**UNITED STATES GOVERNMENT**
***National Labor Relations Board***
**Office of Inspector General**

# Memorandum

September 27, 2005

To: Karl Rohrbaugh
Finance Branch Chief

From: Emil T. George Emil T. George
Assistant Inspector General for Audits

Subject: Inspection Report No. OIG-INS-37-05-04: Interagency Balances

We initiated this inspection in July 2005 to review the process for recording and reconciling interagency account balances. The National Labor Relations Board (NLRB or Agency) Fiscal Year (FY) 2004 audited financial statement shows intergovernmental assets of nearly $28 million and intergovernmental liabilities of over $2 million as of September 30, 2004.

NLRB is required to reconcile certain balances with the Office of Personnel Management (OPM) and Department of Labor (DOL). The Finance Branch (Finance) reconciled the required OPM amounts. Finance confirmed Federal Employee's Compensation Act (FECA) liability and expense amounts for DOL as correct, but did not reconcile the amounts to the NLRB records. The Agency is not required to and did not reconcile balances with other agencies. Finance relies upon individual NLRB offices to reconcile charges for services received under agreements with other agencies. Amounts charged were not verified by NLRB offices. We identified delays by other agencies in charging NLRB for amounts due and NLRB delays in charging other agencies.

Interagency agreements for use of the NLRB fitness center provide for cost reimbursement, but NLRB has charged the same amount since FY 1998 without considering the current cost of rent or changes in potential usage based on agency staffing levels. We also found that the NLRB charged GSA an annual fee of $7,645 for use of the fitness center, while the interagency agreement calls for $8,357, a difference of $712.

## SCOPE

We reviewed the Economy Act, 31 U.S.C. § 1535; Department of Treasury (Treasury) Financial Manual; and Office of Management and Budget (OMB) guidance to identify requirements applicable to interagency agreements and the reconciliation of balances. We also reviewed the Treasury Federal Intragovernmental Transactions Accounting Policies Guide to identify reconciliation procedures.

We interviewed Finance personnel to determine the processes for recording and reconciling interagency balances. We accessed the Intragovernmental Payment and Collection System (IPAC) for information on processed transactions. We obtained electronic worksheets of intergovernmental transactions from Finance for the period October 1, 2004 to June 30, 2005, and determined the accuracy of the information. We selected a judgmental sample of 28 transactions, including 6 charges by and 22 charges against NLRB.

Transactions involving rent were not selected because controls were tested during our audit of Monitoring Building Leases, report OIG-AMR-45-05-02, dated March 8, 2005. For transactions tested, we determined whether the transaction was valid, properly recorded, the amount was verified as correct by NLRB personnel, and processing was timely. The Treasury accounts are reconciled by Finance monthly. This process was validated during the Agency's financial statement audits of FY 2004 and FY 2005.

We conducted this inspection from July through August 2005 at NLRB Headquarters. This review was done in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

## BACKGROUND

The Economy Act allows agencies to obtain goods and services from each other on an actual cost basis. Services are obtained using an interagency agreement or order. Actual services may be provided by a contractor of the supplying agency. Under the arrangement, the supplying agency pays the contractor and recovers the applicable contract and administrative cost from the supported agency. NLRB provides limited services to other agencies, primarily the use of Administrative Law Judges and use of the fitness center. NLRB obtains services from other agencies such as office space, building security, automobiles, telephone, network, copier, printing, and records storage.

During the first three quarters of FY 2005, the NLRB charged other agencies $40,563 and was charged $49,476,681 in transactions with 21 agencies. Charges for services included $20,542,332 for building rent. Agencies collect amounts due under agreements using the IPAC. Amounts are collected directly from an agency's appropriation account at Treasury without prior notice to the charged agency. It is incumbent upon the charged agency to promptly determine if the charge relates to services received and whether the amount is correct.

The largest intergovernmental asset shown on the audited FY 2004 financial statement was $22,835,385 in the funds balance with Treasury account. The Agency also showed an investment account containing $4,987,094 which consisted of backpay money invested in Treasury securities.

## RESULTS

### Reconciliations with OPM and DOL

The Treasury Financial Manual requires 35 "verifying" Federal agencies to reconcile their interagency balances with each other quarterly. NLRB is not a verifying agency. OMB guidance requires all agencies to reconcile certain OPM and DOL fiduciary amounts quarterly. Amounts are to be reconciled and confirmed using Treasury's Intragovernmental Fiduciary Confirmation System (IFCS). These reconciliations are to help ensure the accuracy of the Financial Report of the United States Government.

Finance reconciled and confirmed in IFCS that FY 2005 OPM liability and expense amounts for employer health, retirement, and life insurance benefits were correct. Finance confirmed that DOL reported amounts for FECA liability and expense were correct, but did not reconcile the amounts to Agency records. Finance did not reconcile the DOL amounts because of an earlier unsuccessful attempt and the Finance Chief's decision to accept DOL's reported amount as correct based upon his belief that DOL has better information. DOL was not informed that the amounts were not reconciled.

