

U.S. Department of Labor

Office of Inspector General—Office of Audit

**OFFICE OF THE
CHIEF FINANCIAL OFFICER**



**MANAGEMENT ADVISORY COMMENTS IDENTIFIED
IN AN AUDIT OF THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

**Date Issued: March 29, 2012
Report Number: 22-12-006-13-001**

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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), audited the DOL's consolidated financial statements as of and for the year ended September 30, 2011. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. The objective of the audit was to express an opinion on the fair presentation of DOL's consolidated financial statements. Additionally, other objectives included expressing an opinion on DOL's compliance with requirements of Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (Public Law 104-278), based on an examination.

In planning and performing the audit, 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 fiscal year (FY) 2011 consolidated financial statements were considered in order to determine auditing procedures for the purpose of expressing an opinion on the consolidated financial statements. The objective of the audit was not to provide assurance on DOL's internal control over financial reporting or on compliance with laws, regulations, contracts, and grant agreements; 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) an instance of noncompliance that was 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 audit. Separate reports will be issued by the OIG to each applicable Agency Head containing 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 instance of material noncompliance, listed below, have been included in the Independent Auditors' Report found in DOL's *FY 2011 Agency Financial Report*.

Material Weaknesses

1. Lack of Sufficient Controls over Financial Reporting
2. Lack of Sufficient Controls over Budgetary Accounting
3. Lack of Sufficient Security Controls over Key Financial and Support Systems

Significant Deficiencies

4. Improvements Needed in the Preparation and Review of Journal Entries
5. Weaknesses Noted over Payroll Accounting

Instance of Material Noncompliance

1. Federal Financial Management Improvement Act of 1996

Management Advisory Comments

We identified certain non-IT matters during the audit 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.



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

November 14, 2011

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 have audited the consolidated financial statements of the United States Department of Labor (DOL) for the fiscal year (FY) ended September 30, 2011, and have issued our report thereon dated November 14, 2011. In planning and performing our audit of the consolidated financial statements of DOL, in accordance with auditing standards generally accepted in the United States of America, we considered DOL's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that do not relate to information technology (IT) 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 instance of material noncompliance presented in our *Independent Auditors' Report*, dated November 14, 2011, included in DOL's *FY 2011 Agency Financial Report*. We summarized the status of all prior year comments in Exhibit II. Comments involving internal control and other operational matters noted that relate to IT will be presented in separate letters from the DOL Office of Inspector General (OIG) to the appropriate Agency Heads.



Our audit procedures are designed primarily to enable us to form an opinion on the consolidated financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. 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.

DOL's response to the comments identified in this report is presented in Exhibit I. We did not audit DOL's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of DOL's management and the DOL OIG, 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. Preparation of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) Draft Assurance Statement

A draft of the fiscal year (FY) 2011 FMFIA assurance statement was not prepared and provided in a timely manner. According to the United States (U.S.) Department of Labor's (DOL or the Department) Office of the Chief Financial Officer's (OCFO) initial FY 2011 reporting timeline, the draft FMFIA assurance statement was due to us on October 13, 2011. However, we received the draft on November 1, 2011. The draft was not provided by the initial due date because the OCFO extended the period of time agencies could provide documentation to support internal control samples through September 2011, which delayed the OCFO's accumulation and reporting of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, testing results.

Additionally, the draft FMFIA assurance statement we received was significantly different from our audit results. Specifically, on October 3, 2011, we verbally communicated to the OCFO that we had identified five control deficiencies that would be reported as significant deficiencies or material weaknesses; three of these deficiencies were eventually determined to be material weaknesses. However, the draft FMFIA assurance statement was unqualified with no material weaknesses, and no documentation was provided to support management's consideration of our audit results. This was primarily caused by the timing of DOL's internal control assessment, which was as of June 30, in contrast to our financial statement audit, which assessed internal controls for the entire year. This differing timing could lead to differences in severity determinations. However, management has a history of disagreement with independent evaluations of its internal controls, as evidenced by the persistent nature of certain independent findings, including:

- Lack of Adequate Controls over Access to Key Financial and Support Systems (reported since FY 2001)
- *Federal Information Security Management Act* (FISMA) significant deficiencies (reported for the last 10 years)

We also requested that DOL's Summary of Aggregated Deficiencies (SAD), which is used to track and assess DOL's internally identified control weaknesses, significant deficiencies, and material weaknesses, be provided to us on October 10, 2011. However, we did not receive the SAD until October 21, 2011, and it was not complete as it did not include any information technology (IT) control deficiencies. We eventually received the IT SAD on November 2, 2011. The SAD also lacked sufficient explanations for how management determined the final aggregated assessment, while the preliminary assessment of individual findings was determined by the documented SAD

decision tree. Multiple control deficiencies were preliminarily assessed as material weaknesses but were subsequently classified as significant deficiencies or control deficiencies when aggregated at final assessment; however, no explanation of these changes was documented. This occurred because management relied more on judgment in the final assessment of control deficiencies than on the SAD decision tree. Furthermore, DOL does not have policies and procedures to address how the rationale for the final aggregation assessment should be documented.

