

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

BRIEFLY...

Highlights of Report Number 04-15-001-04-420, issued to the Administrator for Wage and Hour.

WHY READ THE REPORT

The Wage and Hour Division (WHD) enforces federal minimum wage and overtime pay requirements of the Fair Labor Standards Act. Back wages may be distributed directly to employees by the employer, or WHD may collect the back wages from the employer and attempt to locate the employees and distribute the amounts due to them. During the 5-year period encompassing Fiscal Years (FYs) 2009 through 2013, WHD reported it assessed employers \$1.1 billion in back wages. Of this amount, employers were responsible for paying approximately \$839 million directly to their current and former employees. For the remaining \$264 million, WHD was responsible for collecting the back wages from employers and then disbursing the monies to the employees involved in the cases.

WHY OIG CONDUCTED THE AUDIT

We conducted an audit of WHD's back wage distribution process to determine if: (1) WHD followed its policy and procedures for distributing back wages to employees; and (2) WHD properly accounted for and reported on back wages due to employees.

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/2015/04-15-001-04-420.pdf>.

March 2015

WAGE AND HOUR DIVISION NEEDS TO STRENGTHEN MANAGEMENT CONTROLS FOR BACK WAGE DISTRIBUTIONS

WHAT OIG FOUND

We found WHD did not consistently follow its policy and procedures for distributing back wages to employees. Most notably, in those cases for which WHD was responsible for distributing back wages to workers — generally involving workers who had left employment with the company — WHD made minimal efforts to locate them. As a result, between 2010 and 2014 WHD transferred to the U.S. Department of the Treasury (Treasury) \$60 million of back wages owed to employees it had not been able to locate. If WHD does not improve its efforts to find employees owed back wages, we estimate that an additional \$12 million will be transferred to Treasury by the end of 2015.

WHAT OIG RECOMMENDED

We recommend the Administrator for Wage and Hour develop reporting tools that will support greater oversight and performance management of the back wage follow-up and distribution process, promote the continual exploration and use of alternative tools for locating employees due back wages, update the Field Operations Handbook, and establish uniform procedures for staff to utilize all existing available tools and resources for locating employees due back wages.

The Wage and Hour Administrator agreed with our recommendations and stated WHD will reinforce the importance of efforts the agency has already undertaken to strengthen its back wage follow-up procedures and systems.