U.S. Department of Labor

Office of Inspector General
Philadelphia Regional Audit Office
Public Ledger Building, Suite 1072
150 S. Independence Mall West
Philadelphia, PA 19106
215-446-3710
215-446-3727 Fax

September 26, 2003

Howard K. Agran, Chairperson
Board of Directors
Department of Labor Fitness Association
The Curtis Center - Suite 630 East
170 S. Independence Mall West
Philadelphia, PA 19106-3315

Dear Mr. Agran:

The attached final report is submitted for your resolution action. We request a response to this report within 60 days.

If you have any questions about this report, please contact me or Anthony A. Grice, Assistant Regional Inspector General for Audit, in Philadelphia at (215) 446-3710.

Sincerely,

Michael T. Hill
Michael T. Hill
Regional Inspector General
for Audit

Enclosure

Office of Inspector General

U.S. Department of Labor
Office of Audit

DEPARTMENT OF LABOR
FITNESS ASSOCIATION, INC.
170 S. INDEPENDENCE MALL WEST
PHILDELPHIA, PA 19106-3305

MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2001

FINAL REPORT

NOTICE: THIS DOCUMENT IS RESTRICTED TO OFFICIAL USE

This final audit report was prepared by the U.S. Department of Labor, Office of Inspector General, and is subject to revision before it is incorporated into a final audit report. This document is provided to officials solely for review and comment on the subjects reported. Recipients of this document are not authorized to distribute or release this information except for official review and comment.

Final Report: **03-03-003-07-780**

Date Issued: **September 26, 2003**

TABLE OF CONTENTS

ACRONYMS

DOLFA	Department of Labor Fitness Association, Inc.
DOL	Department of Labor
FECA	Federal Employees Compensation Act
FY	Fiscal Year
OASAM	Office of Assistant Secretary for Administration and Management
OIG	Office of Inspector General
U.S.C.	United States Code

EXECUTIVE SUMMARY

The deputy chairperson of the Department of Labor Fitness Association, Inc. (DOLFA) requested the Office of the Inspector General (OIG) to perform an audit of its financial records to insure that the Board of Directors is exercising prudent fiscal management and that expenditures are consistent with the Department of Labor (DOL) Fitness Center stated purposes. DOLFA is a nonprofit corporation created to promote the health and well-being of its members by providing a wellness and fitness program and related activities through the DOL Fitness Center, a federally funded, contractor-operated facility, located at The Curtis Center in Philadelphia, Pennsylvania. As of October 2001, DOLFA had 69 members.

The DOLFA treasurer maintains the financial accounting records on a cash basis. The financial statements consist of: Statement of Assets, Liabilities, and Fund Balance Arising from Cash Transactions – Modified Cash Basis; Statement of Revenues Collected, Expenses Paid, and Changes in Fund Balance – Modified Cash Basis; and Statement of Cash Flows – Modified Cash Basis.

We have expressed an unqualified opinion on the financial statements.

Overall, we determined that DOLFA had adequate controls for operating the DOL Fitness Center on behalf of the Department. However, we noted several opportunities for DOLFA to improve existing controls. Specifically, there are two areas in cash disbursements in which DOLFA needs to modify its practices to strengthen controls. We found that DOLFA does not have a credit or debit card for large purchases, and there are no formal procedures for maintaining petty cash. For large purchases, DOLFA board members use their personal credit cards and then are reimbursed from the DOLFA checking account. Although there were no problems with petty cash disbursements, we found that DOLFA has not established formal procedures for maintaining its petty cash account. As a result, the petty cash funds were commingled with cash from the membership fees, and purchase receipts were commingled with general disbursement receipts. We also found that there was no replenishment cycle. We recommend that DOLFA obtain a credit or debit card from its financial institution and discontinue the practice of having board members use their personal credit cards for DOLFA-related purchases. We also recommend that DOLFA develop and implement procedures to improve management of the petty cash fund.

