

**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number 22-12-013-04-420, issued to the Deputy Administrator for Wage and Hour.

### **WHY READ THE REPORT**

The Wage and Hour Division (WHD) enforces several labor laws, including the Fair Labor Standards Act of 1938 (FLSA). The FLSA is designed to ensure that millions of workers are paid the federal minimum wage and overtime. WHD investigates allegations of wage violations and assesses civil monetary penalties (CMP) when it proves an employer is a repeat and/or willful violator of labor laws. WHD may also require that employers pay back wages to employees if employers are found in violation. In such cases, WHD is responsible for supervising the payment of back wages due to each employee.

WHD is required to report to the U.S. Department of Treasury's (Treasury) Financial Management Service (FMS) quarterly on the status of back wage and CMP receivables. In fiscal years 2011 and 2010, WHD reported in the DOL financial report approximately \$12 million and \$8 million in CMP revenues, and \$99,000 and \$21 million in disbursements of fiduciary assets to beneficiaries for back wage, respectively.

The Financial Management Branch, a component of the Division of Administrative Operations within WHD, is responsible for the accounting and reporting on back wage and CMP accounts receivables, collections, and write-offs to Treasury's FMS on the Treasury Report on Receivables and Debt Collection Activities (TROR).

### **WHY OIG CONDUCTED THE AUDIT**

We conducted this audit to determine whether WHD had sufficient internal controls to ensure the completeness and accuracy of the receivable data reported to Treasury's FMS.

We examined WHD's reporting for the quarters ending June 30, 2010, and March 31, 2011.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2012/22-12-013-04-420.pdf>

**September 2012**

## **WHD LACKED EFFECTIVE FINANCIAL MANAGEMENT OF BACK WAGE AND CIVIL MONETARY PENALTY RECEIVABLES**

### **WHAT OIG FOUND**

WHD did not accurately account for and report back wage and CMP receivables due from employers. Furthermore, WHD staff may have erroneously written off collectible receivables. Additionally, we found that amounts had been written off in excess of the receivable amounts due; a lack of segregation of duties allowed staff the ability to initiate, review, and approve debt write offs; and debts had been written off by users with generic account names.

### **WHAT OIG RECOMMENDED**

We recommended the Deputy Administrator for Wage and Hour:

- Develop and implement policies and procedures to account and report on the status of back wage and CMP receivables.
- Improve monitoring of the work performed by contractors to ensure accuracy and completeness.
- Update the agency's policies regarding segregation of duties over the initiation, review, and approval of write-off transactions.
- Modify the user guides for the back wage and CMP systems to include the reports used in the TROR preparation process and their purpose.

WHD agreed with our recommendations and acknowledged errors in its preparation of the TROR for back wages and CMPs. WHD agreed the review process was not properly followed and stated it took steps to bolster the implementation of its existing internal control process. However, WHD disagreed with certain errors we noted in its accounting over back wages and CMPs. We continue to believe that WHD's lack of effective financial management of back wages and CMPs created a risk that staff could erroneously write off collectible receivables.