

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF THE
CHIEF FINANCIAL OFFICER



MANAGEMENT ADVISORY COMMENTS IDENTIFIED IN THE ENGAGEMENT TO AUDIT THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

This report was prepared by KPMG LLP, under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in blue ink that reads "Eelish P. Lewis".

U.S. Department of Labor
Assistant Inspector General for Audit

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Executive Summary

KPMG LLP (KPMG), under contract to the United States Department of Labor (DOL or the Department), Office of Inspector General (OIG), was engaged to audit DOL's consolidated financial statements as of and for the year ended September 30, 2010. Because of matters discussed in KPMG's Independent Auditors' Report, dated November 15, 2010, the scope of KPMG's work was not sufficient for them to express, and they did not express, an opinion on the FY 2010 consolidated financial statements.

In connection with the FY 2010 audit engagement, DOL's internal control over financial reporting and DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the FY 2010 consolidated financial statements were also considered. Providing opinions on the effectiveness of DOL's internal control over financial reporting and on compliance with laws, regulations, contracts, and grant agreements was not an objective of the engagement, and accordingly, such opinions were not provided. However, certain matters were noted involving (a) internal control and its operation that were considered to be material weaknesses and significant deficiencies, and (b) instances of noncompliance that were considered to be material. In addition, certain other matters were noted that were considered to be management advisory comments.

This report was prepared to provide information to management that could help in the development of corrective actions for the management advisory comments identified in the engagement. A separate report will be issued to the Chief Information Officer and the Chief Financial Officer containing management advisory comments pertaining to the testing procedures performed over the Department's general and application controls over information technology (IT) systems that support the consolidated financial statements.

Details over the material weaknesses, significant deficiencies, and instances of material noncompliance, listed below, have been included in the Independent Auditors' Report found in DOL's *FY 2010 Agency Financial Report*.

Material Weaknesses

1. Lack of Sufficient Controls over Financial Reporting
2. Lack of Sufficient Controls over Budgetary Accounting
3. Improvements Needed in the Preparation and Review of Journal Entries
4. Lack of Adequate Controls over Access to Key Financial and Support Systems

Significant Deficiencies

5. Weakness Noted over Payroll Accounting
6. Untimely and Inaccurate Processing of Property, Plant, and Equipment Transactions

Instances of Material Noncompliance

1. *Federal Managers' Financial Integrity Act of 1982*
2. *Federal Financial Management Improvement Act of 1996*

Management Advisory Comments

We identified certain non-IT matters during the engagement that were not considered to be material weaknesses, significant deficiencies, or instances of material noncompliance, which we would like to bring to management's attention. These findings and recommendations are presented in this report.

Had KPMG been able to perform all of the procedures necessary to express an opinion on the FY 2010 consolidated financial statements, other matters involving internal control over financial reporting and instances of noncompliance may have been identified and reported.



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

November 15, 2010

Mr. Elliot P. Lewis, Assistant Inspector General for Audit
Mr. James L. Taylor, Chief Financial Officer
U.S. Department of Labor
Washington, D.C. 20210

Mr. Lewis and Mr. Taylor:

We were engaged to audit the consolidated financial statements of the United States Department of Labor (DOL) for the fiscal year (FY) ended September 30, 2010. Because of matters discussed in our *Independent Auditors' Report*, dated November 15, 2010, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on DOL's FY 2010 consolidated financial statements.

In connection with our FY 2010 audit engagement, we also considered DOL's internal control over financial reporting and DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the FY 2010 consolidated financial statements. Providing opinions on the effectiveness of DOL's internal control over financial reporting and on compliance with laws, regulations, contracts, and grant agreements was not an objective of our engagement, and accordingly, we do not express such opinions. We have not considered internal control since the date of our report.

During our audit engagement, we noted certain matters involving internal control and other operational matters that do not relate to information technology and are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management and have been communicated through the issued Notifications of Findings and Recommendations, are intended to improve internal control or result in other operating efficiencies and are summarized in Exhibit I. These comments are in addition to the material weaknesses, significant deficiencies, and instances of material noncompliance presented in our *Independent Auditors' Report*, dated November 15, 2010, included in the DOL's *FY 2010 Agency Financial Report*. Exhibit II identifies the prior year comments for which we were not able to perform all audit procedures necessary to determine the FY 2010 status. We also summarized the status of all prior year comments in Exhibit III. Comments involving



internal control and other operational matters noted that relate to information technology will be presented in a separate letter to you and the Chief Information Officer.

As described above, the scope of our work was not sufficient to enable us to express an opinion on DOL's FY 2010 consolidated financial statements. Had we been able to perform all of the procedures necessary to express an opinion, other matters involving internal control over financial reporting and instances of noncompliance may have been identified and reported. We aim, however, to use our knowledge of DOL's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of DOL management and DOL's Office of Inspector General, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Comments and Recommendations

1. Untimely Receipt of Prepared-by-Client (PBC) Items

Before commencement of significant fieldwork for the fiscal year (FY) 2010 engagement to audit the United States (U.S.) Department of Labor (DOL) consolidated financial statements, the Office of the Chief Financial Officer (OCFO) was provided with a detailed listing of client-prepared documentation required to support the audit engagement. The prepared-by-client (PBC) list detailed the required items and their due dates, which were discussed in advance with the OCFO.

During the FY 2010 engagement to audit the DOL's consolidated financial statements, the OCFO:

- Provided numerous PBC items in an untimely manner.
- Produced several PBC items that were not suitable and required significant revisions.
- Did not effectively communicate anticipated delays in the submission of certain PBC items, and in certain cases did not request deadline extensions for PBC items until they were overdue.
- Did not set realistic deadlines that were achievable when revising due dates for numerous PBC items.

These matters were reported to the OCFO periodically throughout the audit engagement during the bi-weekly status meetings.

As of October 26, 2010, 49% of the PBC items requested in support of the financial statement audit engagement were received late, overdue, or could not be provided. Furthermore, although the OCFO revised the due dates for numerous items needed at year end, 66% of those items were either provided after the revised due date or were not provided before the audit engagement ended.

The PBC items were delayed because the OCFO was focused on addressing data and system issues related to the implementation of New Core Financial Management System (NCFMS), and lacked the resources to proactively monitor and adequately fulfill the PBC list. In addition, certain PBC items were incomplete and of poor quality because of the difficulties DOL encountered in retrieving complete and accurate information from NCFMS and the lack of sufficient review of PBC documentation prior to submission to us.

DOL's inability to timely provide PBC items, effectively communicate delays, and set revised due dates that were realistic resulted in significant delays in the audit engagement and impaired our ability to perform audit procedures over certain financial statement line items.