The OCFO typically requires DOL agencies to submit quarterly financial management certifications to attest to the effectiveness of internal controls over financial actions such as compliance with federal financial requirements, compliance with FISMA, and the status of prior year findings, among other requirements. These certifications also include other internal controls required to effectively manage the DOL agencies' operations. However, the FY 2011 financial management quarterly certifications were not prepared or received from each DOL agency because OCFO management decided that the financial management quarterly certifications would not be completed in FY 2011. Furthermore, OCFO management expected to leverage the responses from the FY 2010 Entity Level Controls Questionnaire to support the FMFIA assurance statement.

Because the quarterly certifications were not completed, the agencies needed more time to assess their internal controls at year-end. As a result, the annual financial management certifications were not prepared and provided in a timely manner. According to the OCFO's initial FY 2011 reporting timeline, the annual financial management certifications were due to us on October 13, 2011; however, we did not receive them until November 7, 2011. The OCFO received three of the annual financial management certifications after the draft FMFIA assurance statement was provided on November 1, 2011. The Employment and Training Administration (ETA) and the Office of Public Affairs provided their annual financial management certifications on November 2, 2011, while the Office of Workers' Compensation Programs (OWCP) provided its certification on November 4, 2011. The annual financial management certifications serve as management's assurance to the Secretary that the Department is in compliance with FMFIA and the *Federal Financial Management Improvement Act of 1996* (FFMIA) as part of the support for the annual assurance statement. Furthermore, the untimely receipt of annual financial certifications was not included in DOL's FY 2011 SAD.

The issues noted above delayed the year-end financial statement audit and reporting process. In addition, DOL's documented FMFIA assessment results did not demonstrate full compliance with OMB Circular No. A-123. Furthermore, given the untimely receipt of annual financial management certifications, DOL's FMFIA assurance statement related to FMFIA sections 2 and 4 was not initially fully supported.

FMFIA, paragraph 3, states:

...By December 31 of each succeeding year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (2) of this subsection, prepare a statement – that the agency’s systems of internal accounting and administrative control fully comply with the requirements of paragraph (1)...

The Department of Labor Manual Series (DLMS) 6, Chapter 112, Section B12, Financial Management, Responsibilities, states:

...The CFO is responsible for preparing accurate and timely reports, including financial statements with performance measures, and reports prescribed under the Federal Managers’ Financial Integrity Act, the CFPA, and Amendments to the Inspector General Act.

Per OMB Circular No. A-123, Section IV.A:

Sources of information include:...Audits of financial statements conducted pursuant to the Chief Financial Officers Act, as amended, including: information revealed in preparing the financial statements; the auditor’s reports on the financial statements, internal controls, and compliance with laws and regulations; and any other material prepared relating to the statements....Reviews of systems and applications conducted pursuant to the Computer Security Act of 1987. *Identification of Deficiencies*. Agency managers and employees should identify deficiencies in management controls from the sources of information described above. A deficiency should be reported if it is or should be of interest to the next level of management. Agency employees and managers generally report deficiencies to the next supervisory level, which allows the chain of command structure to determine the relative importance of each deficiency.

In addition, the DOL OCFO OMB Circular A-123, Appendix A Internal Controls over Financial Reporting, FY 2011 Planning Memo, states:

The SAD framework provides a decision tree for assessing each control deficiency individually and at an aggregated level in order to provide an overall conclusion. The SAD decision tree conclusion will directly feed the results of DOL assurance statement. The SAD framework considers the following when assessing the deficiencies: (1) The likelihood that the deficiency could result in a misstatement; (2) the magnitude of potential misstatements resulting from the deficiency; (3) the importance of the control that is deficient, including the degree to which other effective

controls achieve the same control objectives; (4) the nature of the account balances or classes of transactions affected by the internal control deficiency and the financial statement assertions involved; and (5) deficiency or combination of deficiencies important enough to merit the attention of those providing oversight of the organization financial reporting.

Finally, the Governmental Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Standards) state, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination."

Recommendation

We recommend the Chief Financial Officer review DOL's FMFIA assessment process and implement enhancements to (a) better document its final internal control assessments and related rationale, (b) document its consideration of relevant external audit results, and (c) more timely complete its draft FMFIA assurance statement and SAD.

Management's Response

Management believes the FMFIA Assurance Statement preparation process was in accordance with FMFIA and external reporting requirements. However, as with any program, we believe that there are opportunities to enhance the program.

Accordingly, DOL will enhance the formal documentation that supports the FY12 Assurance Statement and the related rationale. This documentation will include all inputs considered in the development of the assurance statement, including items such as, but not limited to, relevant external audit results, OIG and GAO findings, financial management certifications, and A123 findings. Management is planning to complete testing earlier in FY12 and will therefore target completion of the FMFIA Assurance Statement and SAD in mid-October 2012.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

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

During the FY 2011 audit, we noted that the OCFO made some progress in addressing our recommendations from FY 2010 related to the untimely receipt of PBC items. Specifically, the OCFO began implementing a quality control process for reviewing PBC

items prior to submission to the auditors and made efforts to improve its monitoring of the PBC list by sending reminder emails to responsible individuals in advance of the PBC due date. The OCFO also began coordination with certain Agency Heads to ensure they were properly monitoring those individuals responsible for delivering PBC items. However, through mid-July 2011 of the FY 2011 audit, we noted improvement was still needed in the PBC process. Specifically, we identified the following:

- Numerous PBC items were provided in an untimely manner. As of July 11, 2011, 29 percent of the PBC items requested in support of the financial statement audit were received more than 14 days after the due date, and half of these items were overdue by more than 30 days. An additional 16 percent of the PBC items requested were incomplete when initially provided or could not be provided at all.
- Several of the PBC items provided were not suitable for audit purposes. For instance, data extracts related to general ledger transactions and expenses as of March 31, 2011 were initially incomplete and/or incorrect and required significant revisions.
- Anticipated delays related to certain overdue PBC items were not consistently communicated, and revised due dates were not provided in a timely manner.

