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

REPORT TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER

MANAGEMENT ADVISORY COMMENTS IDENTIFIED IN AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Date Issued: March 26, 2015
Report Number: 22-15-006-13-001

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Executive Summary

KPMG LLP (KPMG), under contract to the United States Department of Labor's (DOL) Office of Inspector General (OIG), audited DOL's consolidated financial statements as of and for the year ended September 30, 2014, issuing its report on November 17, 2014. 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 (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. The objective of the audit was to express an opinion on the fair presentation of DOL's consolidated financial statements.

This report presents for DOL's consideration certain matters that KPMG noted, as of November 17, 2014, involving internal control and other operational matters not related to information technology (IT) security. These management advisory comments are provided in addition to the significant deficiencies presented in KPMG's *Independent Auditors' Report* and included in DOL's *FY 2014 Agency Financial Report*.

These management advisory comments, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies as summarized in Exhibit I. Included in this report are 10 comments and related recommendations that were new for Fiscal Year (FY) 2014, 10 prior-year comments that still existed in FY 2014, and 9 prior-year comments and related recommendations KPMG determined had been corrected and closed during FY 2014.

We prepared this report to assist DOL in developing corrective actions for the management advisory comments identified in KPMG's audit. Satisfactorily addressing the comments in this report will help ensure these issues do not rise to the level of significant deficiencies in the future.

We will issue separate reports to each applicable DOL agency with comments resulting from the testing performed over DOL's general and application controls related to certain IT systems that support the consolidated financial statements.

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U.S. Department of Labor

Office of Inspector General
Washington, DC. 20210

March 26, 2015

Inspector General's Report

Ms. Karen Tekleberhan
Acting Chief Financial Officer
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

KPMG audited the consolidated financial statements of the DOL for the fiscal year ended September 30, 2014, and issued its report on November 17, 2014. In planning and performing its audit of the consolidated financial statements of DOL, in accordance with auditing standards generally accepted in the United States of America, KPMG considered DOL's internal control over financial reporting (internal control) as a basis for designing its auditing procedures for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control. Accordingly, KPMG did not express an opinion on the effectiveness of DOL's internal control. KPMG has not considered internal control since the date of its report.

KPMG noted certain matters, as of November 17, 2014, involving internal control and other operational matters that do not relate to IT security and are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, 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 significant deficiencies presented in KPMG's *Independent Auditors' Report*, dated November 17, 2014, and included in DOL's *FY 2014 Agency Financial Report*. Exhibit I lists 10 new comments and related recommendations and 10 prior-year comments that still existed in FY 2014. We included management's response in its entirety after each recommendation. Exhibit II lists 9 prior-year comments and related recommendations KPMG determined had been satisfactorily addressed during FY 2014.

KPMG's audit procedures are designed primarily to enable it 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. Comments involving internal control and other operational matters that relate to IT security will be presented in separate reports to the appropriate agency heads.

Please note that, as reported in comment 11 related to insufficient supporting documentation for certain undelivered orders (UDO), $104.3 million could have been made available for other purposes had those funds been deobligated timely.

Elliot P. Lewis

Elliot P. Lewis
Assistant Inspector General
for Audit

Comments and Recommendations

New Comments and Recommendations Identified in FY 2014

1. Improvements Needed in Implementation of Review Procedures for the Due and Payable Estimate

The due and payable estimate did not contain evidence of review by the actuarial team leader to demonstrate whether the review included procedures to verify the accuracy of the percentage of weeks to be accrued and the accuracy of the seasonal factors, such as key inputs, included in the estimate. Furthermore, the percentage of weeks to be accrued included in the estimate was not correct.

The Due and Payable Accrual Methodology did not specify the minimum requirements needed to document the actuarial team leader's review. Furthermore, the Due and Payable Accrual Methodology did not provide sufficient detail about how the actuarial team leader's review of key inputs should be performed. As a result, accrued benefits as of December 31, 2013, were overstated by $1.2 billion. The error was corrected in the subsequent quarter.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO 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 the Acting Chief Financial Officer (CFO) coordinate with the Employment and Training Administration (ETA) to:

1. Revise the *Due and Payable Accrual Methodology* to specify the minimum requirements needed to document the Actuarial Team Leader's review.

2. Revise the *Due and Payable Accrual Methodology* to provide sufficient detail as to how the Actuarial Team Leader's review of key inputs should be performed.

Management's Response

Management concurred with the finding and provided the following response.

"Recommendation #1: To address this recommendation, we have changed the methodology document and actuary sign-off sheets to more accurately reflect the required task (from: "check % of weeks accrued" to "Verify month ending accrual day has been applied correctly to each week for the calculation of benefit proportion accrued.", and from "check seasonal factors" to "Verify seasonal factors are the latest available from BLS.")

Recommendation #2: To prevent this type of error from occurring in the future, we have already instituted a change in benefit estimation methodology in the Due and Payable report. Now, the application of the proper day under which benefits are accrued will use a calendar function in order to avoid any mistake by the analyst in applying the proper day for accrual."

Auditors' Response

Management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

2. <u>Insufficient Policies and Procedures to Timely Record Property, Plant, and Equipment (PP&E) Disposals</u>

One disposal tested was not properly accounted for in the New Core Financial Management System (NCFMS). Specifically, the disposal (asset number 13597, building 1083 – Indoor Pool) was entered into NCFMS in December 2013 and recorded as disposed as of October 1, 2013 (FY 2014). However, the asset was physically demolished in October 2012 and should have been accounted for and disposed of in NCFMS in FY 2013.

The Office of the Chief Financial Officer (OCFO) stated in the *Fixed Asset Management Policies and Procedures*, effective July 2009, and most recently updated in March 2014, that the Capitalized Asset Management Officer is responsible for ensuring the accurate and timely recordation of property information into NCFMS. However, ETA follows an informal process between the Division of Facilities and Asset Management and the Office of Financial Administration (OFA) to record PP&E disposals, which does not address the timeliness of the disposal being entered into NCFMS.

Additionally, the *Standard Operating Procedure (SOP) for Physical Inventory of Office of Job Corps (OJC) Real Property* provides that disposals are identified and reported to OFA at the end of the annual inventory process. However, the federal government shutdown in October 2013 delayed the completion of this process prior to the FY 2013 accounting close. As a result, ETA and OJC were unable to communicate the complete inventory information to OFA until after mid-November 2013.