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Standards) states that, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

Recommendations

We recommend that the Chief Financial Officer:

1. Develop and implement a quality control process for reviewing PBC items prior to submission to the auditors.
2. Improve monitoring of the PBC list by periodically reviewing it for items due in the upcoming weeks and following up with the responsible individuals prior to the due date to ensure they are tracked and to identify potential delays prior to the due date; and ensure the appropriate resources are in place to adequately fulfill the PBC list.
3. Improve accountability for PBC items by coordinating with the appropriate Agency Heads to ensure they are properly monitoring those individuals responsible for delivering PBC items.
4. Communicate PBC delays, which should be rare, as soon as they are identified, and provide a realistic alternative delivery date based on consultation with the auditors and individuals or agency responsible for providing the item.

Management's Response

The difficulties experienced in providing PBC items were primarily due to the ongoing challenges resulting from the implementation of NCFMS. Revised procedures will be implemented to ensure that PBC items are reviewed and approved before they are submitted to the auditors, the PBC list is monitored, and delays and revised due dates are provided to the auditors based on our best estimates.

Auditors' Response

Management has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

2. Unsupported and Incorrect Upward Adjustments

Upward adjustments are recorded by DOL when a modification is made to a prior year obligation in an expired fund. The transaction must be recorded to a valid, unclosed Treasury Appropriation Fund Symbol, and supported by adequate documentation, such as a modification.

During our testing of a sample of 13 upward adjustments through March 31, 2010, we identified the following exceptions in the second quarter:

- 3 upward adjustments totaling \$45.2 million were recorded in the general ledger but were not supported by appropriate audit evidence to substantiate an upward adjustment transaction.
- 10 instances totaling \$48.3 million were new obligations related to grant activities that were recorded as upward adjustments (Account 4881) instead of increases to undelivered orders, unpaid (Account 4801).

The activity for the third and fourth quarters was not material; therefore, no testing was performed over those periods.

The 3 exceptions related to the \$45.2 million in upward adjustments occurred because the OCFO recorded certain unsupported adjustments to the general ledger in order to pass the edit checks for the second quarter Federal Agencies Centralized Trial Balance System II (FACTS II) submission. In addition, certain upward adjustments were recognized in error in an attempt to correct a state unemployment insurance employment services operations (SUIESO) collection transaction that improperly excluded the budgetary accounts.

The remaining 10 exceptions occurred because NCFMS was not properly configured to recognize new obligations related to multi-year funds.

The cumulative effect of these discrepancies resulted in upward adjustments being overstated by \$93.5 million as of March 31, 2010. In addition, the entries to record the new obligations were not in compliance with the U.S. Standard General Ledger (USSGL) at the transactional level.

GAO's Standards states, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily

available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, states, “Multi-year budget authority is available for obligation for the specified period of time in excess of one fiscal year. During the unexpired phase of a multi-year appropriation, the budget authority is available for incurring “new” obligations. Agencies may use expired authority to make adjustments to obligations or disbursements only during a period of five years after the last unexpired year.”

In addition, USSGL (August 2009 version), Section III Account Transactions, transaction code B306 states, “To record current-year undelivered orders without an advance.”

Budgetary Entry

Debit 4610 Allotments – Realized Resources
Debit 4620 Unobligated Funds Exempt From Apportionment
Debit 4700 Commitments – Programs Subject to Apportionment
Debit 4720 Commitments – Programs Exempt From Apportionment
Credit 4801 Undelivered Orders – Obligations, Unpaid

Recommendations

We recommend that the Chief Financial Officer:

1. Properly resolve all FACTS II edit check issues and only record adequately supported adjusting entries to the general ledger.
2. Update the system configuration in NCFMS to record a credit to Account 4801 for activities related to new obligations for multi-year unexpired funds.

Management’s Response

We concur with recommendations and will implement revised procedures to ensure that FACTS II entries are properly supported. Changes to NCFMS have already been implemented.

Auditors’ Response

Management concurred with our comment and has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

3. Failure to Provide Sufficient Documentation for Certain Non-Grant, Non-Benefit Expenses

During our testing of 20 non-grant, non-benefit expense sample items for the period October 1, 2009, through December 31, 2009, we identified the following exceptions:

- The Employment and Training Administration (ETA) was not able to provide evidence of review by an authorizing official for 2 of the 3 ETA sample items tested because ETA did not maintain sufficient supporting documentation authorizing the recording of the two transactions.
- The Office of Job Corps (OJC or Job Corps) was not able to provide evidence of review by an authorizing official for 1 of the 11 Job Corps sample items tested because Job Corps was not able to locate the supporting documentation related to the transaction.
- The Veteran’s Employment and Training Service (VETS) and Job Corps were not able to provide evidence of review by an authorizing official for 1 of the 2 VETS sample items and 2 of the 11 Job Corps sample items tested, respectively, in a timely manner. We submitted our samples to VETS and Job Corps on March 30, 2010, and requested that supporting documentation be provided by April 7, 2010. However, VETS and Job Corps did not provide the supporting documentation for these three items until September 9, 2010. These delays occurred because of the agencies’ inability to identify the appropriate personnel to provide the supporting documentation in a timely manner.

We were unable to test non-grant, non-benefit expenses for the period January 1, 2010, through September 30, 2010. Therefore, we could not determine if similar exceptions occurred during that time period.

Without adequate controls over the recording of expense transactions, material errors could occur and not be detected and corrected in a timely manner. In addition, the untimely retrieval of documentation caused delays in the completion of our FY 2010 audit procedures.

GAO’s Standards states, “Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

Recommendations

We recommend that the:

1. Assistant Secretary for Employment and Training reinforce policies and procedures and provide related training to address the minimum documentation requirements needed to sufficiently support recorded transactions.
2. National Director of the Office of Job Corps reinforce policies and procedures to ensure supporting documentation for transactions are properly managed, maintained, and easily retrieved.
3. Assistant Secretary for the Veteran's Employment and Training Service and the National Director of the Office of Job Corps reinforce procedures to satisfy audit requests in a timely manner by (a) identifying the appropriate personnel to handle audit requests timely, (b) obtaining and providing supporting documentation to the auditors timely, and (c) requiring designated supervisors to regularly monitor the progress of audit request responses.

Management's Response

Recommendation 1: ETA concurs with the recommendation to reinforce existing policies and procedures to ensure documentation exists to support recorded transactions. In the future, ETA will work with OCFO to ensure that adjustments posted on behalf of ETA are reviewed and approved by management prior to completion.

Recommendation 2: The Office of Job Corps concurs with the recommendation to reinforce existing policies and procedures to ensure documentation exists to support recorded transactions. In the future, Job Corps will work with OCFO to ensure that adjustments posted on behalf of ETA are reviewed and approved by management prior to completion.

Recommendation 3: The Office of Job Corps and VETS concur with this finding. Although the audit sample in questions was provided to KPMG on September 9, 2010, we acknowledge that the response was not provided in a timely manner. Procedures are in place to ensure that requests for audit sample data are routed to the appropriate responsible Job Corps staff.

