APPENDIX D
AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Assistant Secretary for
Employee Benefits Security Administration
Washington, D.C. 20210

SEP 22 2005

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit
Office of the Inspector General

FROM: ANN L. COMBS
Assistant Secretary

SUBJECT: EBSA Should Mandate Electronic Filing
of the Form 5500 to Improve Data Accuracy
Draft Audit Report 09-05-002-12-121

Thank you for the opportunity to review DRAFT Report 09-05-002-12-121, Office of
Inspector General's (OIG) Audit of the Employee Benefits Security Administration's
(EBSA) Employee Retirement Income Security Act Filing Acceptance System (EFAST).
We appreciate the amount of time and effort that went into conducting such a
comprehensive audit and preparing this detailed report. EBSA concurs with the OIG's
central recommendation and particularly welcomes the OIG's support of EBSA's efforts
to mandate electronic filing of the Form 5500. EBSA's own analyses have shown that an
electronic filing mandate would result in improved data accuracy, more timely data,
and simpler processing for the government. Additionally, EBSA's analysis indicates
filers and plan participants benefit significantly from electronic filing from both a
monetary and non-monetary perspective.

The following comments, offered in response to several statements within the draft
report, are intended to both clarify specific information and to offer a more
comprehensive and balanced interpretation of EFAST data accuracy. The OIG's
statement on page 15 that "EBSA is designing the next generation of EFAST (designated
as EFAST II)" should be clarified. It is more accurate to say that EFAST2 is in the
"Conceptual Planning Phase" in the Capital Planning and Investment Control (CPIC)
Process as defined by the Department of Labor's (DOL) System Development Life Cycle
Management (SDLCM) Manual. If the FY2007 business case submitted for EFAST2 is
approved and the project is fully funded, EBSA will progress to the "Planning and
Requirements Definition Phase" and then "Design Phase".

The statement on page 10 that EBSA's oversight contractor did not specifically test the
accuracy of electronic filings is incorrect. EBSA's oversight contractor, MPR, tested the
accuracy of electronic filings based on samples of filings stratified by filing type (i.e.,

2

electronic and paper filing types). Such data analysis was performed both at the systems acceptance test (during scale-up of EFAST) and during operations. For example, MPR's "Audit Report for the EFAST System, Third Quarter Processing Year 2000" found that no data capture errors existed for a small sample of electronic filings. Excerpts from this report showing performance standard compliance for the sample of filings are enclosed.

The OIG's statement on page 12 that EBSA officials concluded that additional actions on the part of the government against NCSP were not warranted is misleading. It is more correct to say EBSA officials did not recommend legal action be pursued. The EFAST Program Management Office (PMO) has worked to compel the contractor to improve data accuracy throughout EFAST operations. These efforts were recommended by the Office of the Solicitor of Labor (SOL) and included the following actions: reviewing NCSP's monthly quality control reports, requiring the holding of and participating in quarterly quality reviews, expressing to NCSP the government's concern regarding data accuracy in correspondence and meetings, and speaking with the procurement support attorney in SOL. The PMO has been working with the vendor and invested resources to correct systematic problems associated with data accuracy as evidenced by many government-developed system problem reports, intensive onsite monitoring of the contractor, changes and enhancements to the system to improve accuracy, numerous exchanges of correspondence, and many meetings. As a result of these efforts, there has been improvement in data accuracy and compliance with standards over the life of the contract that is not reflected in the OIG's report.

We appreciate the OIG's recommendations and support in further improving EFAST data accuracy. We will give careful consideration to the recommendations and will act on them, as appropriate. With regard to the specific recommendations:

1. EBSA supports mandating electronic filing of the Form 5500 and has issued a Notice of Proposed Regulation in the Federal Register on August 30, 2005, to this effect.

2. EBSA has considered withholding payment to NCSP if accuracy standards are not met, and will discuss doing so with the PMO to determine that it is feasible to do so and that there would be no unintended adverse consequences. This approach would also have to be taken with the approval and assistance of the department's Office of Procurement Services and SOL.

3. EBSA will consider, and implement as appropriate, specific remedies for noncompliance with data accuracy standards in EFAST2.