As a result of asset 13597 not being recorded as disposed until the year after its demolition, the FY 2013 gross PP&E was overstated by approximately $326,000 (the original cost of the asset) and net PP&E was overstated by approximately $55,000.

GAO Standards state transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.

Recommendations

We recommend the Acting CFO coordinate with ETA to:

3. Integrate procedures regarding the timely notification and recording of asset disposals into the *Fixed Asset Management Policies and Procedures*.

4. Develop and implement management review procedures to ensure asset disposals are timely identified and recorded in NCFMS.

Management's Response

Management concurred with the finding and provided the following response.

"During FY 2015, the ETA, Office of Financial Administration, Accounting Operations Division, will revise the Standard Operating Procedure for Physical Inventory of OJC Real Property to include adequate policies and procedures on timely recording property, plant, and equipment disposals."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

3. Inadequate Documentation of Procedures over Payroll Expense and Accrual Reconciliations

DOL reconciles: 1) the payroll expense reported by the National Finance Center (NFC), DOL's payroll service provider, with the amounts recorded in the general ledger (GL); and 2) the payroll accrual recalculated by DOL with the amounts recorded in the GL. However, the preparers and reviewers of these reconciliations were neither aware of, nor utilizing, previously established dollar thresholds for investigating differences in these reconciliations. In addition, the dollar thresholds to investigate material differences in these reconciliations were established in prior years based on prior-year audit inquiries and were not appropriate for current-year purposes.

The Division of Central Accounting Operations (DCAO) Payroll Reconciliation Procedures do not indicate the dollar thresholds above which to investigate reconciliation differences that management deems material to payroll expense and the payroll accrual which could result in undetected material misstatements in payroll expenses and accrued payroll.

GAO 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.

GAO Standards also state:

> Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operation. 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 the Acting CFO:

5. Modify the DCAO Payroll Reconciliation Procedures to include current dollar thresholds above which differences must be investigated when performing the reconciliations of payroll expense and payroll accrual.

6. Modify the DCAO Payroll Reconciliation Procedures to include periodic review of the dollar thresholds against the OCFO's materiality levels.

Management's Response

Management concurred with the finding and provided the following response.

"Since the time of the testing, the Payroll Reconciliation Procedures have been updated to include an acceptable variance percent threshold. OCFO does not agree that the lack of a threshold could result in material misstatements as all differences are researched."

Auditors' Response

Although management disagreed with the effect, they concurred with the comment and indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

4. Untimely Grant Closeouts

The Veterans' Employment and Training Service (VETS) did not always close out expired grants in a timely manner. Specifically, 7 VETS-related expired grants of the 30 sampled were not closed within 365 days of expiration. Because of resource constraints over a period of several years, VETS developed a backlog of expired grants waiting to be closed. While additional resources have been dedicated to assist with addressing the backlog of expired grants, VETS did not implement the current Department of Labor Manual Series (DLMS) policies and procedures to ensure backlogged and recently-expired grants were closed in a timely manner. Without adequate processes and controls to timely close expired grants and to de-obligate any remaining funds, undelivered orders (UDO) may be overstated.

GAO 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, 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 Standards also state:

> 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.

DLMS 2 – Administration: Chapter 800 – Grant and Procurement Management, Section 875 – Responsibilities, states:

E. The contracting or grant officer is responsible for closing the contract out, or seeing to it that the contract, grant, or agreement is closed out by the closeout unit if one has been designated. The contracting or grant officer may designate a contract or grant specialist under his or her supervision as the closeout specialist with continuing responsibility for closeouts of all awards made in that office; or alternatively, may assign each contract, grant, or agreement upon award, to a contract or grant specialist in the office, who shall be responsible for administration including closeout.

F. The official responsible for closeout, whether the contracting or grant officer as specified in (e) above, or the closeout unit, as specified in (d) above, is responsible for:

   1. Overseeing the timely closeout of the contract, grant, or agreement;
   2. Coordinating activities at closeout…; and
   3. Scheduling and monitoring closeout activities to avoid or eliminate backlogs and to complete the closeout process within time frames established in paragraph 877, below.

DLMS 2 – Administration: Chapter 800 – Grant and Procurement Management, Section 877 – Time Frames for Closeout, states:

> Special circumstances may exist which delay closeout, such as a closeout following termination or a closeout where litigation or an appeal is pending. Unless such a circumstance exists, the contracting or grant officer shall close out a contract, grant, or agreement as soon as possible after completion (as defined in the DLMS 2-7, "HANDBOOK—CLOSEOUT OF CONTRACTS, GRANTS, AND AGREEMENTS"). Closeout should be accomplished within the following periods after completion:
>
> a. Firm fixed-price contracts – 6 calendar months (except for contracts for automatic data processing)
> b. All other contracts – 18 calendar months
> c. Grants and agreements – 12 calendar months

Recommendation

7. We recommend the Acting CFO coordinate with VETS to implement the DLMS policies and procedures designed to close backlogged and recently-expired grants in a timely manner.

Management's Response

VETS did not concur with the recommendation and provided the following response.

"VETS and the OASAM Grants Officer have established a process for closing out the significant backlog of grants. OASAM has allocated additional resources to conduct the closeout process. The two offices will continue to work together to address the backlog and implement proper procedures to ensure grants are closed in a timely manner."

Auditors' Response

Although management stated it did not concur with the recommendation, management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

5. <u>Improvements Needed in the Unemployment Trust Fund (UTF) Reimbursing Employers' Accounts Receivable Retrospective Review</u>

The retrospective reviews of the UTF reimbursing employers' accounts receivable estimate recorded for the quarters ended September 30, 2013, and March 31, 2014, identified variances of 16 and 17 percent, respectively. These variances exceeded the acceptable threshold of 10 percent established by ETA; however, explanations for the variances were not sufficiently investigated or documented.

The preparer and the reviewer of the UTF reimbursing employers' accounts receivable comparative analysis of estimated amounts to actual had changed since the prior year, and sufficient monitoring procedures were not in place to ensure the required procedures outlined in the *UTF – Accounts Receivable (AR) from the Public SOP* were performed. In addition, this *SOP* did not specify the minimum requirements needed to document the results of the retrospective review.