### Other Reconciliations

NLRB is not required and has not reconciled balances with other agencies. Federal Acquisition Regulation 48 CFR 46.501, Acceptance, states acceptance constitutes acknowledgement that the supplies or services conform with applicable contract quality and quantity requirements. Finance records IPAC charged amounts against funds obligated for an agreement, but generally lacks information to determine whether the charges are proper or correct. Finance has relied upon individual NLRB offices to reconcile amounts charged against their obligated funds with services received under interagency agreements. The Agency did not verify whether items were received or amounts charged were correct for several items tested.

- General Services Administration (GSA) charged NLRB $110,352 for phone services on June 7, 2005, that NLRB personnel only partially verified as received.

- Government Printing Office (GPO) charged NLRB $60,773 for printing and distribution of 1,675 copies of volumes 338 and 339 of the Decisions and Orders of the NLRB on May 3, 2005. The charge includes having contractors print the documents and shipping them to NLRB field offices, courts, and GPO based on a mailing list provided by the Agency. Agency employees did not know the number of documents that were to be delivered to Headquarters and did not determine the number received.

- GPO charged NLRB $9,301 for publishing Code of Federal Regulations changes on November 22, 2004, that NLRB personnel did not verify as received.

- Social Security Administration charged NLRB $782 for 45 statement of earnings reports on February 8, 2005, that NLRB personnel did not verify as received.

These conditions occurred because Finance did not provide offices notice when charge transactions processed, ensure offices had supporting transaction details, or require confirmation that services were received. Such controls are built into the approval process for payment of a non-government supplier voucher, but not for intergovernmental IPAC payments.

Agreements with the public for provision of goods or services require an invoice to be submitted to NLRB. The invoice is reviewed by a Contracting Officer or representative and signed to document that services were received. The invoice is provided to Finance, which certifies the invoice as proper for payment and directs Treasury to make payment. However, for intergovernmental agreements, charges are processed through IPAC and NLRB receives notice and supporting invoice information after funds are withdrawn from NLRB's Treasury account.

The lack of NLRB advance payment approval and reconciliation for an intergovernmental transaction warrants alternative controls to ensure charges to NLRB appropriations are proper and correct. The control weaknesses identified could result in NLRB paying for services it did not receive or being overcharged for services.

**Timeliness of Processing IPAC Transactions**

Standards for Internal Control in the Federal Government states that internal controls should provide for transactions to be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. We identified delays in other agencies charging NLRB for balances due and in NLRB charging other agencies.

- Department of Veterans Affairs charged NLRB $62,359 on February 2, 2005, for mail room services provided during the 12 months of FY 2004. The interagency agreement called for quarterly billing.

- GSA charged NLRB $120,590 for October 2004 network services on December 21, 2004. The collection included an overcharge identified by NLRB of approximately $74,000 that was credited by the service provider on the April 2005 bill. NLRB received the IPAC credit on June 21, 2005, more than 1½ months after the end of the services period.

- GPO charged NLRB $1,294 on November 22, 2004, for printing that was delivered on July 27, 2004.

- NLRB charged GSA $7,645 on February 9, 2005, for annual use of the fitness facility. The interagency agreement states that payment will be made at the beginning of the fiscal year, but no later than October 30, 2004.

- NLRB collected $9,808 from Merit Systems Protection Board on March 25, 2005, for services provided throughout the first six months of FY 2005. The interagency agreement calls for monthly or quarterly billing at NLRB's discretion. As of July 13, 2005, an additional $17,449 for 3rd quarter FY 2005 services had not been charged.

Delays in charges have the potential to adversely effect management of NLRB's budget. NLRB offices need current cost information for proper budget planning and execution throughout the year. The timeliness of information is more critical near fiscal year end, when the obligation period for NLRB's one-year appropriation expires. For example, if NLRB had $50,000 obligated for services for August 2005, but NLRB is not charged actual costs of $30,000 until October 2005, the balance cannot be reobligated for other NLRB FY 2005 needs. The balance has effectively been lost. Similarly, if NLRB provided services to another agency in August 2005, but does not charge costs until October, again NLRB has effectively lost use of the funds for other FY 2005 needs.

**Areas for Management Consideration**

The following additional conditions were noted during the review:

- NLRB charged GSA an annual fee of $7,645 for use of the fitness center, while the interagency agreement calls for $8,357, a difference of $712.

- Interagency agreements for use of the NLRB fitness center provide for cost reimbursement, but NLRB has charged the same amount since FY 1998 without considering the current cost of rent or changes in potential usage based on agency staffing levels.

- NLRB personnel incorrectly figured the amount due GSA under a freight services agreement and shipments information provided GSA was unsupported. Action was taken on August 3, 2005, to correct the overpayment of $108.

## SUGGESTIONS

We suggest that the Finance Branch Chief:

1. Reconcile future DOL amounts or advise DOL that NLRB has not performed reconciliation.

2. Require NLRB offices to confirm services were received and met quality and quantity requirements.

3. Develop procedures to notify service agencies about delays in IPAC charges.

4. Charge other agencies in accordance with service agreement.

cc: Board
General Counsel
Gloria J. Joseph, Director of Administration