Auditors' Response

Management concurred with our comment and has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

4. Inadequate Review of Non-grant, Non-benefit New Obligations/Modifications

The majority of DOL procurements are managed through the E-Procurement System (EPS). To initiate an acquisition transaction for non-capitalized expenses, a requisition form or purchase order is completed electronically through EPS, which discloses a description of the purchase (e.g., number of units and price per unit), date, agency location code, object class code, accounting string, agency, amount, need, authorizing official, and requesting official. Upon completion by the purchaser, the requisition form/purchase order is reviewed and approved by an authorizing official (e.g., contracting officer or program manager).

During our testing of 12 non-grant, non-benefit new obligations/modifications for the period October 1, 2009, through December 31, 2009, we identified 1 instance where the obligating document did not agree to the amount recorded in the Department of Labor Accounting and Related System (DOLAR\$). Because of the exception noted above, we concluded this control was not operating effectively. Testing over the remaining sample was not performed since the exception identified resulted in the failure of the control.

VETS informed us that this instance occurred because grant officers were allowed to make obligations for an amount less than the obligating document and a documented communication should exist to support it. However, in the above instance, VETS did not provide us any supporting documentation evidencing the communications to decrease the obligation.

Without adequate controls over the non-grant, non-benefit new obligation/modification process, obligations may be intentionally or unintentionally misreported. As a result, undelivered orders may be invalid or inaccurate.

U.S. Code Title 31 Section 1501, *Documentary Evidence Requirement for Government Obligations*, states, "An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of a binding agreement between an agency and another person (including an agency) that is (a) in writing, in a way and form, and for a purpose authorized by law, and (b) executed before the end of the period of availability." Section 1554, *Audit, control and reporting*, states, "The head of each agency shall establish internal controls to assure that an adequate review of obligated balances is performed to support the certification required by section 1108(c) of this title."

In addition, GAO's Standards states, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

GAO's Standards also states, "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded."

Recommendation

We recommend that the Assistant Secretary for the Veteran's Employment and Training Service enhance policies and procedures to ensure that changes made to obligating documents are supported by documentation that is retained and readily available upon request.

Management's Response

Although we have reviewed the transaction noted by the auditor and concluded that the transaction was properly obligated for the correct amount, VETS agrees to work with OASAM-OPS to better ensure that proper supporting documentation over changes to obligating documents is retained and readily available upon request.

Auditors' Response

Management has provided a corrective action plan to address our recommendation. FY 2011 audit procedures will determine whether this recommendation has been adequately addressed and can be considered closed.

5. Lack of Monitoring over Grant Costs

ETA grantees are required to submit quarterly Financial Status Reports (ETA 9130 or cost report), which document the costs incurred by the grantees, and performance reports (collectively referred herein as grant reports). Grant reports are due within 45 days after the end of the quarter. The E-Grants application allows ETA's grantees to directly submit the required grant reports via the internet. Once the grantee has submitted and certified the grant reports, the assigned Federal Project Officer (FPO) is required to perform a comprehensive review and analysis of the grant reports no later than 75 days after quarter end through a desk review. The FPO's review and determinations are documented in the Grants e-Management System (GEMS). Once the FPO approves the cost report, the FPO accepts it in E-Grants, and it is automatically uploaded into DOL's general ledger.

For ETA grants, the FPOs are ultimately responsible for monitoring their grantees to ensure that the appropriate cost and performance reports are submitted in a timely manner. To aid in this monitoring, the Division of Financial and Systems Services (DFSS) generates quarterly from NCFMS the *Delinquent Reporting Analysis*, which

identifies those grantees who are delinquent in submitting their cost reports as well as cost reports that have not yet been accepted by the assigned FPO. For those grants identified, the DFSS staff notifies the assigned FPO who is responsible for monitoring the grantee to ascertain the reason for the delinquency.

During our FY 2010 engagement, we planned to select a sample of 45 grant reports submitted by grantees throughout the year to test ETA's grant monitoring controls. For the first quarter, we selected 17 grant reports submitted from October 1, 2009, through December 31, 2009. For 1 of the 17 grant reports tested, we noted that a desk review was not completed by the assigned FPO. Because of the exception noted above, we concluded this control was not operating effectively. Testing over the remaining sample was not performed since the exception identified resulted in the failure of the control.

The FPO responsible for the aforementioned desk review stated that he completed the desk review in a timely manner and submitted the review in GEMS, but that the review was not reflected in GEMS due to a system error. The FPO was not able to provide supporting documentation to substantiate this error.

We also noted that ETA did not monitor its grantee delinquent cost reports from January 2010 through August 2010. This process had historically been performed through review of the *Delinquent Reporting Analysis*. However, the OCFO deactivated the functionality in E-Grants that allowed FPOs to accept grantees' cost reports because of significant interface issues encountered subsequent to the implementation of NCFMS. Since FPOs were unable to accept cost reports, the related data could not be transferred from E-Grants to the NCFMS general ledger. As a result, the *Delinquent Reporting Analysis* produced from NCFMS erroneously reported ETA 9130s as delinquent and therefore was unreliable. Although the OCFO re-activated the cost report acceptance function in July 2010, ETA informed us that the FPOs continued to experience issues accepting cost reports through September 30, 2010. However, ETA did begin producing and reviewing the *Delinquent Reporting Analysis* again in September 2010.

Although E-Grants is capable of generating a report that identifies all cost reports not submitted for a specified quarter, ETA did not implement alternative procedures using this report because staff resources were needed to address other significant implementation issues related to NCFMS.

The lack of adequate detective controls in the grant expense process may result in grantees intentionally or unintentionally misreporting grant expenses without the misstatement being detected by DOL. Additionally, without adequate grantee monitoring controls, grantees may misuse grant funds without detection by DOL, or fail to report grant expenditure details. As a result, ETA's grant-related expenses, advances, payables, and undelivered orders could be misstated.

DOL's *General Guidance on GEMS Usage for FY05* memorandum, which is DOL's policy regarding desk reviews, states, "Desk reviews should be completed 30 days after receipt of the quarterly reports from grantees, but no later than 75 calendar days after the end of the calendar quarter."

ETA's *Delinquent Filers Monitoring Procedures* state, "Each FPO is asked to contact the grantees and ensure that certified reports are submitted to ETA and are reviewed/accepted by the FPO through the cost reporting system."

In addition, GAO's Standards states, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes."

Furthermore, U.S. Code Title 31, Chapter 75 (commonly referred to as the "Single Audit Act") states, "Each Federal agency shall, in accordance with guidance issued by the Director under section 7505, with regard to Federal awards provided by the agency – (1) monitor non-Federal entity use of Federal awards..."

Recommendations

We recommend that the Assistant Secretary for Employment and Training perform the following:

1. Evaluate GEMS to determine the cause of the system error and develop appropriate corrective action to ensure that desk reviews submitted by FPOs are properly accepted by the system.
2. Establish procedures in GEMS such that a confirmation is provided to the FPO upon review submission.
3. Require supervisors to periodically review a sample of active grantees to confirm that the reports are being completed timely. This review should be documented.
4. Work with the OCFO to ensure all interface issues have been resolved between E-Grants and NCFMS.
5. Develop and implement procedures to monitor grantees' delinquent cost reports using data from E-Grants until all the issues impacting the *Delinquent Reporting Analysis* are resolved.