Application of the UTF accounts receivable estimation methodology without sufficient review of actual activity and any significant variances may result in a material misstatement in the associated accounts receivable and revenue reported on the Consolidated Balance Sheet and Statement of Changes in Net Position, respectively.

DOL UTF – AR from the Public SOP, states:

> We perform 'look backs' to ensure that the amounts reported for…the current quarter…are reasonable to the actual "prior quarter"…any variance of more than 10 percent in total per general ledger is investigated...our review of the variance is to determine the reason for the variance and whether any action should be taken to modify the accrual methodology.

GAO Standards state:

> 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.

GAO 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 the Acting CFO coordinate with ETA to:

8. Revise the *UTF – AR from the Public SOP* to include the minimum requirements for documenting the results of the retrospective review.

9. Develop monitoring procedures to ensure the procedures included within the *UTF – AR from the Public SOP* are performed as intended.

Management's Response

Management concurred with the finding and provided the following response.

"ETA strives towards continuous improvement of all business processes, and in order to strengthen its procedures, will implement the recommendations identified and revise the SOP accordingly."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

6. Failure to Resolve Differences in the OJC Synch Reconciliation between the U.S. Department of Health and Human Services – Payments Management System (HHS-PMS) and the NCFMS

Two of ten differences identified in the OJC HHS-PMS to NCFMS Synch reconciliation for the quarters ended March 31, 2014, and September 30, 2014, were researched, but not resolved. ETA lacked policies and procedures for timely researching and resolving differences in the Synch reconciliation. Furthermore, the preparer performed the reconciliation under the notion that all differences were researched and only material items resolved, while the reviewer indicated that all differences should be researched and resolved regardless of materiality.

Without sufficient reconciliation controls, errors that are deemed immaterial may not be corrected, and the variance may carry over to future periods. This may result in a misstatement of OJC contract-related expenses, advances, payables, and UDOs.

GAO 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, 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 Standards also state:

> 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.

Furthermore, GAO Standards state:

> Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

Recommendation

10. We recommend the Acting CFO coordinate with ETA’s OJC to develop and implement policies and procedures to document management’s methodology for timely researching and resolving all differences in the OJC HHS-PMS to NCFMS Synch reconciliation.

Management's Response

Management concurred with the finding and provided the following response.

"The corrective action plan for this finding will be taken and completed in FY 2015.
1. To provide refresher guidance to the preparer regarding the requirement that all PMS to NCFMS differences be reviewed and corrected.
2. Revise the Standard Operating Procedures to explicitly state that all differences are to be reviewed and corrected in a timely manner.
3. The reviewer closely monitors compliance to the review and correction of differences that remain on the reconciliation for 2 consecutive periods to determine why the differences have not been resolved."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

7. <u>Improvements Needed in Cost Allocation Policies and Procedures</u>

DOL allocated certain costs to the incorrect crosscutting program line in the Statement of Net Cost. Specifically, costs were included in the labor, employment, and pension standards crosscutting program in the draft Agency Financial Report (AFR) for the following program funds: 1) Salaries and Expenses, Office of Workers' Compensation Programs (OWCP); and 2) Labor and Administrative Expenses, Energy Employees Occupational Illness Compensation Fund, OWCP. Instead, these costs should have been included in the income maintenance program as such costs are associated with administering the income maintenance programs.

In FY 2014, the definition of the types of costs that should be classified under the income maintenance crosscutting program per DOL cost allocation policies and procedures was as follows:

> These programs include unemployment benefits paid to covered individuals who are out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job.

This definition, which was distributed to the various agencies within DOL, erroneously omitted the costs incurred to administer the income maintenance programs, which was inconsistent with the program's definition stated in the Management's Discussion and Analysis (MD&A) of the AFR.

Program costs for the labor, employment, and pension standards program in the draft

FY 2014 Statement of Net Cost was overstated by $278 million. Program costs for the income maintenance program was understated by the same amount. DOL corrected this misallocation in the final AFR.

Recommendation

11. We recommend the Acting CFO update policies and procedures to include appropriate definitions of each crosscutting program and to ensure the definitions match those included in the AFR.

Management's Response

Management concurred with the finding and recommendation and provided the following response.

"OCFO will review the current crosscutting program definitions and update accordingly. In addition, OCFO will review costs incurred by agencies to confirm the consistency of classification by crosscutting programs. Management estimates that this corrective action will be implemented no later than March 31, 2015."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

8. <u>Improvements Needed in the Review of the UTF Accounts Receivable Estimate for Reimbursing Employers</u>

Management's review of the UTF accounts receivable estimate calculation for reimbursing employers as of September 30, 2014, needs improvement. Specifically, during the review, ETA identified a gross accounts receivable balance for one state that was not comparable to the same amount reported in the prior period, but did not fully investigate the cause of the abnormality prior to recording the erroneous amount into the GL. This error resulted in an overstatement of the UTF accounts receivable and related allowance for reimbursing employers as of September 30, 2014, of $333 million and $167 million, respectively. This error was subsequently corrected by DOL.

ETA's *UTF – AR from the Public SOP* did not specify requirements to:

- Compare the estimate, by state, to the prior-period estimated balance to identify variances above a specified threshold.

- Investigate and resolve timely any variances above the established threshold that may have been identified prior to recording the estimate in the general ledger.

GAO 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.

GAO Standards also state:

> Managers also need to compare actual performance to planned or expected results throughout the organization and analyze significant differences.

Recommendations

We recommend the Acting CFO coordinate with ETA to:

12. Revise the *UTF – AR from the Public SOP*, to include requirements for comparing the estimate, by state, to the prior-period balance to identify variances above a specified threshold.

13. Revise the *UTF – AR from the Public SOP*, to include an appropriate timeline to investigate and resolve variances above the specified threshold prior to recording the estimate in the GL.

Management's Response

Management did not concur with the finding and provided the following response.

"ETA records an estimate for the AR from the Public for the UTF based upon the actual data received from the states for the most recent quarter. A review of the estimated to actual figures is prepared quarterly after the AR has been recorded (i.e. lookback). Lookbacks are performed at the general ledger level and any variances greater than 10percent are analyzed and researched to determine if the method for estimating is sound. This process is documented and conforms to the criteria referenced in the finding.