The issues above occurred because the OCFO was focused on reconciling accounts, performing analyses, identifying errors, and recording necessary adjusting entries to revise and reissue its FY 2010 consolidated financial statements for the first half of FY 2011. As a result, the OCFO lacked the resources to fully implement the recommendations communicated previously.

DOL's inability to timely provide PBC items, produce suitable PBC items, consistently communicate delays, and set revised due dates delayed the FY 2011 audit and financial reporting timeline and impaired management's ability to support that certain controls were operating effectively.

GAO's Standards state:

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. Enhance the new quality control process for reviewing PBC items prior to submission to the auditors to ensure each item addresses all required elements per the request.
2. Continue efforts to improve monitoring of the PBC list by periodically reviewing it for items due in the upcoming weeks and following up with the responsible individuals at least one week prior to the due date to ensure they are tracked and to identify potential delays and ensure the appropriate resources are in place to adequately fulfill the PBC list.
3. Improve accountability for PBC items by continuing to coordinate with the appropriate Agency Heads to ensure they are properly monitoring those individuals responsible for delivering PBC items and taking appropriate corrective actions when PBC requests are not delivered timely.
4. Consistently 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 individual or agency responsible for providing the item.

Management's Response

OCFO management will continue with our on-going efforts to review and approve all PBC items and to ensure that each PBC item fully addresses all required elements prior to submission to the auditors. OCFO will also continue to monitor the PBC list and to coordinate with DOL agency heads and management and will continue to communicate delays and revised due dates to the auditors based on our best estimates. The due dates for the PBC items will need to be addressed next year.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

3. Deficiencies in Grant-related Obligation and Modification Controls

DOL uses the E-Grants system, which allows grantees to directly submit financial information via the internet, to process, track, and monitor its grants. During our control testing over obligations, we selected a sample of 78 new grant modifications and obligations recorded during the period October 1, 2010, through June 30, 2011. We identified two instances through our testing whereby the grant modification recorded in

the New Core Financial Management System (NCFMS) general ledger was posted to the incorrect accounting line, and the amount recorded did not agree to the supporting documentation in E-Grants. This was caused by a system error that posted the activity incorrectly within NCFMS. Because of these exceptions, we concluded the control was not operating effectively.

Inadequate controls over the posting of grant modifications in NCFMS increases the risks that undelivered orders could be misclassified or misstated.

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 for obligation of the appropriation or fund.

U.S. Code, Title 31, 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.

Per GAO's Standards:

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.

Recommendation

We recommend that the Chief Financial Officer identify the specific cause of the NCFMS posting error and develop and implement corrective actions to ensure modifications are posted for the correct amount to the appropriate accounting line in NCFMS.

Management's Response

OCFO has identified the specific cause of the NCFMS posting error and implemented corrective actions to ensure modifications are posted to the appropriate grants in NCFMS.

Auditors' Response

Management indicated that actions have been taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

4. Non-grant, Non-benefit New Obligations/Modifications

In FY 2010, we identified an instance where the obligating document did not agree to the amount recorded in the general ledger. The Office of the Assistant Secretary for Veterans' Employment and Training Service (VETS) informed us that this 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, VETS did not provide us any supporting documentation evidencing the communications to decrease the obligation in this instance. As a result, we had recommended that the Assistant Secretary for Veterans' Employment and Training Service enhance policies and procedures to ensure the changes made to obligating documents are supported by documentation that is retained and readily available upon request.

During the FY 2011 audit, we noted that VETS did not enhance its policies and procedures to address the aforementioned issued. VETS informed us that this was because of a lack of sufficient resources. We were also informed that as of August 2011, a new Director for VETS' Office of Agency Management and Budget was appointed and that a meeting was scheduled with the Office of Procurement Services to review policies and procedures related to procurement actions.

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

GAO's Standards state:

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.

Recommendation

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

Management's Response

An annual work plan has been drafted that includes all funding obligations to ensure that all VETS obligations are documented and approved by the appropriate officials. Written documentation will be held by the Budget Officer.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

5. Improvements Needed in the Reconciliation and Recording of Employee Benefits

On a quarterly basis, federal agencies are required to submit their intragovernmental fiduciary balances to the U.S. Department of the Treasury (Treasury) via the Intragovernmental Fiduciary Confirmation System (IFCS). Agencies use IFCS to confirm and reconcile their fiduciary transactions with certain trading partners. One of DOL's required FY 2011 reconciliations through IFCS was with the Office of Personnel Management (OPM). As such, we requested a hard copy of the IFCS Confirmation of Intragovernmental Account Balances related to DOL's employee benefit program transactions with OPM as of December 31, 2010, and March 31, 2011. The confirmation showed that DOL had reported zero balances for these employee benefit program transactions; however, DOL's trial balance reported balances for this activity. Furthermore, DOL was unable to provide sufficient documentation to substantiate that the intragovernmental balances for these employee benefits were properly reconciled with OPM for these quarters.