Management's Response

Our regional management team will continue to check the completed Desk Reviews quarterly, as specified in their performance agreements, to ensure that these reports are completed timely, and documented in GEMs. In addition, management staff working with the FPOs continue to generate exception reports from GEMS to ensure that financial reports and performance reports are reviewed and certified by the FPOs timely.

ETA developed and implemented alternative procedures to monitor grantees' delinquent cost reports. These procedures were used to produce the "delinquent cost reports" for the quarters ending June 30th and September 30th.

ETA worked with OCFO to correct the problems with the interface of E-Grants to NCFMS. As of the end of the Fiscal Year the error rate was less than 1% (.073). ETA will continue to work with OCFO to correct the remaining problems.

Auditors' Response

Management has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

6. Lack of Controls over Grant Closeouts

We identified several exceptions during our testing of ETA's grant closeout process as of March 31, 2010. Specifically, we noted that the closeout process was not completed for 4 of the 25 grants tested and more than 12 months had passed since the grant expired. We did not perform grant closeout testing for the last six months of FY 2010 because of the issues noted below.

Because of significant interface issues subsequent to the implementation of NCFMS in January 2010, the OCFO deactivated the report acceptance feature within E-Grants, preventing FPOs from accepting ETA 9130s from February 2010 through June 2010. Since FPOs were unable to accept the final ETA 9130s, the ETA Closeout Unit was unable to complete grant closeouts within E-Grants and NCFMS.

Although the OCFO re-activated the feature allowing FPOs to accept ETA 9130s within E-Grants, ETA continued to experience problems with the feature through September 30, 2010. As a result, the ETA Closeout Unit was unsuccessful in closing all expired grants.

Without adequate controls to timely close out expired grants and deobligate any remaining funds, undelivered orders may be overstated.

GAO's Standards states, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes."

GAO's Standards also states, "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded."

Furthermore, ETA's *Closeout Manual* provides the internally-developed closeout procedures and documentation on the timeframe for the assignment of grants scheduled to be closed, the receipt of closeout documents from the grantee, and the reconciliation of the closeout documents by the closeout specialist. The *Closeout Manual* indicates that in accordance with the Department of Labor Manual Series 2, Chapter 800, Section 877 "Grants and agreements are to be closed within 12 months of the expiration or termination of the grant or agreement."

Recommendations

We recommend that the Assistant Secretary for Employment and Training perform the following:

1. Evaluate E-Grants to determine the cause of the continuing system errors related to the acceptance of ETA 9130s, and develop and implement the appropriate corrective action.
2. Develop and implement alternative procedures to closeout ETA grants until the system issues are corrected.

Management's Response

As noted in the finding, during most of FY 2010, problems with NCFMS prevented the timely close-out of grants. ETA and OCFO management worked to correct some of those problems during the year. Currently most grant costs, payments, and obligations are accurate, and a procedure has been established to migrate in the grant closeout data that were not included in the original data migration. Due to these changes, most grant close-outs can be accomplished in a timely manner. The Closeout Unit will continue to work on reducing the backlog of grants as well as those due for closeout during FY 2011.

Auditors' Response

Management has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

7. Inaccurate Calculation of Certain Schedule Award Payments

During our FY 2010 testing over the Integrated Federal Employees Compensation System's (iFECS) automatic calculation of Schedule Award payments, we noted that iFECS incorrectly calculated the amount of compensation paid to certain claimants. Specifically, claimants whose compensation period included a fraction of a day were underpaid by up to 1 day of compensation.

For example, we identified a claimant who was entitled to 109.2 days of compensation at a daily rate of \$70.35. The total compensation payment should have been \$7,682; however, it was only \$7,626 because iFECS calculated the payment using 108.4 days instead of 109.2 days. This resulted in the claimant being underpaid by \$56.

In the 50 Schedule Award payments selected for testing for the six month period ended March 31, 2010, we identified 14 instances where the claimant's compensation period included a fraction of a day. For the exceptions identified, the total amount calculated by iFECS and paid to the claimants was \$540,756. However, the total amount paid should have been \$541,519, resulting in underpayments of \$763. We did not perform testing over this control for the last six months of FY 2010 because the exceptions identified resulted in the failure of the control.

The underpayments occurred because iFECS was not properly configured to calculate Schedule Award payments for claimants whose compensation period included a fraction of a day. For such payments, the calculation within iFECS utilized the fractional day for both the first day of compensation and the final day of compensation rather than utilizing a full day of compensation for the first day and the fractional day of compensation for the final day. This resulted in iFECS calculating a lower compensation payment amount than was actually owed to the claimant.

Section 2-0901-14 of the Division of Federal Employees' Compensation (DFEC) Procedure Manual (the Manual) states the following:

- a. "Beginning Date. Schedule awards begin on the date of maximum medical improvement unless circumstances show a later date should be used.
- b. Percentage of Loss. This percentage is applied to the number of weeks specified in section 8107 of the Act or in the regulations for total loss or loss of use of the body part or organ in question. The resulting number of weeks is multiplied by

the weekly wage and the compensation rate (e.g., 205 weeks x 10 percent x \$400 x 75 percent).

- c. Computing the Award. Given a starting date and a number of days of entitlement, the Compensation System will compute the ending date of an award and terminate payments accordingly.
- d. Fraction of Day (FOD). Where the award ends in a fraction of a day, line 3 of Form CA181, Schedule Award Decision, should include the phrase "fraction of a day."

For example: An award for 15 percent loss of use of a foot is 30.75 weeks of compensation. The two-place decimal is retained, and the partial day it represents is called 'fraction of a day,' or FOD. The dates of payment might be shown as, 'March 2, 2004 to October 4, 2004, fraction of a day.'"

Recommendation

We recommend that the Director of the Office of Workers' Compensation Programs correct the system configuration in iFECS so it accurately calculates the full amount of Schedule Awards payments owed to the claimants in accordance with Section 2-0901-14 of the Manual.

Management's Response

Management concurs with this finding. DFEC implemented a system change on July 22, 2010, within iFECS to accurately calculate Schedule Award payments for a compensation period which includes a fraction of a day. It should be noted that the reported deficiency had a minimal impact on payments. The total underpayment represents only a 0.0038 of all monies paid out for Schedule Awards during the affected period.

Auditors' Response

Management concurred with our comment and has provided a corrective action plan to address our recommendation. FY 2011 audit procedures will determine whether this recommendation has been adequately addressed and can be considered closed.

8. Lack of Reconciliation of Child Agency Data Reported in the DOL Trial Balance

During our testing over the parent/child process in FY 2010, we noted that the U.S. Department of Agriculture U.S. Forest Service's (USFS) December 31, 2009, trial balance provided to the OCFO was not reconciled to the USFS' Job Corps Center Financial Reports (Forms 2110F) provided to OJC as of May 2010.

