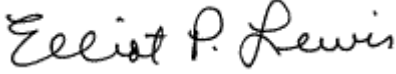


DATE: December 22, 2004

MEMORANDUM FOR: JOHN L. HENSHAW
Assistant Secretary for
Occupational Safety and Health



FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Complaint on 21(d) Consultation Grant
Indiana Department of Labor, Bureau of Safety Education
and Training
Report No. 05-05-003-10-105

An anonymous complainant alleged that the Occupational Safety and Health Administration (OSHA) 21(d) grant funds awarded to the Indiana Department of Labor's (IDOL), Bureau of Safety Education and Training (BuSET) were misused and mismanaged. The complaint cited three allegations. Of the three allegations, one was unsubstantiated and two were substantiated. We considered one of the substantiated allegations to be resolved because the grantee had already taken corrective action towards the complaint. The second substantiated allegation, with recommendations, is included in this report.

Objective, Scope and Methodology

We conducted an audit of IDOL's BuSET to determine if the allegations were substantiated. Specifically the complainant alleged:

- a consultant was paid travel per diem for sites he never visited (unsubstantiated),
- a consultant was paid travel per diem for 21(d) consultations but never completed the consultation visit reports or intervention paperwork (substantiated and corrective action taken), and
- BuSET's management could not account to the State Board of Accounts for 600 copies of Code of Federal Regulations (CFR) books containing OSHA regulations, so stopped selling the books to businesses (substantiated).

We reviewed the consultation program activities and related expenditures claimed by the consultants in question for the period October 1, 1999 through September 30, 2002.

To determine the merits of the allegations, we interviewed officials at IDOL and BuSET. We also reviewed OSHA's Training and Education Directive (TED) 3.6, "Consultation Policies and Procedures Manual," travel vouchers, and consultation request letters. In addition, we reviewed a report entitled the "State Board of Accounts Audit Report of Indiana Department of Labor, State of Indiana March 1, 1998 to February 28, 2001."

To meet our objective, we reviewed management controls over relevant consultation program activities and related expenditures. Our work on established management controls included obtaining and reviewing policies and procedures manuals, interviewing key personnel, and reviewing selected transactions to observe the controls in place. Our testing related to management controls focused only on the controls related to our audit objective of determining whether the allegations were substantiated, and was not intended to form an opinion on the adequacy of management controls overall, and we do not render such an opinion. Weaknesses noted in our testing are discussed in the **Results** section of this report.

Fieldwork was performed at the IDOL and BuSET offices in Indianapolis, Indiana between December 2002 and June 2003. Our audit was performed in accordance with *Government Auditing Standards*.

Results

Travel Paid for Sites Never Visited

We found that the consultant was paid travel per diem to perform consultations at sites visited. We selected a random sample of vouchers for the consultant identified in the complaint. We identified the purposes of the trips listed on the vouchers. We reviewed the support documentation available for 5 of the 7 vouchers identified as consultation visits and contacted the employer. The employers contacted confirmed that the consultant had visited the site. We concluded that the consultant was only reimbursed travel for those sites visited. Therefore, the allegation is unsubstantiated.

Travel Paid, but Reports or Paperwork not Completed

We concluded that a consultant conducted onsite consultation visits and was paid travel per diem but did not complete the consultation visit reports or intervention paperwork. While the allegation stated that about 40 consultations or interventions remained open, the complainant only provided documentation for 26 requests for visits. Of these, 13 requests were made prior to the July 1, 1999 start date of the consultation program in Indiana. Therefore, there were only 13 visits included in our scope, which was October 1, 1999 through September 30, 2002.

OSHA TED 3.6 requires that consultation services be documented:

The written report to the employer must be prepared at the conclusion of any initial visit. Visits other than initial visits do not require a written report to the

employer, but must be concluded with a letter to the employer summarizing the activity.

The consultant performed consultation visits for over a year without issuing a written consultation report due to lack of management supervision. Because the consultant did not provide a written report to the employers after the consultation visits, BuSET management may not be able to determine if corrective actions taken by the employers were adequate or timely. According to BuSET management, the consultant was told many times to do a better job of completing his case files. BuSET management decided not to pursue this matter since the consultant was about to retire. Instead, BuSET management prohibited the consultant from performing future consultation visits and assigned him to assist in conducting training seminars.

We successfully contacted 11 of the 13 employers in our scope to determine if the consultant appeared at these businesses for consultation visits. Representatives from seven employers confirmed that consultation visits were made and verbal feedback was provided by the consultant, but a written report was not received. The other four employers could neither confirm nor refute the completion of a consultation visit because the representative who requested the consultation was not available or was no longer employed there.

Even though the consultant did not prepare a written report at the conclusion of the initial consultation visits, as required by OSHA TED 3.6, we confirmed that he provided the consulting benefit through verbal feedback. In addition, BuSET prevented him from performing additional consultations. We are satisfied with the corrective actions taken by BuSET and recommend no further action.

Copies of CFR Books Missing

We found that IDOL does purchase CFR books in bulk for the 21(d) consultation program for resale to the employers that the consultants visit. We confirmed the allegation that IDOL's records did not account for 600 copies of CFR books that are sold to employers by BuSET. Although BuSET was previously instructed to maintain an inventory record, the tracking system developed is inadequate to account for the CFRs and document program income.