The anomaly between quarterly reported figures (i.e. actual date) for the State of Washington that this finding addresses was identified by ETA. Upon identification, an inquiry was initiated for additional information to determine the validity of the reporting. During the fiscal year, state-reported data will be used to record the AR from the Public. In order to maintain consistency, the AR spreadsheets will remain in the current format. The states update reporting as needed, and the spreadsheets must be able to capture the fluctuations in the state-reported data. This will ensure that future state adjustments are accurately accounted for.

If ETA identifies material anomalies in state-reported data similar to this occurrence, at year-end for Financial Statement reporting purposes ETA will: 1. Request additional information to determine if the reporting is valid. 2. If invalid or if final clarification has not been received, ETA will confer with the OCFO to determine if an adjustment is necessary. 3. Prepare a journal voucher to back out the anomaly, as applicable. SOPs will be updated to ensure the method for addressing these occurrences is documented."

Auditors' Response

Although management stated it did not concur with the finding, management did not fully investigate the cause of the abnormality prior to recording the erroneous amount into the GL. Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

9. Improvements Needed in Accounting for the Black Lung Disability Trust Fund's (BLDTF) Capitalized Interest

OWCP's posting methodology to record capitalized interest for the BLDTF's zero coupon bond was not in compliance with an approved U.S. Standard General Ledger (USSGL) scenario. OWCP made the following entries to record the zero coupon bond payment (Part C) at year end:

Budgetary Entry
Debit 462000 Unobligated Funds Exempt From Apportionment
Credit 414600 Actual Repayments of Debt, Current-Year Authority
Credit 490200 Delivered Orders – Obligations, Paid

Proprietary Entry
Debit 251000 Principal Payable to the Bureau of the Fiscal Service
Debit 251100 Capitalized Loan Interest Payable – Non-Credit Reform
Credit 101000 Fund Balance with Treasury

The United States Department of the Treasury (Treasury) provided OWCP informal guidance, which indicated that certain posting methodology should be used; however, this informal guidance was not in accordance with USSGL. OWCP assumed the methodology communicated by Treasury was in accordance with USSGL without performing an independent analysis of the appropriateness of the methodology. As a result, delivered orders – obligations, paid and actual repayments of debt, current year authority were overstated and understated, respectively, by $76 million.

Public Law 104-208, Section 803(a), *Implementation of Federal Financial Management Improvements*, 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 transaction level.

OMB Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of l996*, Appendix D, Section 7.iii, states:

> Financial events shall be recorded applying the requirements of the USSGL guidance in the Treasury Financial Manual (TFM). Application of the USSGL at the transaction level means that each time an approved transaction is recorded in the financial management system, it will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance.

USSGL, Section III, Account Transactions, transaction code B121, dated October 2014, states:

> To record principal repayments at par value to the Bureau of the Fiscal Service and the Federal Financing Bank that were not previously anticipated. For example, this transaction includes repayments of principal, repayments due to modifications of credit reform loans, and repayments of capitalized loan interest from non-credit reform loans.
>
> **Budgetary Entry**
> Debit 462000 Unobligated Funds Exempt from Apportionment
> Credit 414600 Actual Repayments of Debt, Current-Year Authority
>
> **Proprietary Entry**
> Debit 251000 Principal Payable to the Bureau of the Fiscal Service
> Debit 251100 Capitalized Loan Interest Payable - Non-Credit Reform
> Credit 101000 Fund Balance with Treasury

Recommendation

14. We recommend the Acting CFO coordinate with OWCP and Treasury to obtain an approved scenario for the recording of BLDTF capitalized interest.

Management's Response

"OWCP is currently working with Treasury to create a scenario for the recording of BLDTF capitalized interest. The scenario is still in the draft stage and OWCP regularly meets with Treasury to review all implications of any changes that may be required once the scenario is approved. Once both OWCP and Treasury finalize the scenario, it will need to be approved by OMB."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

10. Improvements Needed Over the Review of the Statement of Social Insurance (SOSI) Assumptions and Model

OWCP's review of the SOSI comparison of prior-year estimates to actual and the current-year model needs improvement. Specifically, the analysis prepared by management indicated that the Estimated Tax Receipts line item presented in SOSI had a variance of 10 percent when compared to actual tax receipts, which was not researched and addressed. Additionally, management did not have controls in place to validate the estimated excise tax revenue data provided by the Treasury Office of Tax Analysis (OTA) to determine if it was reasonable before using it in the current-year SOSI model.

OWCP did not have a formal process in place to research and address differences above a certain threshold in the analysis of estimated tax receipts. In addition, OWCP did not validate the estimated excise tax revenue data received from OTA because OWCP believed OTA reviewed the estimate to ensure it was reasonable. However, OWCP did not obtain any evidence that this review was occurring and operating effectively.

The deficiencies noted above increase the risk of a misstatement in the net present value of projected cash flow benefit payments, administrative costs, and income on SOSI, and impact the change in assumptions as reflected on SOSI.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, (revised December 21, 2004) – Section II, Subsection C, Paragraph 1, states:

> Control activities include policies, procedures and mechanisms in place to help ensure that agency objectives are met. Several examples include: proper segregation of duties (separate personnel with authority to authorize a transaction, process the transaction, and review the transactions); physical controls over assets (limited access to inventories or equipment); proper authorization, and appropriate documentation and access to that documentation.

GAO Standards state:

> Managers also need to compare actual performance to planned or expected results throughout the organization and analyze significant differences.

Recommendations

We recommend the Acting CFO coordinate with OWCP to:

15. Develop and implement policies and procedures to investigate and address differences greater than an appropriate threshold established by management in the look back analysis for all SOSI line items.

16. Develop and implement policies and procedures to review the estimated excise tax revenue data provided by OTA for reasonableness.

Management's Response

"OWCP and OCFO have had internal discussions on controls in place and the approach to reach out for information from OTA. Next steps include obtaining a better understanding of control processes that OTA adheres to with respect to the models in place."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

Prior-Year Comments and Recommendations Still Present in FY 2014

11. Insufficient Supporting Documentation for Certain UDOs

Certain UDOs recorded in NCFMS as of September 30, 2014, lacked sufficient supporting documentation or did not agree to the supporting documentation. Specifically, 8 of 153 errors that resulted in a known net overstatement of UDOs in the amount of $407,595 contained the following errors:

- 7 UDOs did not have sufficient supporting documentation; and
- 1 UDO balance did not agree to the supporting documentation.

