period March 1997 through February 1998 have been recorded in CPMS;***
 3. ***implement a comprehensive property management performance improvement plan at the Delaware Valley JCC including training of center staff and periodic follow-up of property management activities until such time as the Assistant Secretary for Employment and Training determines that the center is fully compliant with the ETA Property Management Handbook;***
 4. ***review the actions taken by the New York and Philadelphia regional offices in response to recommendations made to them by the Job Corps property management support contractor during the period January 1998 through September 1998;***
 5. ***determine whether all JCCs have properly accounted for Center Office Automation Project equipment;***
 6. ***ensure the Delaware Valley JCC fully complies with all aspects of the corrective action plan imposed by the property management support contractor;***
 7. ***ensure that CPMS accurately reflects center property inventories at all centers prior to conversion to the new property management system scheduled for FY 1999;***
 8. ***include property management standards into the Job Corps Outcome Measurement System (OMS); and***
 9. ***ensure that all Government property located at the Delaware Valley JCC be properly labeled, as required by the ETA Property Management Handbook.***

Since first reporting on this matter, the Contractor Property Management System (CPMS) has been replaced with the Electronic Property Management System (EPMS). EPMS is a web-based “paperless” system providing Job Corps Centers the ability to record personal property activity (e.g., acquisitions, disposals, and transfers), in near real-time.

During our FY 2000 audit, we found that no action has been taken to resolve the issues identified other than initial steps begun by the former Property Management Support Contractor (MACI) during FY 1999. Job Corps cites the following reasons for its inaction: 1) due to a protracted procurement process, there was no Property Management Support Contractor in place for a substantial portion of FY 2000; 2) once in place, the new contractor (REA) focused on implementing EPMS and training Job Corps Center staff in its use; and 3) a reorganization transferred property management responsibilities from ETA's Division of Administrative Services (DAS) to the Office of Job Corps.

In January 2001, Job Corps developed an action plan intended to address deficiencies identified with respect to property management at the Delaware Valley Job Corps Center. This plan includes a site visit and comprehensive inventory to be conducted by four Job Corps property management specialists; corrective action, if needed, to be taken based upon the results of the inventory; and a report on the status of property management at the center to be issued to OIG by March 23, 2001.

Our recommendations remain **unresolved**. Resolution is dependent upon OIG receipt of a Job Corps corrective action plan addressing our recommendations at all Job Corps Centers.

Management's Response:

1. Ensure property transactions occurring during the period March 1997 through February 1998 at all Job Corps centers have been recorded in CPMS.

It is not possible to verify whether property transactions were recorded in CPMS; however, the CPMS data base has been incorporated into EPMS. No further action is required.

2. Ensure all property transactions occurring at the Delaware Valley JCC during the period March 1997 through February 1998 have been recorded in CPMS.

The Job Corps Regional Office and the property management support contractor have worked with the Delaware Valley JCC to update EPMS with all past and present property transactions, including purchases and internal transfers. All property transactions during the period March 1997 through February 1998 have been updated in EPMS.

3. Implement a comprehensive property management performance improvement plan at the Delaware Valley JCC including training of center staff and periodic follow-up of property management activities until such time as the Assistant Secretary for Employment and Training determines that the center is fully compliant with the ETA Property Management Handbook.

At the direction of the Job Corps Regional Office, the Delaware Valley JCC will continue to perform mandatory semi-annual property training for all staff. All new staff will receive mandatory property management training within their first week on the job. In addition, the contractor's corporate staff and the Job Corps Regional Office are providing oversight to insure training is provided and property is properly accounted for.

4. Review the actions taken by the New York and Philadelphia Regional Offices in response to recommendations made to them by the Job corps property management support contractor during the period January 1998 through September 1998.

The Regional Property Officer is continuing to work with the contractor to ensure measures are put in place for the accountability of government owned property at the Delaware Valley JCC. The Regional Property Officer and Regional Property Coordinator will conduct on-site training at the center. In addition, the Region will provide a discrepancy correction letter to the contractor which provides a detailed outline for all pending corrective actions and required due dates.

5. Determine whether all JCCs have properly accounted for Center Office Automation Project equipment.

Center office automation equipment was delivered to directly to centers by the supplier. The Job Corps Data Center has records of where each piece of equipment was shipped. Once the equipment was received on-center, the center operator was required to enter the equipment into EPMS. To the best of our knowledge, this has been done. No further action is required.

6. Ensure the Delaware Valley JCC fully complies with all aspects of the corrective action plan imposed by the property management support contractor.

A Property Management Review Report was issued in March after a team performed a site visit at the center between January 22 and 26, 2001. The purpose of the visit was to; a) verify compliance with DOL Property Regulations; b) Perform a 100% Inventory; c) Respond to the OIG concerns. A copy of this report was sent to the OIG's office in Philadelphia in March of 2001.