The issue noted above occurred because the OCFO did not have procedures in place to require a supervisor or someone other than the preparer to review the quarterly intragovernmental confirmation and reconciliation to ensure their timely and accurate completion.

Because the reconciliations were not properly prepared and reviewed, we identified object class codes related to certain employee benefit program expenses that were incorrectly configured in NCFMS and were not detected by the OCFO. As a result, non-federal expenses were overstated and intragovernmental expenses were understated

by \$129 million as of June 30, 2011. DOL corrected this error as of September 30, 2011.

Treasury's *Federal Intragovernmental Transactions Accounting Policies Guide* (Intragovernmental Policies), Section 7, *Agency Responsibilities*, states, "Each agency is responsible for...Reconciling the Intragovernmental data in its accounting records to the supporting documentation based on FMS IRAS Reports."

Also, the Intragovernmental Policies, Section 11.9, *Intragovernmental Fiduciary Confirmation System*, states, "Agencies must use the IFCS to reconcile and confirm balances and activity with their trading partners on a quarterly basis."

FFMIA, Section 803(a), states:

Each agency shall implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transactional level.

Recommendations

We recommend that the Chief Financial Officer:

1. Develop and implement procedures for supervisory review of the intragovernmental quarterly confirmation and reconciliation prior to submission to Treasury in IFCS. These procedures should require that the reviewer physically or electronically document his or her review and approval and the date of review.
2. Update the NCFMS configuration to properly crosswalk object class codes for employee benefit program and operating expenses based on United States Government Standard General Ledger requirements.

Management's Response

1. We agree that the reconciliation with OPM was not done timely for the first and second quarter of FY 2011 – it was completed and reviewed in July without any significant differences. In FY 2012 management will ensure that the OPM reconciliations are completed and reviewed on a timely basis.
2. The payroll configuration has been updated to properly crosswalk object class codes as of 9/30/2011. Reclassification entries were recorded in the September 2011 accounting period.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

6. Insufficient Documentation Related to the Request for Personnel Action, Standard Form 52 (SF-52)

SF-52s, are used to initiate and approve most personnel actions, including hiring, promotions, within grade increases, transfers, and separations (which includes death). During our testing of 13 separated employees from October 1, 2010, through March 31, 2011, we identified one separated employee that had a personnel action code of 350 (Death) listed in DOL's Human Resources (HR) management system. However, an SF-52 was not prepared because the Office of the Assistant Secretary for Administration and Management (OASAM) district office personnel believed it was not required for that action code.

If SF-52s are not completed for required actions, an increased risk exists that invalid or unauthorized payroll and benefit activities could be processed for personnel actions related to separation activities. This could ultimately lead to payroll and benefit expenses being potentially misstated.

According to DOL's Separation Clearance (DL 1-107) form, "Employing office should prepare a clearance form for each departing employee."

Section A of the DL 1-107 further states, "Employing Office clears/prepares the following: 1. WebPARs Request for Personnel Action Initiated."

Additionally, OPM's *The Guide to Processing Personnel Actions*, Chapter 1, The Guide to Processing Personnel Actions, Subchapter 1, Introduction to this Guide, Section 1-3, Documentation of Personnel Actions, states:

For most of the personnel actions you process, there will be a Request for Personnel Action, Standard Form 52, or a similar agency form approved by the Office of Personnel Management as an exception to the Standard Form 52.

Recommendation

We recommend that the Director of Human Resources, Human Resource Center, OASAM, provide training to reinforce with applicable DOL personnel the procedures to be followed and documentation to be prepared when processing separated employees.

Management's Response

Management will reinforce the procedures to be followed and documentation to be prepared when processing separated employees. The particular case noted was an isolated incident in which there was no risk that invalid or unauthorized payroll and benefit activities would be processed. When an employee dies, the servicing Human Resources Office (HRO) also handles the related benefits information and therefore receives documentation in the form of a death certificate that the employee has died. There is thus no risk that invalid or unauthorized payroll and benefit activities would be processed.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

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

During FY 2011, DOL used the U.S. Department of Agriculture National Finance Center (NFC) as its third-party payroll service provider. During our audit, we tested the resolution process for personnel and payroll actions that were requested by DOL but were not processed by the NFC. Such items were summarized in a suspense report each pay period for each HR office. We selected a sample of 29 payroll suspense reports during the period October 1, 2010, through April 30, 2011, and identified the following exceptions:

- 10 instances where the HR offices did not have sufficient and appropriate documentation to support that errors were adequately researched and corrective actions were initiated and completed in a timely manner.
- 12 instances where the HR offices did not provide the requested suspense reports or supporting documentation.

These exceptions occurred because OASAM's *Standard Operating Procedures Guidelines for HR Payroll Suspense Process* did 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 did not contain document retention requirements. Furthermore, the decentralized HR organizational structure within DOL made it difficult for OASAM to obtain the needed documentation to monitor that suspense reports were being properly researched and resolved in a timely manner, and adequately reviewed. These factors increase the risk that suspense reports are not reviewed daily and appropriately and timely corrected, which may result in misstatements.

GAO's Standards state:

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 HR 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.

Recommendations

We recommend that the Assistant Secretary for Administration and Management update the *Standard Operating Procedures Guidelines for the HR 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 time period and method of retention of such documentation.