DOLFA has not implemented controls to ensure that ownership of all of the DOL Fitness Center furniture and equipment is transferred to DOL. As a result, a member injured using furniture or equipment not under the ownership of DOL may not be entitled to medical expense reimbursement and/or compensation under the Federal Employees' Compensation Act (FECA). Additionally, we found that DOLFA needs to keep its inventory listing current, to take periodic physical inventories, and to transfer ownership of purchased furniture and equipment to DOL in a timely manner. Accordingly, we recommend that DOLFA conduct annual physical inventories of all furniture and equipment and ensure that all items are transferred to the DOL inventory of assets.

Finally, DOLFA needs to improve documentation of the fitness center's usage. We found that the requirement that members sign in when using the fitness center is not enforced, and fitness center sign-in logs are not retained. As a result, complete and accurate usage data is not available, and the eligibility of FECA claims for members who are injured at the DOL Fitness Center could be questioned. We recommend that DOLFA retain fitness center sign-in sheets for at least 3 years and enforce the requirement that each member sign the attendance sheet when entering and using the fitness center.

In their response to the draft report, DOLFA officials agreed with all the recommendations except for the recommendation requiring DOLFA to obtain a credit or debit card for purchasing DOL Fitness Center items.

OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of this audit were to obtain an understanding of DOLFA's internal control, and to determine whether DOLFA's financial statements were presented fairly in all material respects and in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We did not test compliance with laws and regulations that might have a direct and material affect on the financial statements, such as Internal Revenue Service requirements under Section 501(c).

SCOPE

Our audit focused on the following:

1. DOLFA's assets, liabilities, and fund balance arising from cash transactions as of September 30, 2001.

2. Revenues collected, expenses paid, and changes in fund balance for the fiscal year ended September 30, 2001.

3. Cash Flows for the fiscal year ended September 30, 2001.

To achieve our objective, we needed to obtain answers, through documentation review and interviews with key persons, to specific questions based on management's actual or implied assertions regarding the financial statements. Specifically:

Existence or Occurrence. Did the assets and liabilities reported actually exist at the balance sheet date, and did the transactions reported occur during the reporting period?

Completeness. Were all cash transactions and accounts that occurred during Fiscal Year (FY) 2001 reported? Were all assets and liabilities arising from cash transactions, as opposed to all assets and liabilities that may be recorded on an accrual basis, still owned from prior periods reported?

Rights and Obligations. Were reported assets owned by DOLFA and reported liabilities owed by DOLFA?

Valuation and Allocation. Were the assets, liabilities, revenues, and expenses included in the financial statements at the appropriate amounts?

Presentation and Disclosure. Were the financial statement components properly classified, described, and disclosed in conformity with appropriate accounting principles?

METHODOLOGY

We performed our audit in accordance with ***Government Auditing Standards*** issued by the Comptroller General of the United States, except we did not test compliance with laws and regulations that might have a direct and material effect on the financial statements. Significant audit procedures included the following:

- Examining transactions recorded at the beginning of FY 2001 to determine if they were FY 2001 transactions.

- Evaluating the supporting source documentation for FY 2001 to determine if the transactions complied with accounting principles used by DOLFA.

- Confirming cash bank accounts.

- Verifying the existence of physical assets through inspection.

BACKGROUND

The DOL Fitness Center is located within the commercial fitness center known as The Club at Curtis in The Curtis Center. DOL executed an agreement with The Club at Curtis to rent space for the DOL Fitness Center that is exclusively for DOL employees. The Club at Curtis agreed to allow the members of the DOL Fitness Center, at no charge, to use its locker room and towels. The DOL fitness center's space is included in the overall rental space agreement for all DOL agencies located in The Curtis Center. The Office of Assistant Secretary for Administration and Management (OASAM) is responsible for paying the rent and other related contracts (aerobics classes, etc.).

DOL has agreed to set aside funding for rent, contracts for aerobics classes, fitness assessments, and other shared expenses. The authority for such funding is found in 5 U.S.C. § 7901, which states, "the head of each agency of the Government of the United States may establish, within the limits of appropriations available, a health service program to promote and maintain the physical and mental fitness of employees under his jurisdiction." The funds set aside by DOL for these purposes are based on the number of DOL employees in the Philadelphia area.