The Indiana State Board of Accounts, in its audit of IDOL, could not verify the final disposition of 430 CFRs purchased by IDOL for the period April 29, 1998 to May 30, 2001. IDOL estimates that it distributed these books to employers (approximately 230) and other state agencies (approximately 200). The State Board of Accounts recommended that IDOL record future distribution of books so that supporting documentation is available for audit. IDOL responded to the Board of Accounts that it had implemented a new tracking procedure for managing the standards books. This audit report addressed CFR purchases made with grant funds from another DOL program because IDOL began receiving 21(d) grant funds in July 1999. IDOL also purchased CFR books with federal funds from another DOL grant program, 23(g), during the same period. Because IDOL used the CFR books while conducting work under both grants, it would be difficult to accurately determine which grant funds were used for past CFR purchases.

As a result of the Indiana State Board of Accounts audit, IDOL instructed BuSET to maintain an inventory record to support the number of CFR books on hand and those distributed. We reviewed IDOL's current method of tracking CFR books. We found that books picked up by the consultants are recorded as "sales" and then a "credit" is issued to the same consultant when an invoice is issued to the eventual purchaser of the books. This allows IDOL to track CFR books through the consultant's possession to the actual purchaser. However, this tracking system is limited to tracking CFR books, but not for tracking costs.

The controller told us that revenues received by IDOL from the sales of CFR books are reported as Program Income on the Financial Status Report (FSR) and the OSHA-2 Form. Program Income reported on the FSR is deducted from the total outlays reported for the quarter. While Indiana's FSRs report Program Income, we were unable to reconcile CFR book sales to the General Ledger or FSRs.

IDOL's current method of tracking CFR books is inadequate for inventory purposes because it does not identify a beginning balance from the prior year, the number of CFR books currently purchased, the number disposed of, and an ending balance. To maintain an inventory, these details must be available. IDOL, in addition, was unable to track the revenues of prior CFR sales to the general ledger or FSRs. IDOL must reconcile the inventory to their accounting system, since program income is required to be reported on the FSR.

Recommendations

We recommend that the Assistant Secretary for Occupational Safety and Health require IDOL to: 1) develop and maintain an adequate inventory system for CFR books, and 2) account for revenues from the sale of CFR books for the consultation and enforcement grant programs separately.

Agency Response

IDOL distributed CFR books to employers and employees in the State of Indiana at training sessions conducted under two different grants, the 21(d) consultation and 23(g) enforcement programs. IDOL staff members allocated their time at the sessions between the two grants based on the percentage of attendees chargeable to each grant. Time allotment, which was directly tied to the number of persons provided a book under each respective grant program, was then used to divide program income between the two grants involved. IDOL believes that this system accurately reflected usage and income of the books attributable to each grant involved.

Nonetheless, the IDOL discontinued use of any grant dollars for the purchase of CFR books some time ago.

OIG Conclusion

Because DOL funds are no longer used to purchase CFR books, our recommendations of maintaining an adequate inventory system, and accounting for revenues from the sales of CFR

books are considered resolved. Before we can close the recommendations, IDOL should provide copies of the general ledgers and FSRs subsequent to the period they discontinued using DOL funds to purchase the books to show that program income is not being received.

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If you have any questions, please contact Charles M. Allberry, Regional Inspector General for Audit in Chicago at (312) 353-2416.

Attachment

cc: Robert Poogach

Grantee's Response to Draft Report



Department of Labor

JOSEPH E. KERNAN, GOVERNOR
Nancy J. Guyott, Commissioner

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Via Facsimile & U.S. Mail

Charles M. Allberry
Regional Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
Chicago Regional Audit Office
230 South Dearborn St., Ste. 744
Chicago, Illinois 60604

December 3, 2004

Re: Complaint on 21(d) Consultation Grant
Indiana Department of Labor, Bureau of Safety Education and Training
Discussion Draft No. 05-04-005-105

Dear Mr. Allberry:

Please consider Indiana's response to the discussion draft you forwarded to our attention concerning the above referenced audit.

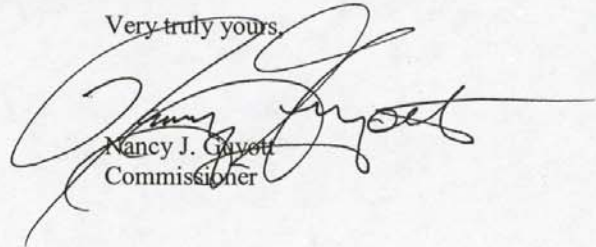
With regard to the complaint concerning inventory tracking for Code of Federal Regulations books provided by the Indiana Department of Labor to Hoosier employers and employees, the Indiana Department of Labor would note that these books are distributed at training sessions conducted under two different grants. Thus the program income was charged to each grant based, indirectly, on the number of attendees (recipients) at each course there as a result of direct intervention (21d) or proactive training (23g). Specifically, each staff member allocated their time at the courses between the two grants based on the percentage of attendees chargeable to each grant. This time was recorded on form 2808, signed by each staff member and approved by the consultation program manager. That time allotment, which was directly tied to the number of persons provided a book under each respective grant program, was then used to divide program income between the two grants involved. Indiana believes that this system accurately reflected usage and income of the books attributable to each involved grant.

Nonetheless, the Indiana Department of Labor discontinued use of any grant dollars for this purpose some time ago. Thus, no corrective action is appropriate or necessary with regard to this item.



Thank you for considering this response. Should you have questions concerning our response, please contact David Finnegan at (317) 232-2589 for assistance.

Very truly yours,



Nancy J. Gayou
Commissioner