As a result, the Regional Office has requested that the property support contractor perform a technical assistance visit to the center to provide training to the center property officer on property management procedures, property disposition , and how to conduct physical inventories and annual certification procedures and requirements. In addition, the contractor's property/inventory control administrator is performing technical assistance visits to ensure the center complies with established policies and procedures.

7. Ensure that CPMS accurately reflects center property inventories at all centers prior to conversion to the new property management system scheduled for FY 1999.

EPMS incorporated center property inventories from the CPMS database. No further action is required.

8. Include property management standards into the Job Corps Outcome Measurement System (OMS); and

We strongly disagree with this recommendation. Job Corps' Outcome Measurement System is designed to assess contractors' performance based on achievements of students, including the number of students who complete a vocational training program and/or obtain a GED or high school diploma, job placement rates and earnings, and job retention and earnings 6 and 12 months after job entry. The OMS reflects requirements contained in the Workforce Investment Act which

focus on long-term outcomes of Job Corps graduates.

Contractors' responsibility for government-property is clearly spelled out in Federal regulations, ETA and Job Corps policies, and contract provisions. If a contractor has serious problems in management and accountability for Government property, we will make sure the problems will be taken into account in assessments of the operator's past performance during procurements. No further action is required.

9. Ensure that all government property located at the Delaware Valley JCC be properly labeled, as required by the ETA Property Management Handbook.

The center operator hired temporary staff to tag items and will ensure that all non-expendable property is legibly stenciled or tagged. The labeling system will be verified by the Regional Property Coordinator during a site visit, and a random sampling will be performed during the visit to ensure items are properly tagged.

OIG Conclusion:

We agree with management that the Contractors' responsibility for government property is incorporated into both Federal regulations and ETA policies. As a result we will drop the specific recommendation, number eight above, to *include property management standards into the Job Corps Outcome Measurement System (OMS)*. This recommendation will be **closed**.

As a result of ETA's efforts, as evident through the Job Corps Property Management Review Report for the Delaware Valley Job Corps Center, we consider the remaining recommendations to be **resolved**. Closure is dependent on our verification that the recommendations, as outlined in the Property Management Review Report, were successfully completed or implemented.

10. 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

Five recommendations are resolved and open from OIG Report No. 03-93-034-03-315, and two recommendations are 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.*

The ETA Office of Workforce Security (OWS) is continuing to use the measures for effectiveness of collections of fraud and nonfraud overpayments and Regional Office reviews of BPC activities. During FY 2001, ETA plans to convene a Federal-State workgroup to devise better measures for tracking Benefit Payment Control (BPC) activities. This recommendation remains **resolved and open**, pending review of the corrective action during our FY 2001 audit.

- *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.*

ETA plans to implement a denied claim accuracy measure as a part of the Benefit Accuracy Measurement (BAM), formerly BQC program. Preparations are on track to begin sampling in July 2001. Nationwide training is scheduled for Spring 2001. ETA plans to use contractor developed guidance which identifies alternative methodologies for computing the dollar impact of erroneous denials. Using this guidance, ETA will compute aggregate underpayments due to erroneous denials to compare with the aggregate estimates of overpayments and underpayments from BAM. These recommendations remain **resolved and open**, pending review of the corrective action during our FY 2001 audit.

- *UIS should include data elements associated with each of the existing and proposed performance measures.*
- *UIS should review validation methods for all other data elements contained on the 28 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. It will include elements used in all performance

measures included in the consolidated financial statements except those involving administrative costs, trust fund balances, and payment accuracy. The plans for implementing this system have been approved and implementation is scheduled to begin during the latter part of FY 2001 and extend throughout FY 2002. States unable to implement the new system in the early phases will use the Workload Validation system to validate elements used for budget formulation and allocation of UI administrative funds. The Department does not believe it needs to validate the figures on dollars allocated to states for administrative purposes. It plans to rely on the existing audits of trust fund balances to ensure the validity of those data. The data on the payment accuracy rate, obtained from the Benefit Accuracy Measurement program, have been regularly validated through a system of annual reviews by Regional Office staff and periodic re-reviews by National Office staff, and thus, require no additional validation efforts. These recommendations remain **resolved and open**, pending review of the corrective action during future audits.

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

At this time, it is anticipated that SESAs will be instructed initially to validate one month's or quarter's worth of data using the data validation system, which accomplishes both quantity and quality validation. This is to ensure that the validations can be accomplished at reasonable cost. However, the new system is highly automated, and once programming is completed, the costs of accomplishing an additional quarter's worth of elements may be very small. If so, states can be encouraged to validate additional quarters and compare the results with completed quarters. This recommendation remains **resolved and open**, pending review of the corrective action during future audits.

- *UIS should reconcile benefit payments per the ETA 5159 to SESA records, to the treasury 6100 report, or the ETA 2112 report to ensure accuracy of benefit payment reporting in the UIS financial overview.*

The UI Data Validation system is designed to review and ensure the accuracy of the benefit payment data on the 5159 report. This recommendation remains **resolved and open**, pending review of the corrective action during our FY 2001 audit.