As of September 30, 2014, these 8 errors resulted in a $407,595 total known net misstatement of UDO balances. Based on the sample results, the projected most likely overstatement was $104.3 million, with 93 percent confidence the errors ranged between an overstatement of $229.4 million and an understatement of $20.8 million. Had these overstatements been timely identified, we estimate that $104.3 million could have been de-obligated and made available for other purposes.

Inadequately-supported UDO balances and activities were caused by insufficient review of related documentation to ensure the amounts were correct and the transactions were supported before posting the transactions to NCFMS and by the inability to provide supporting documentation for certain UDO balances and activities.

Title 31, United States Code (31 U.S.C.), § 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.

In addition, 31 U.S.C., § 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.

GAO 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.

GAO Standards also state:

> 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.

Prior-Year Recommendations

OCFO performed analysis of abnormal accounts payable balances and had recorded correcting entries in both the subsidiary ledger and general ledger beginning with items OCFO deemed most material. As such, the following prior-year recommendation is **closed**:

- Implement a plan of action to record correcting entries in both the subsidiary ledger and the general ledger, as appropriate, based on the results of its analysis over non-federal accounts payable.

OCFO continued to research and resolve migration balances in NCFMS and implemented a formal UDO review process. As such, the following prior-year recommendations are **closed**:

- Perform an analysis of UDOs to identify remaining errors that resulted from the migration to NCFMS, and make corrections as necessary.

- Develop and implement formal policies and procedures to periodically obtain and review the results of the agencies' review of their UDOs.

- Develop and implement formal policies and procedures to describe the UDO review process, including the appropriate level of detail and minimum documentation requirements.

The following prior-year recommendations are still open:

- Work with the DOL agencies to provide training to address:
    - The minimum procedures that should be performed to complete an adequate supervisory review of transactions prior to entry in the general ledger.
    - The minimum procedures that should be performed to monitor obligation balances for validity.
    - The minimum documentation requirements needed to sufficiently support recorded transactions.

- Develop and implement policies and procedures to confirm that agencies have deobligated expired and invalid UDOs timely in the general ledger.

Current-Year Recommendations

We newly recommend the Acting CFO:

17. Develop and implement policies and procedures for all DOL agencies over the UDO review process.

18. Periodically obtain and review the results of agencies' review, validation, and correction and/or de-obligation of UDO balances to ensure sufficiency.

Management's Response

"Recommendation 17: As of May 2014, OCFO instituted the Obligation Certification Process. Support was provided to auditors in May 2014.

Recommendation 18: This has been implemented. The first review is scheduled for June 2015. Support of implementation efforts and the review plan has been provided to the auditors and is available on DCAO's intranet page. In addition, in FY 2015 the OCFO rolled out a new Performance Measurement; Obligation (UDO/DO) Analysis to evaluate the validity of the sampled obligation's balance as well as status."

Auditors' Response

Management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

12. Improvements Needed over the Preparation and Review of Journal Entries

DOL records manual journal entries throughout the year to account for certain accounting transactions and to make corrections to GL account balances, as necessary. Certain deficiencies continued to be identified during testing of a sample of 85 journal entries recorded in NCFMS for the period October 1, 2013, through August 31, 2014. Specifically, 14 of the 85 journal entries contained one or more of the following deficiencies:

- 3 instances where the entry was not recorded in accordance with the USSGL and/or applicable Federal accounting standards;

- 7 instances where the entry did not reflect the underlying events and transactions;

- 5 instances where the journal voucher was not properly and/or timely reviewed by the reviewer; and

- 3 instances where the entry was not recorded in the correct accounting period.

These errors occurred because certain agencies within DOL did not assess the materiality of the aggregated impact of all entries that were recorded to correct prior-year balances in the current fiscal year. DOL had not assessed the impact of the two FY 2014 journal entries selected for test work that related to FY 2013 activity. DOL implemented a tracking mechanism in FY 2014 to aggregate the impact on the current fiscal year's financial statements of the journal entries that were made in order to correct prior-year errors; however, the tracking mechanism was limited to journal entries made associated with the GL migration only.

Furthermore, these errors were caused by insufficient review of journal entries by authorized DOL supervisors to ensure the journal entries were properly prepared and supported before posting them to the GL. Without proper review and approval of transactions, the risk increases that a material error would not be prevented or detected and corrected in a timely manner. In addition, DOL may not be aware of the full impact on the current-year financial statements from prior-year correcting entries that were recorded in the current year.

GAO Standards state:

> 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.

Prior-Year Recommendations

The following prior-year recommendations are still open:

- Monitor journal entries and provide training to applicable supervisors to ensure they are performing sufficient reviews of journal entries and related documentation before the entries are posted.

- Develop and implement procedures for all agencies to assess the aggregate impact of all entries that were made during the current fiscal year in order to correct prior-year balances.

Management's Response

"OCFO continues performing the JV Analysis exercise on a quarterly basis. The second recommendation has been completed."

Auditors' Response

Management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

13. <u>Improvements Needed in the Reconciliation of Fund Balance with Treasury (FBWT)</u>

Based on a walkthrough in March 2014 with preparers and reviewers responsible for seven Treasury Appropriation Fund Symbols (TAFS) of the Government Wide Accounting (GWA) Account Statement reconciliation from the Bureau of Labor and Statistics (BLS) and the Occupational Safety and Health Administration (OSHA), improvement was still needed in the FBWT reconciliation process. Specifically, 177 differences were identified in the January 2014 GWA Account Statement reconciliations for BLS and OSHA that had not been resolved within three months. Some of the outstanding differences dated back to October 2010. In addition, BLS's January 2014 GWA Account Statement reconciliations identified 31 differences that did not include an explanation describing the nature of the differences.

Subsequently, OCFO updated the *DCAO Fund Balance with Treasury Procedures* to specify that all differences identified in the reconciliation process must be cleared within three months of being identified on the reconciliation. In addition, improvements were made in resolving the number of TAFS with outstanding prior-period differences. Furthermore, the *DCAO Fund Balance with Treasury Procedures* indicate that, beginning with March 2014 reconciliations, any difference of $1 million or more must have a corrective action plan that includes details of how the difference will be resolved within 90 days.