We also recommend that the Director of Human Resources, Human Resource Center, OASAM, monitor compliance with the *Standard Operating Procedures Guidelines for the HR Suspense Process*.

Management's Response

OASAM HRC will consult with the Human Resources Offices (HROs) and the OCFO to review the NFC Suspense Transaction Report and determine what specific requirements should be instituted with regard to documenting the resolution of suspense items for audit purposes. A conference call with HROs was conducted during the first quarter 2012.

Standard Operating Procedures Guidelines for the HR Suspense Process has been revised to include requirements on the time period and method of retention of such

documentation. The revised SOP will be sent to the HROs for clearance. This will be enforced by HRC as a part of its accountability program.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

8. Untimely Recording of Property, Plant, and Equipment (PP&E) and Lack of Formal Policies and Procedures over Monitoring of Contractors

During the course of the FY 2011 audit, we noted that the OCFO did not have a sufficient depth of accounting personnel to perform all necessary functions and provide certain PBC items timely. Specifically, we noted that the OCFO relied solely on contractors to perform the accounting function related to PP&E. In the contractor's absence, the OCFO did not record the majority of the third quarter transactions related to PP&E in the general ledger as of June 30, 2011.

The issues above occurred because as of June 30, 2011, the NCFMS PP&E module was not properly configured to record PP&E additions, deletions, and current year depreciation expense. As a result, the OCFO accounted for current year PP&E transactions through spreadsheets, and relied on a contractor to ensure PP&E transactions were properly recorded in the general ledger. However, internal procurement issues prevented the contractor from temporarily providing these services. The OCFO expected the issue to be addressed quickly and therefore did not identify alternate personnel to perform the PP&E accounting function in the contractor's absence; however, the issue was not resolved until August 8, 2011. As a result, Gross PP&E was overstated by \$2.2 million as of June 30, 2011, while accumulated depreciation and depreciation expense were understated by \$18.5 million and \$15 million, respectively. These transactions were ultimately recorded in August 2011. We noted that these issues caused delays in the FY 2011 audit.

We also noted that the OCFO did not develop and implement formal policies and procedures to monitor the work of its contractors. Because the OCFO was focused on reissuing its FY 2010 consolidated financial statements during the first half of FY 2011, the OCFO lacked the resources to develop and implement formal policies and procedures to monitor the work of its contractors. The lack of formalized policies and procedures could lead to ineffective oversight over contractors, which could result in deficiencies in internal control over financial reporting that prevent the OCFO from identifying misstatements in the financial statements.

OMB Circular No. A-123 defines management's responsibility and provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

Within the organizational structure, management must clearly: define areas of authority and responsibility; appropriately delegate the authority and responsibility throughout the agency; establish a suitable hierarchy for reporting; support appropriate human capital policies for hiring, training, evaluating, counseling, advancing, compensating, and disciplining personnel; and uphold the need for personnel to possess and maintain the proper knowledge and skills to perform their assigned duties as well as understand the importance of maintaining effective internal control within the organization.

In addition, GAO's Standards state, "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions."

GAO's Standards also state:

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. Complete efforts to configure NCFMS so it can be used to record PP&E additions and deletions and to accurately calculate current year depreciation and accumulated depreciation.
2. Identify and train alternate personnel to perform the financial reporting functions assigned to the PP&E contractors in the contractors' absence.
3. Formally document the policies and procedures necessary to monitor the work of its contractors.

Management's Response

DOL is developing a PP&E module in NCFMS to account for PP&E additions and deletions and to calculate depreciation expense. A completion date for this module will depend on available resources. The processes currently employed are adequate to properly account for PP&E and the related depreciation.

Until the NCFMS PP&E module is fully functional, management will continue to rely primarily on a contractor to continue to maintain the PP&E sub-ledger to properly account and record PP&E transactions and balances and related depreciation.

Each quarter, management personnel review and approve the compilation of PP&E transactions prior to posting journal vouchers (JV) to the general ledger. All PP&E and depreciation JVs are electronically approved by the appropriate Federal staff. PP&E and depreciation transactions in any one quarter are not significant. As such, due to the lack of resources at that time management decided not to record the majority of such transactions in the third quarter and to record both the third and fourth quarter transactions in the fourth quarter.

Auditors' Response

Management indicated that certain actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

9. Improvements Needed over PP&E Construction-in-Process (CIP)

During our control testing over DOL's PP&E as of June 30, 2011, we noted that 3 of 45 CIP assets selected for testing as of June 30, 2011, related to payments made by ETA for external consulting fees. These consulting fees should have been reported as operating expenses but were inappropriately capitalized as part of CIP in the general ledger. This error was not detected by supervisory review. The three aforementioned errors caused CIP to be overstated and operating expenses to be understated by \$47,990 as of June 30, 2011.

Per paragraph 26 of Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, "All general PP&E shall be recorded at cost. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use."

Recommendations

We recommend that the Chief Financial Officer:

1. Analyze CIP detail to identify all improperly capitalized consulting fees, and reclassify them from CIP to Operating Expense in the general ledger.
2. Develop and implement review procedures over the CIP detail quarterly to ensure that all items are appropriately capitalized.

Management's Response

The effects of the misclassified consulting costs of \$47,990 are clearly inconsequential in comparison to the CIP balance of \$87.7 million. These consulting costs were reclassified to operating expenses as of September 30, 2011.