Management's Response:

The ETA is moving ahead to establish a Benefit Payment Control measures work group during the summer of 2001, and implement the BAM denials component and the UI Data Validation system. The workgroup will examine alternatives for establishment and collections effectiveness measures. Denials implementation will be delayed until the first week of August 2001 because of the need to correct a faulty programming edit that was found during testing. The ETA expects to receive OMB clearance for UI Data Validation in late August or early September and will begin implementation immediately thereafter.

With regard to validating the benefit payments amounts on the ETA 5159 report, the UI DV system will validate the ETA 5159 payment amounts by reconstructing the total cell amounts and comparing those with reported amounts by checking a random sample of the payments against agency records, and by examining individual payments at the ends of arrays for values that are

outside expected limits. Because of the way the 5159 report records payments, The ETA does not believe that these will usually be reconcilable exactly with accounting records such as the ETA 2112 or Treasury 6100. However, the ETA 5159 is quite serviceable for the uses to which it is normally put.

OIG's Conclusion:

We acknowledge the efforts made by ETA and OWS in addressing our concerns as delineated in the above recommendations, particularly with regard to the U.I. Data Validation system. However, our recommendations remain **resolved** and **open** pending completion of our ongoing audit of the U.I. Data Validation system, as well as our FY 2001 audit of program costs and results.

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 Office of the Chief Financial Officer 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. As an outcome of this and other efforts, the Department is developing the capacity to consolidate data from a variety of financial and other system sources and to link financial data to performance measures. Until this and other developments are put in place, OSHA is limited by the current agency and departmental financial and personnel systems and their incompatibility. OSHA's performance goals span the agency's program and budget activities. 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.

This recommendation remains **resolved** and **open**. OIG will continue to monitor OSHA's progress in developing meaningful and relevant measures and their development of a cost accounting

approach that will link financial data to performance measures. Also, we will continue to monitor OSHA's progress in validating its performance measures.

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. Employers have been given more flexibility to use telecommunications technology to meet their record keeping requirements, while employee involvement in the record keeping process has been enhanced. If approved by the new Administration, the final rule will become effective on January 2002 to give employers time to learn the new requirements and to revise computer systems that they may use for record keeping. OSHA's quality control program will continue to include an information and outreach program on the new record keeping guidelines.

This recommendation remains **resolved** and **open**. During our FY 2001 audit, we will review the revised guidance relating to record keeping and determine the progress of OSHA's monitoring of the quality of employer injury and illness records.

Management's Response:

OSHA has implemented a performance measurement system in accordance with the agency's Strategic Plan for Fiscal Years 1999-2004. By FY 2002, the agency expects to meet or exceed most of the injury and illness reduction goals in its current Strategic Plan. New performance targets will then be identified for inclusion in the FY 2002 revision to the plan. Based on the results achieved as well as feedback from customers and stakeholders, OSHA will conduct a review of its overall strategic goals to determine if any changes are necessary. After setting new goals and determining indicators, the agency will establish baselines for the new indicators.

As an outcome of the cost accounting pilot project conducted jointly by Pricewaterhouse Coopers and the Department's CFO, the Department has begun to develop the capacity to consolidate data from a variety of financial and other system sources and to link financial data to performance measures. OSHA remains committed to developing a cost accounting approach as part of its performance measurement system, but is limited by the current agency and Departmental financial and personnel systems and their incompatibility.

OSHA's revised recordkeeping regulation was published in the Federal Register on January 19, 2001. The regulation is currently under review by the new Administration.

OIG's Conclusion:

Our recommendations remain **resolved** and **open** pending the outcome of our FY 2001 audit.

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. However, the system is not fully operational. This recommendation remains **resolved** and **open** pending review of the full implementation of the system during our FY 2001 audit..

Management's Response:

The CMP tracking system has the ability to accurately and completely track collection ratios for every case assessed since June 1997. A sample report showing assessments, adjustments, and collections is attached. Accordingly we believe this finding should be closed.

OIG's Conclusion:

While we acknowledge Wage and Hour's efforts to resolve our recommendation pertaining to CMP collections, this recommendation remains **resolved** and **open** pending review of the full implementation of the CMP tracking system during our FY 2001 audit.

11. 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.*

During the FY 2000 audit, we found that a new UCAC is still not established. Management stated that the Administration and partners/stakeholders of the UI program have been examining UI, including the recommendations from the previous Unemployment Compensation Advisory Council. Furthermore, management stated that it would be premature to establish a new UCAC with the current activities under way and that there were no resources given budget constraints to support a new UCAC. 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 finding remains **unresolved**.

Management's Response:

The ETA plans to discuss modifying this provision of the law with Administration policy-makers in the context of UI/ES Reform.

OIG's Conclusion:

This recommendation remains **unresolved** pending a definitive plan of corrective action.