Many of the differences in excess of three months were attributable to the implementation of NCFMS that occurred in FY 2010. In addition, DCAO management indicated some of the more recent differences were caused by improper mapping of employee accounting lines to NCFMS. Specifically, the Office of Financial Systems translated raw payroll files from NFC's database on a weekly basis and attached NCFMS accounting lines with each transaction. However, occasional manual input errors caused some employees to be entered into the system without an associated accounting line.

Because DCAO did not dedicate resources to developing and publishing updated FBWT procedures until the end of the second quarter of FY 2014, reconciliations completed prior to that time were not subject to the three-month timeframe and $1 million threshold. In addition, the current FBWT procedures did not specify that each difference identified in the reconciliation process must have a documented explanation describing the nature of the difference.

DCAO established a timeline in March 2014 to resolve all prior-year differences by September 30, 2014. Differences that are not properly researched and resolved timely compromise the reliability of FBWT balances, other USSGL account balances contra to the USSGL 101000 account, and the Treasury's published financial reports.

TFM March 2012, Volume 1, Part 2, Chapter 5100, states:

> Monthly, they (agencies) must reconcile the USSGL account 1010 balances for each fund symbol with FMS's records…Agencies should document their reconciliations and make them available to auditors and Treasury if requested. Agencies also should ensure that all adjustments are researched and traceable to supporting documents.

Furthermore, TFM states:

> Each financial system's policies and procedures should provide for regular and routine reconciliation of G/L accounts, thorough investigation of differences, determination of specific causes of differences, and initiation of corrective action.

GAO 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.

Treasury's *FBWT Reconciliation Procedures, A Supplement to the TFM, 1TFM 2-5100 March 2012* (Reconciliation Procedures), state:

> Federal agencies must research and resolve differences reported on the monthly FMS 6652. They also must resolve all differences between the balances reported on their G/L FBWT accounts and balances reported on the GWA Account Statement. Financial Management Service notifies agencies of their deposit and disbursement differences on an FMS 6652. The Cash Analysis Branch (CAB) sends agencies' CFOs a scorecard letter that provides a certain rating (scoring) on the accuracy and timeliness of an agency's reconciling efforts should an agency have differences older than 3 months.

DCAO Fund Balance with Treasury Procedures, Version 4, March 19th, 2014 state:

> Items which are identified on the reconciliation, going forward, have up to three months to be cleared from the reconciliation.

Prior-Year Recommendations

In March 2014, OCFO updated the DCAO *Fund Balance with Treasury Procedures* to require all differences in the reconciliation process be cleared within 3 months and specified a threshold for identifying and resolving differences. As such, the following prior-year recommendations are **closed**:

- Enhance DOL's GWA Account Statement reconciliation policies and procedures to specify that differences in the reconciliation process be resolved within three months.

- Specify a threshold for identifying significant differences in the monthly GWA reconciliation that will be prioritized for resolution and periodically review the threshold for reasonableness.

Current-Year Recommendations

Although the actions taken were sufficient to close the prior-year recommendations, additional actions are needed based on our current year testing related to FBWT reconciliations. As such, we newly recommend the Acting CFO:

19. Monitor DOL agencies' efforts to properly resolve prior-year differences in accordance with DCAO's established timeline.

20. Enhance the DCAO Fund Balance with Treasury Procedures to specify that all differences identified in the reconciliation process must have an explanation describing the nature of the difference, the action plan for solving the difference, and expected date of resolution within the three-month time period.

Management's Response

"OCFO will revise the FBWT reconciliation template to include a corrective action plan for these sections. OCFO also updated the procedures to state that all differences other than payroll and grants must have a complete corrective action plan."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

14. <u>Improvements Needed in the Monthly Statement of Differences (FMS 6652) Process</u>

OCFO made progress in addressing prior-year recommendations related to the monthly FMS 6652 process. However, based on testing of 5 FMS 6652 reconciliations and related supervisory reviews for the month of January 2014, improvement was still needed in the reconciliation process. Specifically, the following errors were identified:

- 2 Agency Location Codes (ALC), 16012004 and 16012014, had outstanding differences related to prior months that were not resolved within three months.

- 5 January reconciliations for 3 ALCs, 16012004, 16012005, and 16012014, did not include evidence to support that the cause was identified and appropriate corrective action was initiated for each difference.

Due to the government shutdown in October 2013, and competing priorities related to year-end tasks, the balances were not cleared timely. Differences that are not properly researched, documented, and resolved timely compromise the reliability of FBWT balances, other USSGL account balances contra to the USSGL 101000 account, and Treasury's published financial reports.

TFM March 2012, Volume 1, Part 2, Chapter 5100, states:

> Agencies should reconcile FBWT accounts at least monthly. They should have written standard operating procedures to direct and document the correct reconciliation. Agencies should document their reconciliations and make them available to auditors and Treasury if requested. Agencies also should ensure that all adjustments are researched and traceable to supporting documents.

Treasury's *FBWT Reconciliation Procedures, A Supplement to the TFM, 1 TFM 2-5100 March 2012* (Reconciliation Procedures), state:

> Agencies must research and resolve *all* differences…

The Reconciliation Procedures also state:

> Each financial system's policies and documented procedures should provide for regular and routine reconciliation of General Ledger accounts, thorough investigation of differences, determination of specific causes of differences, and initiation of corrective action.

Furthermore, the Reconciliation Procedures state:

> Federal agencies must research and resolve differences reported on the monthly FMS 6652…Cash Analysis Branch sends agencies' Chief Financial Officers a scorecard letter that provides a certain rating (scoring) on the accuracy and timeliness of an agency's reconciling efforts should an agency have differences older than 3 months.

GAO 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.

Prior-Year Recommendations

OCFO, ETA, and the Office of the Assistant Secretary for Administration and Management (OASAM) implemented corrective action to resolve all prior-period differences. As such, the following prior-year recommendation is **closed**:

- Dedicate appropriate resources to resolve all prior period differences, consulting with Treasury personnel as needed.