Regarding the recommendation to “develop and implement review procedures over the CIP detail quarterly to ensure that all items are appropriately capitalized” we believe that DOL has implemented adequate procedures as summarized below for the Office of Job Corps (OJC), which accounts for the majority of CIP that DOL has.

Each quarter, OJC contract personnel:

1. Meet with the OJC accountable property officer (APO) to determine the status of existing CIP projects and identify any new projects,
2. Extract the costs recorded as operating expenses in the general ledger for each active CIP document number including any recently completed projects,
3. Update the CIP summary schedule to reflect the cumulative costs of CIP projects,
4. Develop and assist in posting JVs to capitalize the CIP costs and transfer the costs of completed projects to assets, and
5. Reconcile the cumulative costs reflected in the CIP summary schedule to the OJC and ETA adjusted trial balances and investigate variances such as improperly capitalized expenses.

Auditors' Response

Although management states quarterly procedures were in place over CIP detail, exceptions were identified during our control testing over a sample of CIP transactions as discussed above. While these exceptions were not material to the FY 2011 consolidated financial statements as a whole, they do indicate deficiencies exist in the CIP process that if not mitigated could result in larger misstatements not being identified and corrected in a timely manner. We will conduct follow-up procedures in FY 2012 to determine whether improvements in these controls have been made.

10. Lack of Proper Review over the Energy Employees Occupational Illness Compensation Benefits (EEOICB) Liability

OWCP engaged external actuaries to develop an actuarial model to estimate its EEOICB liability. During our testing over the EEOICB liability, we identified an error in the actuarial model related to the calculation of the number of eligible medical cases, which was not detected by OWCP supervisory review. This occurred because policies and procedures for proper review of the actuarial model of the EEOICB future liability were not sufficient to ensure that the calculations produced by the actuaries were

reasonable. Undetected and uncorrected errors in the actuarial model of the EEOICB future liability may cause the actuarial liability to be misstated.

GAO's Standards state:

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...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 Standards also state:

Internal control should provide reasonable assurance that the objectives of the agency are being achieved [relative to] reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use [and] compliance with applicable laws and regulations.

Recommendation

We recommend that the Acting Director of the Office of Workers' Compensation Programs revise policies and procedures for the review of the EEOICB actuarial model to mitigate the risk that errors within the actuarial model may cause a material misstatement.

Management's Response

OWCP concurs that improvements can be made to the existing review process for the EEOICB future liability estimate and will implement a more robust procedure for 2012.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

11. Refinement of Discount Rate Selections

OWCP consistently used certain spot interest rates derived from OMB indices to discount the projected cash flows developed by its actuaries and statisticians in developing the annual estimates for certain discounted long-term actuarial liabilities and the discounted cash flows reflected in the statement of social insurance. During the

FY 2011 audit, we found that the use of these spot rates approximated the use of average historical rates on marketable Treasury securities with maturities consistent with the projected cash flows being discounted.

OWCP personnel informed us that they have used the same source to obtain the spot rates each year to ensure consistency and objectivity in arriving at an annual discount rate and to eliminate the ability for management bias to be introduced into the determination of an appropriate discount rate. However, continued volatility in interest rates and significant changes in actuarial assumptions regarding the timing of future cash flows could result in these spot rates no longer producing discounted cash flows that approximate the use of average historical rates on marketable Treasury securities with maturities consistent with the projected cash flows being discounted, as required by federal accounting standards.

Per SFFAS No. 5, *Accounting for Liabilities of the Federal Government*:

...the discount rate assumption for present value measurements pension liabilities should be the interest rate on marketable Treasury securities of similar maturities to the cash flows of the payments for which the estimate is being made. The discount rates should be matched with the expected timing of the associated expected cash outflow. Thus, each year for which cash flows are projected should have a separate discount rate associated with it. However, a single average discount rate may be used for all projected future payments if the resulting present value is not materially different than the resulting present value using multiple-rates. The discount rates should reflect average historical rates on marketable Treasury securities rather than give undue weight to recent past experience with such rates. Historical experience should be the basis for expectations about future trends in marketable Treasury securities. In developing the average historical Treasury rates, a minimum of five historical rates as of the appropriate reporting dates should be used for each maturity. The historical rates used to calculate the average should be sequential (e.g. 2003-2007).

In addition, per SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, Appendix A: Basis for Conclusions, paragraph A44:

The FASAB believes that the objective of discount rates is to reflect the time value of money. The time value of money should reflect the single amount that, if invested at the measurement date in risk-free investments with maturities like those of the future benefit payments being measured, would generate the necessary cash flows to pay the benefits when due. Marketable U.S. Treasury securities are deemed risk free because they

pose neither uncertainty in timing nor risk of default to the holder. This single amount is the gross liability. It would equal, conceptually, the current market value of a portfolio of Treasury zero coupon bonds whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. In the absence of a portfolio of such zero coupon Treasury securities, however, the federal preparer should incorporate in assumed discount rates the re-financing rates expected to be available on marketable Treasury securities in the future, which should be extrapolated from historical experience.

In addition, paragraph A41 states:

The Board believed that discount rates for present value measurements of expense and liability amounts should be average historical rates for marketable Treasury securities because they reflect the government's borrowing cost with the public. Also, expected longterm rates reduce volatility, reflect the actual experience and expectations of the primary federal plans, and are consistent with the assumptions used in the budget." Furthermore, paragraph A47 states, "The proposed standard was not intended to change the Board's preference, expressed in SFFAS 5 and elsewhere, for expected future trends rather than giving undue weight to recent past experience. With respect to assumptions in general, FASAB standards have emphasized expected future trends.