The December 31, 2009, reconciliation was not performed as a result of a lack of communication between the OCFO and the OJC. In addition, neither OJC nor the OCFO have formulated any formal policies and procedures to perform the quarterly reconciliation. Failure to reconcile child agency data reported in the DOL financial statements in a timely manner may result in inaccurate financial reporting. Testing over the subsequent quarters was not performed because the exception identified resulted in the failure of the control.

Per OMB Circular No. A-123, *Management's Responsibility for Internal Control*, "The agency head must establish controls that reasonably ensure that obligations and costs are in compliance with applicable law, funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation, and revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports...."

OMB Circular No. A-123 further states, "Management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner."

Furthermore, GAO's Standards states, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

Recommendations

We recommend that the Chief Financial Officer and the National Director of the Office of Job Corps determine the appropriate personnel to perform the reconciliation between the child agency's Forms 2110F and the child agency's trial balance. Once determined, we recommend that the appropriate office make the following improvements to its internal control structure:

1. Formalize policies and procedures in writing related to the reconciliation of child agency data reported in the child agencies' trial balance to the Forms 2110F, and ensure they are properly communicated to all appropriate individuals.
2. Require in the procedures that the reconciliation be completed and reviewed prior to the end of the subsequent quarter (e.g., the June 30 reconciliation should be completed before September 30).

3. Require in the procedures that a supervisor review the reconciliation for timeliness and accuracy. This review should be documented by the reviewer signing and dating the reconciliation.

Management's Response

OCFO and OJC were in communication regarding the Parent/Child reconciliation process and other financial matters and there was no misunderstanding over OJC's responsibility to perform the cost reports and the 2110 cost report reconciliations. OCFO assisted OJC with the reconciliation for the previous three years while OJC was in OSEC, by providing contractor support. In April 2010, OJC transitioned back into ETA and ETA's accounting office again assumed responsibility for the reconciliation. While, the transition delayed the December 31, 2009, the reconciliation it has since been completed.

Regarding the recommendations, ETA has reconciliation procedures in existence from when ETA previously performed this function on behalf of OJC. OJC will confirm that the procedures are formally documented and ensure that they are properly communicated to all appropriate individuals. In addition, OJC will ensure that the procedures:

1. Require that the reconciliation be completed and reviewed prior to the end of the subsequent quarter;
2. Require that a supervisor review the reconciliation for timeliness and accuracy and that this review is documented by the reviewer signing and dating the reconciliation.

With the transition back into ETA, OJC will continue to work cooperatively with the Agency's accounting office to make sure that the reconciliation is both timely and accurately completed and OJC will provide ETA with any documentation that may be needed to update the current procedures to further ensure accuracy.

Auditors' Response

Management has provided a corrective action plan to address our recommendations. FY 2011 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

9. Re-establishment of the Unemployment Compensation Advisory Council

According to section 908 of the Social Security Act, starting in 1992 and "every 4th year thereafter, the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation." The purpose of this council is to "evaluate the unemployment compensation program, including the purpose, goals,

countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of State administrative costs, administrative efficiency, and any other aspects of the program and to make recommendations for improvement.”

The last meeting of the Unemployment Compensation Advisory Council (UCAC) was in 1997.

Since the Social Security Act requires this council to meet every four years, ETA is not in compliance with this requirement of the Social Security Act. ETA does not believe that the UCAC is the most effective way to evaluate the unemployment compensation program. As a result, ETA has proposed an amendment to the Social Security Act in the Unemployment Compensation Program Integrity Act of 2005, 2006, 2008, 2009, and 2010 that would permit the Secretary of the Department of Labor to establish an advisory council periodically instead of every four years, as follows:

“Section 10 amends section 908 of the Social Security Act pertaining to the Advisory Council on Unemployment Compensation. Current law requires that the Secretary of Labor convene a new Council every four years. The amendments provide that the Secretary may periodically convene a Council and provides the Secretary the authority to define the scope of any such Council.”

However, Congress has not yet approved this amendment.

Recommendation

We recommend that the Assistant Secretary for Employment and Training continue to pursue having the Social Security Act amended.

Management’s Response

ETA continues to pursue an amendment to the Social Security Act that would require the Secretary of the Department of Labor to establish an advisory council periodically instead of every four years. Such an amendment has been included in the Unemployment Compensation Program Integrity Act of 2005, 2006, 2008, and 2010, but has not been acted upon by Congress. Consistent with the recommendation, ETA will continue to work to advance an amendment to the Social Security Act. A similar proposal will be included as part of the FY 2011 legislative package and has been submitted to OMB for approval.

Auditors’ Response

Management has provided a corrective action plan to address our recommendation. FY 2011 audit procedures will determine whether this recommendation has been adequately addressed and can be considered closed.

10. Insufficient Documentation Related to the Review of Payroll Suspense Reports

During FY 2010, we tested the resolution process for personnel actions that were requested by DOL but were not processed by the U.S. Department of Agriculture's National Finance Center (NFC), DOL's third-party payroll service provider. Such items were summarized in a suspense report each pay period for each Human Resource (HR) office. We selected a sample of 40 payroll suspense reports as of September 30, 2010, and identified the following:

- 9 instances where the HR offices did not have sufficient and appropriate documentation to support that errors were adequately researched and corrective actions were initiated for the suspense report requested.
- 5 instances where the HR offices did not provide the requested suspense reports.

These exceptions occurred because the Office of the Assistance Secretary for Administration and Management's (OASAM) *Standard Operating Procedures Guidelines for Human Resource Payroll Suspense Process* does not specifically state the minimum documentation requirements for the review of suspense reports and the clearing of items listed on the suspense reports. Also, it does not contain document retention requirements. These omissions increase the risk that suspense reports are not being reviewed daily and appropriately corrected in a timely manner, which may result in misstatements.

GAO's Standards states, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

In addition, OASAM's *Standard Operating Procedures Guidelines for Human Resource Payroll Suspense Process* states, "Each day the HR specialists will work actions in the PeoplePower application." It also states, "If the actions fail, the status will be Suspense, the actions should be reviewed and researched to determine the appropriate correction/change necessary to allow the action to pass the edits."

Recommendation

We recommend that the Assistant Secretary of Administration and Management update the *Standard Operating Procedures Guidelines for the Human Resource Payroll Suspense Process* to include minimum documentation requirements to support the review of suspense reports and the clearing of items listed on the suspense reports. The update should also include requirements related to the length and method of retention of such documentation.

Management's Response

The OASAM Human Resources Center (HRC) concurs with the finding that the referenced provisions of the *Standard Operating Procedures Guidelines for the HR Suspense Process* do not provide specific requirements with regard to documenting the actions taken by human resources offices (HROs) to resolve items that appear on the NFC Suspense Transactions Report. HRC also agrees that the specification of such requirements may improve the ability of HROs to produce evidence showing that suspense items were resolved in a timely and appropriate manner.