OCFO updated the *SF-224 Reporting Procedures* in February 2014 to require the resolution of all differences within three months and a timeline for following up with agencies that do not submit the reconciliations by the due date. As such, the following prior-year recommendations are **closed**:

- Enhancements are made to department-wide policies and procedures over the FMS 6652 reconciliation process to specifically require the resolution of all FMS 6652 differences within three months, in accordance with Treasury's Reconciliation Procedures.

- Update the SF-224 Reporting Procedures Manual to include a requirement that follow-up with agencies that do not submit the FMS 6652 reconciliations by the established due date occur the day after the reconciliation is due.

The following prior-year recommendation is still **open**:

- Follow department-wide policies and procedures over the FMS 6652 reconciliation process to perform, document, and review timely monthly FMS 6652 reconciliations to demonstrate that differences identified on the Statement of Differences reports have been sufficiently investigated and timely resolved.

Management's Response

"OCFO continues to work with the DOL component agencies to ensure that the FMS 6652 differences are resolved in a timely manner."

Auditors' Response

Management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

15. <u>Improvements Needed in Certain Financial Reporting Matters</u>

OCFO made progress in addressing prior-year recommendations related to the financial reporting process. Specifically, OCFO expanded future years' MD&A to include forward-looking information identified in Statement of Federal Financial Accounting Standards (SFFAS) No. 15, and OMB Circular A-136. In addition, DOL implemented an internal timeline for agencies to provide performance measure information to allow for sufficient time for OCFO review. However, deficiencies continued to exist in certain financial reporting matters. During testing over the financial reporting process for both the financial statement audit and the subsequent closing package submission to Treasury, the following deficiencies were noted:

Financial Statement Audit

OCFO did not develop or implement formal policies and procedures to assess the aggregate impact of correcting prior-year errors in the current year and to document the materiality analysis of such errors. Management believed an informal process that was already in place was sufficient and that implementing formal policies and procedures was not necessary. The lack of formal policies and procedures to assess the aggregate impact of correcting prior-year errors in the current year and to document the materiality analysis of such errors may result in a material misstatement in the current-year financial statements. If these errors are not properly researched and analyzed to assess the qualitative and quantitative effect on the overall financial statements, their inclusion in current-year data may be misleading for users of the financial statements.

Additionally, OCFO did not formally document the process for promptly researching and resolving significant financial reporting issues that are identified. Management continued to believe the informal process established during FY 2012 was sufficient and that documenting the process was not necessary. The lack of formally-documented policies and procedures over significant financial reporting issues increases the risk that controls necessary to ensure the financial statements are properly stated and presented in conformity with generally accepted accounting principles may not be performed or not performed properly. This situation could ultimately lead to errors in the financial statements.

Furthermore, OCFO was unable to provide sufficient supporting documentation for certain program data reported in the Program Performance Overview section of MD&A. OCFO had difficulty obtaining detailed information from the applicable agencies. The lack of sufficient supporting documentation for the information presented in MD&A may lead to inaccurate performance reporting and inconsistencies in the presentation of MD&A in relation to the financial statements as a whole.

GAO 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.

GAO Standards also state:

> Management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into and an integral part of operations.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, states:

> Control activities are the policies and procedures that help ensure that management directives are carried out and that management's assertions in its financial reporting are valid.

Closing Package

OCFO did not have a sufficient process in place to review the closing package modules. Specifically, during review of the FR Notes Report, module 6 of the closing package, the following weaknesses were identified:

- UDOs were improperly presented on Note 19C – Commitments, Operating Leases, and UDOs as Operating Leases. In addition, although it was noted during the consolidated financial statement audit that 6 of 153 UDOs tested at September 30, 2014, were with federal vendors, OCFO classified all UDOs as non-federal in the Note.

- No evidence existed of data validation in the current year regarding the collection rates used to calculate the information in Note 16 – Collections and Refunds of Federal Revenue.

In addition, OCFO did not develop and implement procedures to identify, analyze, and document significant fluctuations in closing package data from year to year as recommended in the prior year.

Although OCFO personnel indicated they determined the federal portion of UDOs to be immaterial based on a percentage of obligations incurred for the current year (4 percent per the unaudited FY 2014 schedule of spending), and as such, did not present the federal and nonfederal amounts separately, DOL did not document this analysis prior to our inquiry.

OCFO personnel did not have policies and procedures in place to validate that all reclassified amounts were presented on the appropriate lines in accordance with TFM Part 2 – Chapter 4700, or to assess the assumptions used to prepare the closing package in the current year. In addition, OCFO personnel indicated they did not believe formal policies and procedures were required in order to complete the closing package.

The lack of sufficient review over the closing package may result in undetected errors that would impact the government-wide financial statements.

Based on the sample used in the substantive UDO testing in the consolidated financial statement audit, the nonfederal UDO balance in Note 19C of the closing package was overstated by a known error of $7,048,250, and a most likely error of $57,583,015.

GAO 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.

GAO Standards also state:

> Management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into and an integral part of operations.

Furthermore, GAO 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, 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.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, states:

> Control activities are the policies and procedures that help ensure that management directives are carried out and that management's assertions in its financial reporting are valid.

TFM Part 2 – Chapter 4700, Section 4705, states:

> List Closing Package line item amounts identified as Federal (items to be eliminated in the Government wide consolidation) by trading partner and amount.

Prior-Year Recommendations

DOL expanded future years' MD&A to include forward-looking information identified in SFFAS No. 15 and OMB Circular A-136. In addition, DOL implemented an internal timeline for agencies to provide performance measure information to allow for sufficient time for OCFO review. As such, the following prior-year recommendations are **closed**:

- Expand future years' MD&A to include forward-looking information identified in SFFAS No. 15 and OMB Circular A-136.

- Analyze and revise internal timelines for agencies to provide performance measure information to OCFO for the MD&A in order to allow sufficient time for OCFO to review and coordinate any appropriate changes to the submitted information.

The following prior-year recommendations are still **open**:

- Document the process for promptly researching and resolving significant financial reporting issues that are identified.

- Develop and implement formal policies and procedures to assess the aggregate impact of correcting prior-year errors in the current year and to document the materiality analysis of such errors.

- Develop and implement procedures to identify, analyze, and document significant fluctuations in closing package data from year to year.