Recommendation

We recommend that the Acting Director of the Office of Workers' Compensation Programs refine the discount rate selection methodology to incorporate guidance provided in federal accounting standards to ensure discounted liabilities and cash flows presented in DOL's financial statements continue to meet federal accounting standards.

Management's Response

OWCP will consider the use of average historical rates on marketable Treasury securities with maturities consistent with the projected cash flows being discounted for 2012 actuarial liability projections.

On an annual basis, the Office of the Chief Financial Officer will review the methodology for selecting the interest rate used to discount the cash flows reported on the Statement of Social Insurance.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

12. Re-establishment of the Unemployment Compensation Advisory Council

ETA was not in compliance with Section 908 of the Social Security Act (SSA) because it requires the Advisory Council on Unemployment Compensation (ACUC) to meet every four years, and the last meeting of the ACUC was held in 1997. ETA does not believe that the ACUC is the most effective way to evaluate the unemployment compensation program. As a result, ETA has proposed an amendment to the SSA multiple times since 2005, most recently in the Unemployment Compensation Program Integrity Act of 2011, that would permit the Secretary of the Department of Labor to establish an advisory council at his/her discretion instead of every four years. Congress has not yet approved ETA's proposed amendment.

Section 908 of the SSA states:

Not later than February 1, 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 (referred to in this section as the "Council"). It shall be the function of each Council 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.

Recommendation

We recommend that the Assistant Secretary of Employment and Training Administration continue to pursue having the SSA 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 was transmitted to Congress June 11, 2011 as part of the FY 2011 legislative package.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

13. Improvements Needed in Completion of Accounting Checklist

The GAO Financial Audit Manual (FAM) 2010 - *Checklist for Federal Accounting* (FAM 2010) is designed to assist federal entities in preparing their financial statements in accordance with U.S. generally accepted accounting principles (GAAP). During FY 2011, we noted that the OCFO did not properly complete the FAM 2010. Specifically, the OCFO did not provide explanations or other pertinent information to support its responses for the majority of the items on the detailed checklist.

This issue occurred because the OCFO's draft policies and procedures related to the financial reporting process did not provide sufficient instructions on how the FAM 2010 checklist should be prepared and reviewed. Without sufficient controls in place over financial reporting, an increased risk exists that DOL's consolidated financial statements may not be presented in conformity with GAAP.

OMB Circular No. A-136, *Financial Reporting Requirements*, states:

Reporting entities should ensure that information in the financial statements is presented in accordance with GAAP for Federal entities and the requirements of this Circular. Preparers of financial statements seeking additional guidance on matters involving the recognition, measurement, and disclosure requirements should refer to the specific FASAB standards governing those requirements.

In addition, GAO's FAM 2010 provides the following instructions for completing the checklist:

For each 'yes' answer, include in the explanation column the page number or location in the financial statements where the information is found. Also, provide any other information pertinent to the question and the response in the explanation column.

A 'no' answer indicates that the information asked for in the question is not included in the financial statements, notes, or supplementary information, respectively. This would include immaterial items that need not be disclosed. Describe in the explanation column or note why the information is not included and whether this causes the financial statements to not be in conformity with U.S. GAAP.

An 'N/A' answer might indicate that the question does not apply to the federal entity. Describe in the explanation column or note why this information is not applicable.

Recommendation

We recommend that the Chief Financial Officer revise the policies and procedures related to the annual preparation and review of the FAM 2010. The policies and procedures should include the following, at a minimum: a) the date by which the checklist should be completed and reviewed; b) requirements for preparers to support their responses to questions in the checklist with detailed explanations, in accordance with GAO's instructions; and c) requirements for a supervisor to review the completed FAM 2010 checklist for completeness, accuracy, and validity.

Management's Response

In FY 2011, OCFO completed the FAM 2010 checklist in a manner that was consistent with prior years and the checklist was reviewed and approved by OCFO staff and management.

For FY 2012, the FAM 2010 checklist will be prepared taking into consideration the auditor's recommendation.

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. We will conduct follow-up procedures during the FY 2012 consolidated financial statement audit to determine whether such actions have been implemented.

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Status of Prior Year Comments

The status of comments reported in the *Management Advisory Comments Identified in the Engagement to Audit the Consolidated Financial Statements for the Year Ended September 30, 2010*, dated March 31, 2011, (MAC), addressed to the Assistant Inspector General for Audit and the 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.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
2010-01	2010	Untimely Receipt of Prepared-by-Client (PBC) Items	<p>We recommended that the Chief Financial Officer:</p> <ol style="list-style-type: none"> 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 	Open (See Exhibit 1 comment no. 2)

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
2010-02	2010	Unsupported and Incorrect Upward Adjustments	<p>We recommended that the Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Properly resolve all Federal Agencies' Centralized Trial-Balance System (FACTS II) edit check issues and only record adequately supported adjusting entries to the general ledger. 2. Update the system configuration in the New Core Financial Management System (NCFMS) to record a credit to Account 4801 for activities related to new obligations for multi-year unexpired funds. 	Closed
2010-03	2009	Failure to Provide Sufficient Documentation for Certain Non-Grant, Non-Benefit Expenses	<p>We recommended that the:</p> <ol style="list-style-type: none"> 1. Assistant Secretary for Employment and Training reinforce policies and procedures and provide related training to address the minimum documentation requirements need 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 request timely, (b) obtaining and providing supporting documentation to the auditors timely, 	Open (See Independent Auditors' Report internal control deficiency no. 1)