HRC notes that this NFR does not cite any substantive issues with regard to the resolution of any suspense items for which documentation was provided.

HRC will consult with the HROs and with the Office of the Chief Financial Officer (OCFO) to review the NFC Suspense Transaction Report and to determine what, if any, specific requirements should be instituted with regard to documenting the resolution of suspense items for audit purposes. HRC notes that HROs have expressed several concerns regarding this suspense report, including, among other things: (1) that generating and retaining such documentation is extremely labor-intensive and (2) that such documentation requirements could be overly burdensome in terms of the volume of hard copy documentation that must be retained on a daily basis. Accordingly, our review of the NFC Suspense Transaction Report and determination as to what, if any, documentation requirements should be instituted will be undertaken in consideration of these concerns and the costs/benefits associated with any documentation requirements that might be imposed.

HRC will review the NFC Suspense Transaction Report in consultation with the OCFO and other stakeholders, including the HROs, and will develop an appropriate action plan by the end of Q3 FY 2011.

Auditors' Response

Management concurred with our comment and has provided a corrective action plan to address our recommendation. FY 2011 audit procedures will determine whether this recommendation has been adequately addressed and can be considered closed.

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Prior Year Comments with Undetermined Status

We presented certain comments related to our audit of the United States Department of Labor's (DOL) fiscal year (FY) 2009 consolidated financial statements in the *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2009*, dated March 18, 2010, (MAC). Because of matters discussed in our *Independent Auditors' Report*, dated November 15, 2010, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on DOL's FY 2010 consolidated financial statements. As a result, we were not able to perform all of the procedures necessary to determine the FY 2010 status of certain findings reported in the FY 2009 MAC.

Presented below are those FY 2009 findings for which we were not able to determine the FY 2010 status, with their related recommendations.

Accounting for Certain Job Corps Contracts (FY 2009 Comment No. 8)

We recommended that the Interim National Director of the Office of Job Corps:

Review the detail of Job Corps advances at September 30, 2009, identify all invalid advances, and post adjustments necessary to properly state the advance balance no later than March 31, 2010.

Develop and implement policies and procedures to monitor Job Corps centers receiving advances and perform follow-up, as necessary, to ensure centers are reporting expenditures timely.

Compliance with the Prompt Payment Act (FY 2009 Comment No. 9)

We recommended that the Acting Deputy Chief Financial Officer direct the Division of Client Accounting Services (DCAS) to adopt the following improvements to its internal control structure:

1. Reinforce procedures with the regional offices that invoice received dates entered into Department of Labor Accounting and Related Systems (DOLAR\$)¹ should reflect the date of receipt of a proper invoice by DOL.
2. Develop and implement a periodic review process to verify that proper invoice received dates are entered into DOLAR\$.

¹ DOLAR\$ was replaced in FY 2010 with the New Core Financial Management System.

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Status of Prior Year Comments

The status of comments reported in the *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2009*, dated March 18, 2010, (MAC), addressed to the Assistant Inspector General for Audit and the Acting Deputy Chief Financial Officer, United States (U.S.) Department of Labor (DOL), is summarized in the table below. For each comment, we provided the current year status.