Enclosure

Enclosure

2. The plan name was misspelled on the correspondence letter as "pian".

3. The TIG did not indicate edit test failures present on the filing. (Refer to ER2572.)

4. The DLN was incorrect on the correspondence letter was incorrect.

5. The plan number (001) appearing on correspondence letter is incorrect. It should be 501. This caused edit tests P-217, P-219, J-504 and J-505 to erroneously generate.

6. RPC "D" was not correctly generated thus the correspondence letter was erroneous.

7. RPC "T" and GCC "F" were not correctly generated. The PDR for Schedule F was not available, however Line 6 on Schedule F was not captured correctly.

8. The TIG was not present on EUAS, and the field COMP-PROC-DATE (var 1192) was therefore not delivered.

One random data capture error was identified on the following line/field of the filing:

Form 5500, Line 8c Box.

vii. Form 5500 77-0098725-501/62037025000041 SID 75. Two systemic and zero random data capture errors were identified during the detailed walkthrough of this filing. The systemic errors include the following:

1. RPC "T" and GCC "F" were not correctly generated. The PDR for Schedule F was not available, however Line 6 on Schedule F was not captured correctly.

2. The TIG was not present on EUAS and the field COMP-PROC-DATE (var 1192) was therefore not delivered.

viii. Form 5500 95-4490185-501/62037025000051 SID 76. Two systemic and zero random data capture errors were identified during the detailed walkthrough of this filing. The systemic errors include the following:

1. RPC "T" and GCC "F" were not correctly generated. The PDR for Schedule F was not available, however Line 6 on Schedule F was not captured correctly.

2. The TIG was not present on EUAS, and the field COMP-PROC-DATE (var 1192) was therefore not delivered.

WALKTHROUGH CHECKLIST AND TALLY TOOL **

A.3.7

DLN:	62037025000041
EIN:	770098725
PN:	501
SPR:	406

CLIN	Name	2.9 D Fields Distribution — Delivered Data by Agency		2.10 W/D Scanned Form/Sch. Pages Scanning — Readable Images - Structured		2.11 W/D Scanned Attachment Pages Scanning — Readable Images - Unstructured		2.12 W/D Scanned Pages Scanning — Readable 0.25 inch		2.13 D Scanned Pages Scanning — Image Index		2.14 D Scanned Pages Distribution — Images by Agency		2.15 D Scanned Pages Scanning — Image Order		2.17 W/D Filings w/ Remittances MSL 1-3 — Remittance - CoC Record		2.20 D IRS Data Records Distribution — IRS Control Record	
		# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.
1	Outgoing Corr.	1	1																
2	Incoming Corr.					x		x		x		x		x					
3	Returns Retrieved																		
4	Mail Returned																		
5	Receipts Mailed	1																	
30	Elec., 5500 (pure fr.)	x		x				x		x		x		x				1	
31	Elec., 5500 (NP fr.)	x		x				x		x		x		x				x	
32	Elec., 5500EZ	x		x				x		x		x		x				x	
33	Elec., Schedule A	x		x				x		x		x		x				x	
34	Elec., Schedule B	x		x				x		x		x		x				x	
35	Elec., Schedule C	x		x				x		x		x		x				x	
36	Elec., Schedule D	x		x				x		x		x		x				x	
37	Elec., Schedule E	x		x				x		x		x		x				x	
38	Elec., Schedule F	x		x				x		x		x		x				x	
39	Elec., Schedule H	x		x				x		x		x		x				x	
40	Elec., Schedule I	x		x				x		x		x		x				x	
41	Elec., Schedule G	x		x				x		x		x		x				x	
42	Elec., Schedule P	x		x				x		x		x		x				x	
43	Elec., Schedule R	x		x				x		x		x		x				x	
44	Elec., Schedule T	x		x				x		x		x		x				x	
45	Elec., Schedule SSA	x		x				x		x		x		x				x	
46	Elec., Acc'y Opinion	x		x				x		x		x		x				x	
47	Elec., Attachments					x		x		x		x		x				x	
		# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.
	GRAND TOTAL	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	NA	0	1
	Subtotal (2.6 only)																		
	PERCENT CORRECT	100.0%		NA		NA		NA		NA		NA		NA		NA		100.0%	

Specific Element(s)/Item(s) Measured in Standard

* W = Walkthrough (Princeton)

D = DC Structured Data/Image Review

O = On-Site Review

** PS 2.19, 2.21, 2.22, and 2.23 were either not measured or not measured via sampled filings or not measured in this audit, thus they are not included in the checklist.