Membership fees are set at $100 per year for the first year and $75 each subsequent year. Fees are higher in the first year because of the required initial physical assessment. Also, any person who joins in the middle of the year is allowed to pay a prorated fee of $50. Fees are deposited in a joint savings and checking account controlled by DOLFA. Under this type of account, cash is deposited in the savings account and funds are transferred for each disbursement check written by DOLFA against the checking account at the time a check is presented for payment. Using the fees collected, DOLFA purchases new equipment, furniture, magazines, and supplies associated with the operation of the fitness center. The DOLFA treasurer, who is a full-time DOL employee, is responsible for executing all financial transactions including disbursements, deposits, and purchases, and for maintaining all DOLFA financial records.

Howard K. Agran, Chairperson
Board of Directors
Department of Labor Fitness Association
The Curtis Center – Suite 630 East
170 S. Independence Mall West
Philadelphia, PA 19106-3315

REGIONAL INSPECTOR GENERAL'S REPORT

We have audited the accompanying Statement of Assets, Liabilities, and Fund Balance arising from Cash Transactions – Modified Cash Basis of the Department of Labor Fitness Association, Inc. (a non-profit organization), as of September 30, 2001 and the related Statements of Revenues Collected, Expenses Paid, and Changes in Fund Balance – Modified Cash Basis, and Cash Flows for the year then ended. These financial statements are the responsibility of the DOLFA=s management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with audited standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, except we did not test compliance with laws and regulations that might have a direct and material effect on the financial statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made, by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion on Financial Statements

As described in Note 1, DOLFA prepares its financial statements on a modified cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions of DOLFA as of September 30, 2001; its revenue collected, expenses paid, and changes in fund balance; and its cash flows during the year then ended, on the basis of accounting described in Note 1.

Report on Internal Control

In planning and performing our audit, we considered DOLFA=s internal control over financial reporting by obtaining an understanding of DOLFA=s internal control; determined whether these internal controls had been placed in operation assessed control risk; and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect DOLFA=s ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted certain matters, discussed in the Findings and Recommendation section of this report, involving the internal control and its operations that we consider to be reportable conditions. However, none of the reportable conditions is believed to be a material weakness.

Report on Compliance

The management of DOLFA is responsible for complying with laws and regulations applicable to the charter and by-laws drafted by the Board of Directors. As a nonprofit corporation under section 501(c)(3) of the U.S. Internal Revenue Code, DOLFA must comply with all requirements imposed by the Code in order to maintain its tax-exempt status. As part of obtaining reasonable assurance about whether DOLFA=s financial statements are free of material misstatement, we reviewed the DOLFA charter and by-laws in comparison to the general understanding we gained of DOLFA’s operations throughout the audit. However, we did not test laws and regulations that might have a direct and material effect on the financial statements, such as Internal Revenue Service 501(c)(3) requirements, and therefore, we do not express an opinion on compliance with such laws and regulations.

* * * * *

This report is intended solely for the information and use DOLFA=s management and the U.S. Department of Labor=s management. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Michael T. Hill
Regional Inspector General
for Audit
February 15, 2002

Department of Labor Fitness Association, Inc.

Statement of Assets, Liabilities, and Fund Balance
Arising from Cash Transactions – Modified Cash Basis
As of September 30, 2001

ASSETS	
Current Assets:	
Cash	$13,180.32
Petty Cash	25.00
Total Current Assets	$13,205.32
Total Assets	**$13,205.32**
LIABILITILES AND FUND BALANCE	
Unearned Revenue	$ 3,800.00
Total Liabilities	$ 3,800.00
Fund Balance	$ 9,405.32
Total Liabilities and Fund Balance	**$13,205.32**

The accompanying notes are an integral part of this financial statement.

Department of Labor Fitness Association, Inc.

Statement of Revenues Collected,
Expenses Paid, and Changes in Fund Balance – Modified Cash Basis
For the year ended September 30, 2001

REVENUES	
Membership Dues	$ 3,050.00
Interest Income	256.38
Total Revenue:	$ 3,306.38
EXPENSES	
Equipment	$ 3,336.89
Dues and Subscriptions	389.77
Insurance – (Equipment thief and damage)	362.00
Miscellaneous	248.68
Total Expenses	$ 4,337.34
REVENUE OVER (UNDER) EXPENSES	($ 1,030.96)
FUND BALANCE (beginning of year)	$10,436.28
FUND BALANCE (end of year)	**$ 9,405.32**

The accompanying notes are an integral part of this financial statement.