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
|---------------------|--------------------------------|--|---|--|
| 01 | 2006 | Improvements Needed in Financial Reporting | We recommended that the Assistant Secretary for Administration and Management: 1. Develop and implement procedures to better link the Statement of Net Cost to DOL's strategic goals. 2. Follow up with the Office of Management and Budget (OMB) to reach a conclusion on whether or not Pension Benefit Guaranty Corporation performance information should be reported in DOL's Performance and Accountability Report. | Closed |
| 02 | 2006 | Budgetary to Proprietary Analyses | We recommended that the Acting Deputy Chief Financial Officer: 1. Complete the implementation of comprehensive quarterly budgetary to proprietary relationship analyses (including documented resolution of identified differences). These analyses should be documented, reviewed, and approved by an appropriate supervisor in a timely manner. In addition, documentation should be maintained to support these activities. | Open (See Independent Auditors' Report, internal control deficiency no. 2) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
|---------------------------|--------------------------------------|--|---|--|
| | | | 2. Formally document the relationship analyses procedures and the expected timeframe for completion and review for each quarter. | |
| 03 | 2008 | Budget Reporting Processes | We recommended that the Assistant Secretary for Administration and Management provide Departmental Budget Center (DBC) staff and supervisors with specific guidance on proper preparation and review of the SF-132s and SF-133s prior to submitting the forms to OMB and the U.S. Department of the Treasury. | Closed |
| 04 | 2008 | Recording of Budget Authority | <p>We recommended that the Acting Deputy Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Combine the transaction codes used to record budget authority so that such proprietary and budgetary entries are posted simultaneously. 2. Establish a transaction code to record budgetary resources approved by OMB for which Treasury Warrants had not yet been received in compliance with the U.S. Government Standard General Ledger. <p>In addition, we recommended that the Assistant Secretary for Administration and Management:</p> <ol style="list-style-type: none"> 1. Develop and implement procedures to consult with the Office of the Chief Financial Officer (OCFO) for guidance on appropriate transaction codes to be used to record economic events when the information is not available for DBC staff. | Open (See Independent Auditors' Report, internal control deficiency no. 2) |
| 05 | 2006 | Grant Closeouts and Deobligation of | We recommended that the Assistant Secretary for Employment and Training improve the procedures for | Open (See Exhibit I comment |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
|---------------------------|--------------------------------------|--|---|--|
| | | Grant-related Undelivered Orders | <p>deobligating Undelivered Orders (UDOs) related to expired grants and programs. These procedures should include:</p> <ol style="list-style-type: none"> 1. Closeout supervisors review the Closeout Inventory Tracking System with the closeout specialists periodically to (a) determine the status of grant closeouts in conjunction with and/or in addition to regular monthly meetings, (b) follow-up on any grants that have not been closed within the established time frames to ensure timely resolution, and (c) initiate deobligations of invalid UDO balances for grants experiencing closeout delays. 2. Identification of grants with programs having varying expiration dates, and designation of appropriate personnel to initiate deobligations for these programs at the time of the program's expiration. 3. Tracking and prompt resolution of rejected expiration notifications. 4. Review of all grants on a more frequent basis (e.g., quarterly) to (a) ensure that all grants nearing or past expiration are properly identified and assigned to a Closeout Specialist and (b) make appropriate deobligations when it is reasonably expected that the grantee will not be reporting any additional expenses even if the grant has not been fully closed out. | no. 6) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | | <p>In addition, we recommended that the Assistant Secretary for the Veteran’s Employment and Training Service, in coordination with the Assistant Secretary for Administration and Management, develop and implement specific procedures to complete the grant closeout process within 12 months of each grant’s expiration in accordance with the Department of Labor Manual Series. These procedures should include:</p> <ol style="list-style-type: none"> 1. Continuing “clean up” of all expired grants to bring all grant closeouts up to date. 2. Deobligating funds when it is reasonably expected that the grantee will not be reporting any additional expenses. | |
| 06 | 2007 | Grant Monitoring | <p>We recommended that the Assistant Secretary for Employment and Training ensure the following improvements are made to the Employment and Training Administration’s internal control structure:</p> <ol style="list-style-type: none"> 1. Require supervisors to periodically review a sample of Federal Project Officer (FPO) desk reviews to confirm that the reviews are being completed timely. This review should be documented. 2. Develop an exception report in Grants eManagement System to note when desk reviews have not been performed by the FPO. The exception report should also highlight/track desk reviews that are close to or beyond the completion deadline of 75 calendar days after the end of the calendar quarter. Supervisors should review these | Open (See Exhibit I comment no. 5) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | | <p>reports periodically and follow-up with the FPOs as appropriate.</p> <p>3. Reinforce procedures, especially in the national office, which require a detailed review of the <i>Delinquent Reporting Analysis</i> by the FPOs each quarter. In addition, develop and implement procedures for supervisors to perform a quarterly review of a sample of delinquent cost reports from the <i>Delinquent Reporting Analysis</i> to confirm that the FPOs are resolving delinquent reporting situations timely; this review should be documented.</p> <p>4. Develop and implement procedures for FPOs, or other individuals contacting delinquent grantees, to maintain accurate and complete records of the communication and results.</p> | |
| 07 | 2009 | Maintenance of Certain Expense Supporting Documents | <p>We recommended that the Assistant Secretary for Employment and Training develop and implement procedures to identify the appropriate personnel to provide requested supporting documentation timely.</p> <p>In addition, we recommended that the Director of the Human Resources Center (HRC) reinforce audit response procedures to satisfy audit requests in a timely manner by:</p> <ol style="list-style-type: none"> 1. Identifying the appropriate personnel to handle audit request timely. 2. Obtaining and providing supporting documentation to the auditors timely. | ETA - Open (See Exhibit I comment no. 3); HRC - Closed |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | | 3. Providing answers to follow-up questions regarding audit samples timely. 4. Requiring designated supervisors to regularly monitor the progress of audit request responses. | |
| 08 | 2009 | Accounting for Certain Job Corps Contracts | We recommended that the Interim National Director of the Office of Job Corps: 1. Review the detail of Job Corps advances at September 30, 2009, identify all invalid advances, and post adjustments necessary to properly state the advance balance no later than March 31, 2010. 2. Develop and implement policies and procedures to monitor Job Corps centers receiving advances and perform follow-up, as necessary, to ensure centers are reporting expenditures timely. | Undetermined (See Exhibit II comment no. 8) |
| 09 | 2009 | Compliance with the Prompt Payment Act | We recommended that the Acting Deputy Chief Financial Officer direct the Division of Client Accounting Services (DCAS) to adopt the following improvements to its internal control structure: 1. Reinforce procedures with the regional offices that invoice received dates entered into Department of Labor Accounting and Related Systems (DOLAR\$) should reflect the date of receipt of a proper invoice by DOL. 2. Develop and implement a periodic review process to verify that proper invoice received dates are entered into DOLAR\$. | Undetermined (See Exhibit II comment no. 9) |
| 10 | 2009 | Non-grant/Non-Unemployment Trust | We recommended that: | Open (See Independent |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | Fund Undelivered Orders | <ol style="list-style-type: none"> 1. The Acting Deputy Chief Financial Officer direct DCAS to reinforce formal policies and procedures to distribute the Unliquidated Obligation Report the last week of each month. 2. The Acting Deputy Chief Financial Officer, the Acting Assistant Secretary for Occupational Safety and Health, the Assistant Secretary for Employment and Training, the Director of the Office of Workers' Compensation Programs, and the Commissioner of the Bureau of Labor Statistics reinforce formal policies for each agency to adequately and timely review the monthly Unliquidated Obligation Report to identify expired UDOs for deobligation as necessary. 3. The Director of the Office of Workers' Compensation Programs reinforce policies and procedures to maintain proper supporting documentation for all accounting transactions and balances. | Auditors' Report internal control deficiency no. 2) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| 11 | 2008 | Statement of Differences Reconciliation Process | <p>We recommended that:</p> <ol style="list-style-type: none"> 1. The Assistant Secretary for Administration and Management ensure that staff implement existing procedures to ensure Statement of Differences (FMS-6652) reconciliations are being performed timely. 2. The Assistant Secretary for Administration and Management and the Acting Deputy Chief Financial Officer ensure that staff implement existing procedures that require the preparation and retention of supporting documentation evidencing timely completion and supervisory review of the FMS-6652 reconciliations, in order to substantiate that reconciliations were performed properly and that they were reviewed by personnel other than the preparer. | Open (See Independent Auditors' Report internal control deficiency no. 1) |
| 12 | 2009 | Other Fund Balance with Treasury Reconciliations | <p>We recommended that the Acting Deputy Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Develop and implement procedures to retain supporting documentation evidencing supervisory review of the quarterly fund balance with Treasury reconciliation, whether in electronic or hard copy format, to substantiate the reviews performed by personnel other than the preparer. 2. Implement procedures to ensure that the monthly Government Wide Account Statement Expenditure Activity reconciliation is performed timely (i.e., before the end of the subsequent month) and supporting documentation is retained evidencing | Open (See Independent Auditors' Report internal control deficiency no. 1) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | | the timely performance of the reconciliation, whether in electronic or hard copy format. | |
| 13 | 2009 | Untimely Clearing of the Capital Asset Tracking and Reporting System Holding File | <p>We recommended that the Acting Deputy Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Develop and implement formal policies and procedures requiring capitalized asset management officers (CAMOs) to perform the review and clearing of Capital Asset Tracking and Reporting System (CATARS) holding file items timely (e.g., within 2 weeks after the end of the month). Documentation should be maintained to support these activities. 2. Monitor agencies' compliance with the developed policies and procedures. | Closed because of the retirement of CATARS |
| 14 | 2009 | Property, Plant, and Equipment Additions | <p>We recommended that:</p> <ol style="list-style-type: none"> 1. The Commissioner for the Bureau of Labor Statistics and the Acting Assistant Secretary for the Office of Safety and Health Administration develop and implement procedures to properly record capitalized costs in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6 and No.10. 2. The Acting Deputy Chief Financial Officer develop and implement procedures to monitor all DOL agencies' compliance with SFFAS No.6 and No.10. 3. The Assistant Secretary for Administration and Management ensure that the staff in the Office of the Assistant Secretary for Administration and | Closed |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| | | | Management's maintain a complete set of supporting documentation for each transaction and that the supporting documentation is readily available for examination. | |
| 15 | 2009 | Construction In Progress Transfers | <p>We recommended that the Interim National Director for the Office of Job Corps implement policies and procedures requiring:</p> <ol style="list-style-type: none"> 1. All parties reviewing the substantial completion document to complete their review within a specified timeframe (e.g., within 5 business days of receiving the document). 2. The CAMO entering the asset into CATARS and DOLAR\$ to use the date of substantial completion as the depreciation start date. 3. The periodic review of Construction-In-Progress balances to identify any items that should be transferred to a depreciable asset account. This review should be documented. | Open (See Independent Auditors' Report internal control deficiency no. 6) |
| 16 | 2008 | Review of Software Development Balances | We recommended that the Acting Deputy Chief Financial Officer enhance the Certification process by having agencies certify that software costs incurred in prior years continue to be valid capitalized costs for projects still in development or that those costs should be removed from software in development. | Closed |
| 17 | 2009 | Property, Plant, and Equipment Disposals | We recommended that the Interim National Director of the Office of Job Corps implement policies and procedures to perform a periodic review of asset disposals recorded during the fiscal year to ensure they are properly authorized. | Closed |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
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| 18 | 2009 | Improvements Needed in Property, Plant, and Equipment Reconciliation Controls | <p>We recommended that the Acting Deputy Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Reinforce policies and procedures requiring all agencies to provide completed CATARS to DOLAR\$ reconciliations to the OCFO within 10 work days following the end of the quarter, including explanation of the identified reconciling items. 2. Amend the existing documented policies and procedures to include procedures that require the OCFO staff to complete the quarterly DOLAR\$ to CATARS reconciliation by internal agency codes timely. | Closed because of the retirement of CATARS |
| 19 | 2009 | Periodic Accountability Reviews | We recommended that the Director of the Office of Workers' Compensation Programs implement procedures to ensure that the review of all Accountability Review reports is completed in accordance with the Division of Federal Employees Compensation Program's Procedure Manual (Manual). | Closed |
| 20 | 2008 | Controls over the Integrated Federal Employees Compensation System | We recommended that the Director of the Office of Workers' Compensation Programs continue to stress the importance of Claims Examiner compliance with the Manual related to timely claim file review, follow-up on obtaining the information supporting claimants' continuing eligibility (medical evidence and CA-1032, <i>Request for Information on Earnings, Dual Benefits, Dependents and Third Party Settlements</i> , or CA-12, <i>Claim for Continuation of Compensation</i>), and updates to the claimants' pay rate based on the information provided in the CA-1032. | Closed |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
|---------------------------|--------------------------------------|---|--|--|
| 21 | 2009 | Improvements Needed in Controls over Fiscal Year-End Estimates Related to the Federal Employees' Compensation Act | We recommended that the Director of the Office of Workers' Compensation Programs revise existing policies and procedures to require management to develop and implement a methodology for estimating the Federal Employees' Compensation Act year-end accrual and allowance for doubtful accounts receivable that is supported by a documented analysis of historical trends. This analysis should be updated annually to take into consideration actual results and changes in the industry. | Closed |
| 22 | 2007 | Reconciliation of Child Agency Data Reported in the DOL Trial Balance | <p>We recommended that the Acting Deputy Chief Financial Officer and the Interim National Director of Job Corps determine the appropriate personnel to perform the reconciliation between the cost reports (Forms 2110F) and the child agency amounts reported in the DOL trial balance. Once determined, we recommended that the appropriate office make the following improvements to its internal control structure:</p> <ol style="list-style-type: none"> 1. Formalize policies and procedures in writing related to the reconciliation of child agency data reported in the DOL trial balance to the Forms 2110F and ensure they are properly communicated to all appropriate individuals. 2. Require in the procedures that the reconciliation be completed and reviewed prior to the end of the subsequent quarter (e.g., the June 30 reconciliation should be completed before September 30). 3. Require in the procedures that a supervisor review the reconciliation for timeliness and accuracy. This | Open (See Exhibit I comment no. 8) |