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
			and (c) requiring designated supervisors to regularly monitor the progress of audit request responses.	
2010-04	2010	Inadequate Review of Non-grant, Non-benefit, New Obligations/ Modifications	We recommended 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.	Open (see Exhibit I comment no. 4)
2010-05	2007	Lack of Monitoring over Grant Costs	<p>We recommended that the Assistant Secretary for Employment and Training perform the following:</p> <ol style="list-style-type: none"> 1. Evaluate the Grants e-Management System (GEMS) to determine the cause of the system error and develop appropriate corrective action to ensure that desk reviews submitted by Federal Project Officers (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 Office of the Chief Financial Officer (OCFO) to ensure all interface issues have been resolved between E-Grants and NCFMS. 5. Develop and implement procedures to monitor 	Recommendation no. 3 - Open (see Independent Auditors’ Report internal control deficiency no. 1); Recommendation nos. 1, 2, 4, and 5 - Closed

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
			grantee's delinquent cost reports using data from E-Grants until all the issues impacting the <i>Delinquent Reporting Analysis</i> are resolved.	
2010-06	2006	Lack of Controls over Grant Closeouts	<p>We recommended that the Assistant Secretary for Employment and Training perform the following:</p> <ol style="list-style-type: none"> 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. 	Open (see Independent Auditors' Report internal control deficiency no. 2)
2010-07	2010	Inaccurate Calculation of Certain Schedule Award Payments	We recommended that the Director of the Office of Workers' Compensation Programs correct the system configuration in the Integrated Federal Employees Compensation System so it accurately calculates the full amount of Schedule Awards payments owed to the claimants in accordance with Section 2-0901-14 of the Division of Federal Employees' Compensation Procedure Manual.	Closed
2010-08	2007	Lack of Reconciliation of Child Agency Data Reported in the DOL Trial Balance	<p>We recommended 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:</p> <ol style="list-style-type: none"> 1. Formalize policies and procedures in writing related to the reconciliation of child agency data reported 	Closed

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
			<p>in the child agencies' trial balance to the Forms 2110F, and ensure they are properly communicated to all appropriate individuals.</p> <ol style="list-style-type: none"> 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. 	
2010-09	1997	Re-establishment 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. 12)
2010-10	2010	Insufficient Documentation Related to the Review of Payroll Suspense Reports	We recommended that the Assistant Secretary for Administration and Management update the <i>Standard Operating Procedures Guidelines for the Human Resource Payroll Suspense Process</i> 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.	Open (See Exhibit I comment no. 7)
2009-8	2009	Accounting for Certain Job Corps Contracts	<p>We recommended that the Interim National Director of the Office of Job Corps:</p> <ol style="list-style-type: none"> 1. Review the detail of Job Corps advances at September 30, 2009, identify all invalid advances, and post adjustments necessary to properly state 	Closed

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2010 MAC	Recommendation(s) Reported in the FY 2010 MAC	FY 2011 Status of Comment Reported in the FY 2010 MAC
			<p>the advance balance no later than March 31, 2010.</p> <p>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.</p>	
2009-9	2009	Compliance with the Prompt Payment Act	<p>We recommended that the Acting Deputy Chief Financial Officer direct the Division of Client Accounting Services to adopt the following improvements to its internal control structure:</p> <p>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.</p> <p>2. Develop and implement a periodic review process to verify that proper invoice received dates are entered into DOLAR\$.</p>	Closed

¹ DOLAR\$ was replaced in FY 2010 by NCFMS.

Appendix A

Acronyms and Abbreviations

ACUC	Advisory Council on Unemployment Compensation
APO	Accountable Property Officer
CIP	Construction-in-Process
DLMS	Department of Labor Manual Series
DOL	United States Department of Labor
DOLAR\$	Department of Labor Accounting and Related Systems
EEOICB	Energy Employees' Occupational Illness Compensation Benefits
ETA	Employment and Training Administration
FACTS	Federal Agencies Centralized Trial Balance System
FAM	Financial Audit Manual
FECA	Federal Employees Compensation Act
FISMA	Federal Information Security Management Act
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FPO	Federal Project Officer
FY	Fiscal Year
GAO	Government Accountability Office
GAAP	Generally Accepted Accounting Principles
GEMS	Grants e-Management System
HR	Human Resources
IFCS	Intragovernmental Fiduciary Confirmation System
iFECS	Integrated Federal Employees Compensation System
IT	Information Technology
JV	Journal Voucher
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
OIG	Office of Inspector General
OJC	Office of Job Corps
OMB	Office of Management and Budget
OPM	Office of Personal Management
OWCP	Office of Workers' Compensation Programs
PBC	Prepared-by-Client
PP&E	Property, Plant, and Equipment
SAD	Summary of Aggregated Deficiencies
SFFAS	Statement of Federal Financial Accounting Standards
SSA	Social Security Administration
U.S.	United States
VETS	Veterans' Employment and Training Service

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