Version 1.0

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A-26.xls

WALKTHROUGH CHECKLIST AND TALLY TOOL**
A.3.7

DLN:	6203702500041		TYPE:	ELF PF
EIN:	770098725		SID:	75
PN:	501			
SPR:	406			

			2.1	2.2	2.3	2.4	2.5			2.6			
Acc Std			W/O	W/O	W	W	W	W	W	W	W	W	W
Location*			Envelope	Envelope	Scanned Pages	5500/1/1	NC Fields	CS Record Fields	Form/Sch.	Corr. Content	Corr. Content	Corr. Format	Forms
Unit of Implementation / Functional Area			MSL 1	MSL 1	Scanning	DC	DC	MSL 1 - 3	DC	E/E	E/E	Letter Review	Container/E/Corr.

Specific Element(s)/Item(s) Measured in Standard

CLIN	Name	CLINs	Received Date		Postmark Date		DLN		Entity Control Fields		Non-Critical Fields		a. Coding Sheet		b. Form/Sch. Data		c. Carrier Entity Results		d. TIG		e. Corr		f. GF/Calc/Non-Entity Carrier	
			# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.
1	Outgoing Corr.								x				x				x		x		0			
2	Incoming Corr.																		x					
3	Returns Retrieved																							
4	Mail Returned																							
5	Receipts Mailed					1																		
30	Elec. 5500 (pure fr.)	1					1	1	0	0	0	0	x	1	0		1		1		0		0	1
31	Elec. 5500 (NP fr.)								x		x		x		x		x		x				x	
32	Elec. 5500EZ								x		x		x		x		x						x	
33	Elec. Schedule A																							
34	Elec. Schedule B																							
35	Elec. Schedule C																							
36	Elec. Schedule D																							
37	Elec. Schedule E																							
38	Elec. Schedule F	1							x															
39	Elec. Schedule H								x															
40	Elec. Schedule I																							
41	Elec. Schedule G																							
42	Elec. Schedule P																							
43	Elec. Schedule R																							
44	Elec. Schedule T																							
45	Elec. Schedule SSA								x		x		x		x		x						x	
46	Elec. Acc't's Opinion																							
47	Elec. Attachments																							
GRAND TOTAL		2	0	0	0	0	1	1	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1
Subtotal (2.6 only)																								
PERCENT CORRECT			NA	NA	100.0%	NA	NA	100.0%	NA	100.0%	0.0%	0.0%	0.0%

* W = Walkthrough (Pinceton)
D = DC Structured Data/Image Review
O = On Site Review
** PS 2.19, 2.21, 2.22, and 2.23 were either not measured or not measured via sampled filings or not measured in this audit, thus they are not included in the checklist

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WALKTHROUGH CHECKLIST AND TALLY TOOL**
A.3.8

DLN:	62037025000051		TYPE:	ELF PF
EIN:	954490185		SID:	76
PN:	501			
SPR:	407			

		Acc Std			2.1	2.2	2.3	2.4	2.5				2.6	
		Location*			W/O	W/O	W	W	W		W		W	W
Unit of Implementation					Envelope	Envelope	Scanned Pages	5500/H/I	NC Fields	CS Record Fields	Forms/Sch.		Corr. Content	Corr. Format	Forms
Functional Area					MSL 1	MSL 1	Scanning	DC	DC	MSL 1 - 3	DC		E/E	Letter Review	Container/EB/Corr.