Department of Labor Fitness Association, Inc.

Statement of Cash Flows – Modified Cash Basis
For the year ended September 30, 2001

CASH FLOW FROM OPERATIONS	
Net Revenue (loss)	($1,030.96)
FUNDS PROVIDED (USED) BY OPERATIONS	
Increase in Unearned Revenues	$3,800.00
INCREASE IN CASH	$2,769.04
Cash, beginning	$10,411.28
Cash, Ending	$13,180.32

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

DOLFA oversees the DOL Fitness Center located in The Curtis Center – Suite LL36, 170 S. Independence Mall West, Philadelphia, Pennsylvania. DOLFA is a nonprofit mutual benefit corporation under section 501(c)(3) of the U.S. Internal Revenue Code, and is, therefore, exempt from income taxes. DOLFA is administered through a member-elected board of directors. The DOLFA Board of Directors determines how cash received from members' dues is spent, and it oversees the operation of the fitness center.

DOLFA was organized to promote the health and well-being of its members by providing an athletic exercise and fitness center and related activities. All of the DOLFA's receipts come from membership dues.

B. Dependency on the Department of Labor

DOL has an interest in the proper operation of the DOLFA because it provides funding for the property and maintenance of the fitness center. The DOL Fitness Center has no employees; however, staff at the co-located fitness center, known as The Club at Curtis, are available to deal with any problems that members may have. The DOL contribution defrays operational costs of the DOL Fitness Center that would otherwise be necessary to obtain from increased membership dues.[1]

C. Basis of Accounting

DOLFA financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenue from membership dues is recognized for the fiscal year in which the money is due and not when it is received. Membership dues that are received before the fiscal year ends and that are designated for the next fiscal year, are recorded in an unearned revenue account.

[1] In FY 2001 DOL-OASAM provided $63,572 for DOLFA's rent, aerobics instruction/intake assessment, and the cost of exercise equipment maintenance and repair.

D. Property and Equipment

It is the policy of DOLFA to transfer ownership of the equipment to DOL to protect the rights of each member who may file an injury report with the DOL Office of Workers' Compensation Programs, if an injury is sustained while using the fitness equipment. DOL is responsible for the depreciation, maintenance, and repairs of the equipment. Therefore, all equipment purchases are recorded as a current year expense rather than capitalized in the accounts of DOLFA.

NOTE 2. LONG-TERM DEBT

There are no long-term or short-term debts.

FINDINGS AND RECOMMENDATIONS

Finding 1. Fitness Center Purchases and Petty Cash Disbursements Practices Need to be Modified

We found two areas in cash disbursements in which DOLFA needs to modify its practices to strengthen controls. We found that DOLFA does not have a credit or debit card for large purchases, and there are no formal procedures for maintaining the petty cash.

DOLFA has a joint checking and savings account with a financial institution. The balance in the checking account is maintained at zero. When a check needs to be written, funds in the amount of the check are transferred from the savings account into the checking account. The DOLFA treasurer is the only person who writes the checks. Even though there are other board members who may co-sign, the treasurer must sign all checks. DOLFA also has a petty cash fund to pay minor expenses that would make writing a check impractical.

The following details the areas in which procedures need to be modified.

a. Credit Card Purchases

DOLFA does not have a credit or debit card for fitness center-related purchases. While reviewing disbursement transactions for reasonableness, we observed that there were checks made payable to a credit card account of one of the board members. DOLFA officials told us that the checks reimbursed DOLFA board members for fitness center purchases made on their personal credit cards. Because DOLFA does not have its own credit card, the treasurer and other board members use their personal credit cards to make purchases needed for the fitness center.

While we found no improper transactions, or that any board member has suffered a hardship using his or her personal credit card, the current procedure does allow potential problems to occur. Accordingly, to lower the risk for potential abuse, DOLFA needs to obtain its own credit or debit card to disburse funds for DOLFA activity.

b. Petty Cash

Although there were no problems with petty cash disbursements, we found DOLFA has not established formal procedures for maintaining and replenishing its petty cash account. As a result, the petty cash funds were commingled with cash from the membership fees, and purchase receipts were commingled with general disbursement receipts.