| 2009 Comment Number | Fiscal Year Comment Originated | Title of Comment Reported in FY 2009 MAC | Recommendation(s) Reported in the FY 2009 MAC | FY 2010 Status of Comment Reported in the FY 2009 MAC |
|---------------------------|--------------------------------------|---|--|---|
| | | | review should be documented by the reviewer signing and dating the reconciliation. | |
| 23 | 2009 | Accounting for the State Unemployment Insurance and Employment Services Operations Activities | We recommended that the Acting Deputy Chief Financial Officer amend the current Department-wide policies and procedures in place to require that all manual journal entries generated by internally-developed programs are reviewed and approved by a supervisor or someone other than the preparer before they are posted to the general ledger. | Open (See Independent Auditors' Report internal control deficiency no. 1) |
| 24 | 1997 | Reestablishment of the Unemployment Compensation Advisory Council | We recommended that the Assistant Secretary for Employment and Training continue to pursue having the Social Security Act amended. | Open (See Exhibit I comment no. 9) |
| 25 | 2008 | Process for Completing Background Checks Investigations | We recommended that the Assistant Secretary of Administration and Management, as the policy owner, continue to implement procedures to actively manage the background investigation process for all new hires. These procedures should ensure that the electronic-Office of Personnel Folder contains evidence that background investigations are initiated within 14 days of the individual's hire date as required by the <i>DOL Personnel Suitability and Security Handbook</i> . | Open (See FISCAM Report ² Objective No. 2) |

² Findings over General and Application Controls for Selected DOL Information Technology Systems Identified in the Engagement to Audit the Consolidated Financial Statements for the Year Ended September 30, 2010 (FISCAM Report).

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Appendix A

Acronyms and Abbreviations

| | |
|---------|--|
| CAMO | Capitalized Asset Management Officer |
| CATARS | Capitalized Asset Tracking and Reporting System |
| DBC | Departmental Budget Center |
| DCAS | Division of Client Accounting Services |
| DFEC | Division of Federal Employees' Compensation |
| DFSS | Division of Financial and System Services |
| DOL | United States Department of Labor |
| DOLAR\$ | Department of Labor Accounting and Related Systems |
| EPS | E-Procurement System |
| ETA | Employment and Training Administration |
| FACTS | Federal Agencies Centralized Trial Balance System |
| FOD | Fraction of Day |
| FPO | Federal Project Officer |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GEMS | Grants e-Management System |
| HR | Human Resource |
| HRC | Human Resources Center |
| iFECS | Integrated Federal Employees Compensation System |
| IT | Information Technology |
| MAC | Management Advisory Comment |
| NCFMS | New Core Financial Management System |
| NFC | United States Department of Agriculture National Finance Center |
| OASAM | Office of the Assistant Secretary for Administration and Management |
| OCFO | Office of the Chief Financial Officer |
| OERPS | Office of Executive Resources and Personnel Security |
| OIG | Office of Inspector General |
| OJC | Office of Job Corps |
| OMB | Office of Management and Budget |
| PBC | Prepared by Client |
| PP&E | Property, Plant and Equipment |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SUIESO | State Unemployment Insurance and Employment Services Operations |
| UCAC | Unemployment Compensation Advisory Council |
| UDO | Undelivered Orders |
| U.S. | United States |
| USFS | United States Department of Agriculture United States Forest Service |
| USSGL | United States Standard General Ledger |
| VETS | Veterans' Employment and Training Service |