Specific Element(s)/Item(s) Measured in Standard

						Entity Control Fields	a. Coding Sheet	b. Form/Sch. Data	c. Carrier Entity Results	d. TIG	e. Corr	f. GF/Calc/Non-Entity Carrier
CLIN	Name	CLINs	Received Date	Postmark Date	DLN	Non-Critical Fields						
			# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.	# Correct / Total Obs.
1	Outgoing Corr.											
2	Incoming Corr.											
3	Returns Retrieved											
4	Mtnl Returned											
5	Receipts Mailed	1										
30	Elec., 5500 (pars fr.)				1	0	x	1	x	x	0	
31	Elec., 5500 (NP fr.)					0	x	0	x	x	x	0
32	Elec., 5500EZ					0	x	0	x	x		x
33	Elec., Schedule A											
34	Elec., Schedule B											
35	Elec., Schedule C											
36	Elec., Schedule D											
37	Elec., Schedule E											
38	Elec., Schedule F	1										
39	Elec., Schedule H					x		x				
40	Elec., Schedule I					x		x				
41	Elec., Schedule G											
42	Elec., Schedule P											
43	Elec., Schedule R											
44	Elec., Schedule T											
45	Elec., Schedule SSA					x		x	x			
46	Elec., Acc'ty Opinion					x		x				x
47	Elec., Attachments											
GRAND TOTAL		2	0	0	1	0	1	0	1	0	0	0
Subtotal (2.6 only)			0	0								
PERCENT CORRECT			NA	NA	100.0%	NA	100.0%	NA	100.0%	0.0%	NA	0.0%

* W = Walkthrough (Princeton)
D = DC Structured Data/Image Review
O = On Site Review

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WALKTHROUGH CHECKLIST AND TALLY TOOL**
A.3.8

DLN:	6203702500000051
EIN:	954490185
PN:	501
SPR:	407

	Acc-Std	2.9	2.10	2.11	2.12	2.13	2.14	2.15	2.17	2.20
	Location*	D	W/D	W/D	W/D	D	D	D	W/O	D
Unit of Implementation	Fields Distribution	Scanned Form/Sch. Pages Scanning	Scanned Attachment Pages Scanning	Scanned Pages Scanning	Scanned Pages Scanning	Scanned Pages Distribution	Scanned Pages Scanning	Filings w/ Remittances MSL 1 - 3	IRS Data Records Distribution
Functional Area										

Specific Element(s)/Item(s) Measured in Standard

CLIN	Name	Delivered Data by Agency		Readable Images - Structured		Readable Images - Unstructured		Readable 0.25 inch		Image Index		Images by Agency		Image Order		Remittance - CoC Record		IRS Control Record	
		# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.	# Correct	Total Obs.
1	Outgoing Corr.																		
2	Incoming Corr.	x		x		x		x		x		x		x				x	
3	Returns Retrieved	x		x		x		x		x		x		x				x	
4	Mail Retained	x		x		x		x		x		x		x				x	
5	Receipts Mailed	1	1															1	1
30	Elec., 5500 (sure fr.)	x		x		x		x		x		x		x				x	
31	Elec., 5500 (NP fr.)	x		x		x		x		x		x		x				x	
32	Elec., 5500EZ	x		x		x		x		x		x		x				x	
33	Elec., Schedule A	x		x		x		x		x		x		x				x	
34	Elec., Schedule B	x		x		x		x		x		x		x				x	
35	Elec., Schedule C	x		x		x		x		x		x		x				x	
36	Elec., Schedule D	x		x		x		x		x		x		x				x	
37	Elec., Schedule E	x		x		x		x		x		x		x				x	
38	Elec., Schedule F	x		x		x		x		x		x		x				x	
39	Elec., Schedule H	x		x		x		x		x		x		x				x	
40	Elec., Schedule I	x		x		x		x		x		x		x				x	
41	Elec., Schedule G	x		x		x		x		x		x		x				x	
42	Elec., Schedule P	x		x		x		x		x		x		x				x	
43	Elec., Schedule R	x		x		x		x		x		x		x				x	
44	Elec., Schedule T	x		x		x		x		x		x		x				x	
45	Elec., Schedule SSA	x		x		x		x		x		x		x				x	
46	Elec., Asst'n Opinion	x		x				x		x		x		x				x	
47	Elec., Attachments			x		x		x		x		x		x				x	
	GRAND TOTAL	# Correct 1	Total Obs. 1	# Correct 0	Total Obs. 0	# Correct 0	Total Obs. 0	# Correct 0	Total Obs. 0	# Correct 0	Total Obs. 0	# Correct 0	Total Obs. 0	# Correct 0	Total Obs. 0	# Correct 1	Total Obs. 1
	Subtotal (2.6 only)																		
	PERCENT CORRECT	100.0%		NA		NA		NA		NA		NA		NA		NA		100.0%	

* W - Walkthrough (Function)
D = DC Structured Data/Image Review
O - On Site Review

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Version 1.0

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