Petty cash funds are established to provide currency for minor business expenditures that are inconvenient to pay by check or credit card. At times, petty cash funds consist of coins, currency, undeposited checks cashed from the fund, and paid vouchers for sums expended. A specific amount is established and placed in the custody of a petty cash cashier who is accountable for that precise sum, which is made up of paid petty cash vouchers and remaining cash. The amount selected is determined by the demands on the fund and should usually be sufficient for about one month's needs. Customarily, even amounts such as $50, $100, but usually not exceeding $200, are chosen. The fund, once established, requires periodic reimbursement. The reimbursement is usually the total of the summarized petty cash expenditures for the period between reimbursement dates.

RECOMMENDATIONS

We recommend that the DOLFA Board of Directors modify fitness center purchases and petty cash practices by implementing the following:

1. Obtain a credit or debit card from its financial institution to allow authorized board members to make purchases of goods or services related to the fitness center.

2. Develop and implement procedures for the petty cash account that requires the following:

   a. A fund balance is established that reflects the amount of cash purchases (usually small dollar amount) expected to occur over a specific period of time.

   b. Petty cash is segregated from cash generated from membership fees.

   c. Records are maintained in a manner in which expense receipts are kept together to support the amount disbursed.

   d. A custodian is assigned the responsibilities for reimbursing purchases and replenishing the fund balance based on supporting expenditure receipts. The custodian must not be the same individual responsible for the petty cash fund.

Auditees Response:

a. Credit Card Purchases

In response to our draft report, DOLFA officials disagree with respect to obtaining a credit or debit card. DOLFA officials are concerned that a credit or debit card may permit more opportunity for abuse without any oversight. Therefore, DOLFA officials believe that the current practice of either using checks or reimbursing someone's credit card purchase, on receipt of the purchased object(s) and with proper receipts, has been working well and provides the opportunity for some oversight for all purchases.

b. Petty Cash

DOLFA officials did not respond specifically to the recommendation listed above. However, DOLFA did concur with a portion of our recommendation regarding petty cash. DOLFA officials responded that they have very little use for petty cash, but currently keep a small petty cash fund for which a record and receipts are maintained. In response to recommendations made at the exit conference, DOLFA officials stated they are no longer writing checks to cash, but instead checks will bear the name of the individual who will be making use of the petty cash monies.

Auditors Conclusion:

a. Credit Card Purchases

We agree with DOLFA officials' response, but we still believe that the current practice of either using checks or reimbursing someone's credit card purchase, on receipt of the purchased object(s) and with proper receipts, still allows for potential abuse. Based upon DOLFA officials' response that they are concerned that a credit or debit card may be subject to abuse, we propose that DOFLA consider an acceptable alternative to remedy the recommendation. This alternative includes internal controls over the review and approval of reimbursing a DOLFA official for the purchase of items for the DOL Fitness Center. The alternative is a form letter that requires the signature of the purchaser and another DOLFA official before reimbursements are made for someone's credit card purchase.

The recommendation is considered to be resolved since DOLFA agreed with the form letter, and the recommendation will be closed once a copy of the letter is presented to OIG.

b. Petty Cash

Our audit conclusions remain unchanged, and if DOLFA's Board of Directors develops written procedures for maintaining and replenishing its petty cash account, this recommendation would be resolved. To close this recommendation, DOLFA must provide OIG with a copy of the written procedures to document our agree-upon corrective actions.

Finding 2. Fitness Center Furniture and Equipment Inventory Procedures Need to be Strengthened

Our physical inventory of DOL fitness center furniture and equipment disclosed no missing items. However, DOLFA needs to ensure that its inventory listing is kept current, periodic physical inventories are taken, and ownership of purchased furniture and equipment is transferred to DOL in a timely manner.

Standards for Internal Controls in the Federal government, issued by the General Accounting Office, require that physical controls be established to secure and safeguard vulnerable assets. Additionally, such assets should be periodically counted and compared to control records. Over the years, DOLFA has purchased numerous items of furniture and equipment on behalf of DOL for the fitness center. Since DOLFA is a nonprofit affiliate of DOL, and not a Federal agency, DOFLA is required to transfer ownership of all furniture and equipment purchased to DOL so that members are covered under FECA if injured at the fitness center.

FECA provides compensation and medical benefits to Federal civilian employees and their dependents for job-related injuries, diseases, or death. This entitlement stresses, among other things, that the employee must have sustained the injury while in the performance of duty, which normally refers to the performance of the job the employee was hired to do. However, FECA also extends the performance of duty to participation in recreational activities if, among other considerations, the employee (through his or her superior) can demonstrate:

1. What specific benefit the employer derived from the employee's participations in the activity.

2. Whether the injury occurred on the employer's premises and the during the employee's regular working hours.

3. What leadership, equipment, or facilities the employer provided for the activity.

Since DOL is paying for DOLFA's fitness center space in order to promote and maintain the physical and mental fitness of employees, considerations (1) and (2) above would be met in the event of an injury. However, unless all DOLFA furniture and equipment is transferred to DOL, the employee may not be entitled to FECA compensation should an injury occur while using the equipment. We contacted the OASAM regional office and inquired about the methods to be used in transferring ownership of DOLFA furniture and equipment to DOL. We were told that DOLFA is supposed to provide the necessary documents supporting the purchase of furniture and equipment. When these documents have been received, the OASAM regional office is supposed to transfer the DOLFA purchases onto DOL-owned equipment records.

We requested from DOLFA and OASAM an inventory list of the furniture and equipment maintained in the fitness center. Using both the DOLFA and OASAM inventory lists, we conducted a physical inventory of the furniture and equipment located at the DOLFA fitness center. We noted the following:

– DOLFA had not performed periodic physical inventories.

– DOLFA's inventory listing had not been updated since it moved into the current fitness center in November 1999.

– OASAM's inventory list was not complete. Therefore, if a member is injured while using an item not on OASAM's inventory, the member may not be entitled to medical expense reimbursement and/or compensation from FECA. It is our position that the fitness center furniture and exercise equipment must be placed under DOL ownership to meet the FECA requirements for entitlement to compensation.

RECOMMENDATIONS

We recommend that DOLFA strengthen its fitness center furniture and equipment inventory procedures by implementing the following:

1. Conduct a physical inventory of all furniture and equipment located at the DOL Fitness Center as soon as possible and update the DOLFA and OASAM inventory listing.

2. Develop and implement procedures to ensure that

   – furniture and equipment are entered into the inventory listing at the time they are received;

   – the necessary documentation is forwarded to OASAM at the time the furniture and equipment are received so that they can be included in the DOL inventory; and

   – annual physical inventories are conducted of all furniture and equipment located at the DOL Fitness Center to reconcile the DOLFA and OASAM inventory listings.

Auditees Response:

DOLFA officials agreed with OIG's recommendation by completing an inventory of the DOL Fitness Center equipment and reconciling it with OASAM to ensure that they agreed. DOLFA officials agreed that it is their responsibility to keep the inventory current. Additionally, DOLFA officials responded that they will ensure that new purchases are reported timely to OASAM.

Auditors Conclusion:

We agree with DOLFA's corrective action and consider this recommendation resolved and closed.

Finding 3. Fitness Center Usage Needs to be Documented and Maintained

DOLFA needs to improve documentation of the fitness center's usage. We found the requirement that members sign in when using the fitness center is not enforced, and fitness center sign-in logs are not retained. As a result, complete and accurate usage data is not available, and the eligibility of FECA claims for members who are injured at the DOL Fitness Center could be questioned.

DOLFA shares space in The Curtis Center under a separate rental agreement with another commercial fitness center called The Club at Curtis. DOLFA's portion of the overall facility contains exercise equipment purchased by DOL and an aerobics area that may only be used by authorized DOL Fitness Center members. However, members of both fitness centers share the same locker room facilities. According to DOLFA's deputy chairperson, there are no employees operating the DOL Fitness Center. However, there are full- and part-time personnel employed by the owners of The Club at Curtis.

Members must gain access to the DOL Fitness Center by first using an electronic key to pass through The Club at Curtis, and then by using another access card to enter the DOL Fitness Center. There is no attendant to request identification upon entering the DOL Fitness Center. However, a sign-in sheet is placed on an unoccupied desk near the entrance of the DOL Fitness Center. The DOL Fitness Center Membership Application states that, "All program members entering the Center to exercise must sign in before their workout . . . . This information . . . is critical to help the staff track utilization."

We found that DOLFA routinely discards the fitness center sign-in sheets rather than retain them to support the fitness center usage. Also, according to DOLFA's treasurer, the requirement that each member sign in when using the fitness center has not been enforced.

DOL authorized establishing the fitness center and provides the resources needed for its use, which is restricted to DOL employees. Therefore, it is critical that DOLFA controls the access to the fitness center facilities by restricting persons who are not registered members and to document its usage. A re-emphasis of these internal control changes would benefit DOLFA by

- ensuring that only paid members use the fitness center,

- helping to justify DOL's continued subsidy of the fitness center, should there be consideration to use the space for a higher priority, and

- supporting an injured member's eligibility claim to receive medical and compensation benefits from the FECA program if the question of "whether the injury occurred on the employer's premises and during the employee's regular working hours" becomes an issue.

RECOMMENDATIONS

We recommend that DOLFA:

1. reemphasize in writing to the DOL Fitness Center members the need for and benefits of signing-in when using the facility;

2. annually (at the time of membership renewal) require each member to sign a statement acknowledging awareness that signing the fitness center sign-in log each time he or she uses the facility would: (a) support an injured member's eligibility claim to receive medical and compensation benefits from FECA if the question of "whether the injury occurred on the employer's premises and during the employee's regular working hours" becomes an issue; and (b) help justify DOL's continued subsidy of the fitness center should there be consideration to use the space for a higher priority; and

3. retain the sign-in acknowledgement statements and sign-in logs for a 3-year period.

Auditees Response:

DOLFA officials agree that it is necessary for us to require our members to sign in at the Fitness Center. DOLFA officials plan to notify all DOL Fitness Center members of this requirement to sign in due to FECA insurance requirements in case of injury. Finally, DOLFA agreed to retain sign-in logs for the recommended 3-year period.

Auditors Conclusion:

We concur with DOLFA's corrective actions taken and consider the recommendations resolved and closed.

AUDITEES RESPONSE

-----Original Message-----
From: Agran, Howard – SOL [mailto:Agran.Howard@DOL.gov]
Sent: Tuesday, May 27, 2003 10:30 AM
To: Darden, Thomas - OIG
Cc:

Subject: RE: DOLFA – Draft Report

I have circulated your report among our Board members and now can reply. First, it has been necessary for us to keep in mind the fact that the report deals with our circumstances in 2001. There have been some significant changes since then, particularly with the opening of our membership to non-DOL Federal employees. Moreover, we want to thank you for the efforts you have expended in providing truly professional advice. We have tried to view our circumstances from both the practical side as well as in terms of proper accounting methods.

With respect to our obtaining a credit or debit card, we believe that our current practice of either using our checks or reimbursing someone’s credit card purchase, on receipt of the purchased object(s) and with proper receipts, has been working well and provides the opportunity for some oversight for all of our purchases. We are somewhat concerned that a credit or debit card may permit more opportunity for abuse as it could be used without any oversight.

Regarding petty cash, we have very little use for petty cash, but currently keep a small petty cash fund for which a record and receipts are maintained. In response to recommendations made back in 2001, we are no longer writing checks to cash, but instead to the name of the individual who will be making use of the petty cash monies. That way a lost check made out to cash cannot be negotiated without recrimination.

We have made an inventory of our equipment. It is up to us to keep it current. It is in Maria Haliniak’s hands and we have to be sure, for instance, that our latest purchases, currently the new treadmill, has/have been added to the list.

We agree that it is necessary for us to require our members to sign-in at the Fitness Center. We will have to notify all our members of this requirement and supplement that with timely reminders. We should tell them the requirement is due to insurance (FECA) requirements. Currently, there are potentially three different sign-in sheets, if a member is taking a class. We propose modifying the class sign-in sheets to one, because of the likelihood that people will not sign-in three time. If our members sign in at least on one of the sheets and we keep each record, then if in the future we need to confirm their presence in the FC on a certain day, we will have the record for that day (within the last 3 years as recommended).

Thank you again for your efforts. If we can provide any other information, please call upon us.