Current-Year Recommendations

We are newly recommending the Acting CFO:

21. Validate and document the immateriality determinations made related to required disclosures and the completeness and accuracy of the data used to make such determinations.

22. Validate that the reclassified amounts are presented on the appropriate lines in accordance with TFM Part 2 – Chapter 4700.

23. Assess the assumptions used to prepare the closing package.

Management's Response

Financial Statement Audit

"OCFO has developed formal procedures to assess the aggregate impact of correcting PY errors in the CY and the documentation of the materiality analysis performed regarding such errors.

OCFO will amend current procedures to include a general approach to the process of researching and resolving significant financial reporting issues that are identified.

During the process of requesting MD&A information from the agencies, OCFO will communicate to the agencies the need for substantive supporting documentation for the Program Performance Overview section."

Closing Package Audit

"OCFO believes the Closing Package was properly completed with regards to the non-federal UDO balance in Note 19C. The federal UDO balances are reviewed every year, similar to what was done in the prior year. The federal UDO balances in FY 2014 were determined to be immaterial and disclosed properly in Note 19C of the FY 2014 Closing Package.

OCFO agrees the collection rates used to calculate the amounts used in Note 16, Collections and Refunds of Federal Revenue, were not recently validated with Treasury. OCFO is currently working with Treasury and ETA to confirm the proper rates and/or methodology that should be utilized in the preparation of this note.

OCFO will amend current procedures to include a general approach to the proper review of the Closing Package modules."

Auditors' Response

Management indicated that actions have or will be implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

16. Lack of Policies and Procedures and Untimely Initiation of Background Investigations

OASAM Security Center's Division of Personnel Security (DPS) implemented interim procedural changes to the background investigation process while updates and monitoring procedures to address prior-year recommendations were in process. During a walkthrough to gain an understanding of the interim process with DPS, we noted a new DOL employee had an effective date of employment on December 11, 2013;

however, as of May 23, 2014, no Previous Investigation Check (PIC) form had been received by the OASAM Security Center, and no background investigation had been initiated. In addition, DOL did not have a comprehensive list of contractors from which to select an appropriate sample for testing purposes.

DOL did not have a consistent, department-wide process to effectively monitor compliance with Title 5, Code of Federal Regulation (5 CFR), Section 731.106. Because of the decentralized nature of DOL agencies, the persons in charge of hiring in each agency did not follow consistent procedures regarding the timely completion of PIC forms and notification to the OASAM Security Center. Consequently, the OASAM Security Center could not ensure a complete listing from which to initiate background investigations.

Without sufficient policies and procedures to enforce and to monitor the timeliness of the initiation of background investigations for DOL employees and contractors, DOL may not be in compliance with 5 CFR, Section 731.106. Furthermore, DOL may have placed individuals in positions without initiating a timely background investigation, putting DOL's information and financial systems at risk.

5 CFR, Section 731.106(c) – *Designation of Public Trust Positions and Investigative Requirements,* states:

> (1) Persons receiving an appointment made subject to investigation under this part must undergo a background investigation. Office of Personnel Management (OPM) is authorized to establish minimum investigative requirements correlating to risk levels. Investigations should be initiated before appointment but no later than 14 calendar days after placement in the positions.

The DOL *Personnel Suitability and Security Handbook*, Chapter 2, Section 1, part D, states:

> DOL requires an investigation to be initiated before an individual first enters on duty with the Department, or at the most, within 14 calendar days of placement (5 CFR 731.106) in the positions.

Additionally, Chapter 4, Section 2, states:

> The personnel suitability and security program requirements that apply to DOL employees also apply to contractor employees, as well as to other persons who have such access by virtue of an agreement between a DOL Agency and another party.

Furthermore, Chapter 4, Section 3, Part C, states:

> The DOL Agency Heads, or their designees, are responsible for the operation of the Personnel Suitability and Security Program as it relates to contractor employees engaged in work for their respective organizations, including the following:
>
> - Ensure that a contractor employee is not allowed to work, unless he or she has completed all required documentation to initiate the investigation
>
> - Ensure that the appropriate level of investigation for each contractor applicant or employee is initiated before or shortly after he or she begins work

Prior-Year Recommendations

The following prior-year recommendations are still **open**:

- Dedicate appropriate resources to update current policies and procedures to (a) reflect current roles and responsibilities; (b) specify the appropriate time period for completing and reviewing the PIC form; and (c) implement monitoring procedures over the bi-weekly report of all recent Federal hires and the status of each new employee's background investigation.

- Develop and implement department-wide policies and procedures to monitor the initiation of background investigations for DOL employees and contractors. Specifically, these policies and procedures should address (a) the development and maintenance of a tracking mechanism for all employees and contractors placed into position that captures their start dates and dates of background investigation initiation, and (b) monitoring activities to be performed by the OASAM to ensure compliance with 5 CFR, Section 731.106, and DOL policies for employees and contractors.

Current-Year Recommendations

To improve controls related to background investigations, we recommend the Acting CFO coordinate with OASAM to:

24. Communicate new policies and procedures, including timeliness requirements, to each Human Resource Officer responsible for initiating and tracking background investigations within his/her agency.

25. Train Human Resource Officers and contracting officers' representatives to ensure a full understanding of their roles and responsibilities in

accordance with the updated Personnel Security and Suitability Handbook.

Management's Response

"Recommendation 24: The Security Center has 1 FTE to update current policies and procedures via the Personnel Security and Suitability Handbook (PSSH). The PSSH was not distributed for clearance due to an upcoming change in the Code of Federal Regulations, which will have an impact on DPS, HR, and the investigations process. In December, the Office of Personnel Management posted 5 CFR 1400, Designation of National Security Positions in the Competitive Service, in the Federal Register. Since this CFR will impact the investigation process, the PSSH needed to be updated to incorporate the new provisions.

Timeliness requirements have been incorporated in DPS employees' FY 2015 performance standards. The eQIP program manager will assess the biweekly reports and meet quarterly with HR offices to discuss timeliness.

Recommendation 25: The new PSSH will give the department an opportunity to review the new policy and provide comments/questions. DPS is now participating in monthly [Human Resource Officer] HRO conference calls and will discuss roles and responsibilities once the new PSSH has been cleared.

As reported previously, the current Case Incoming Log was updated and now contains the recommended data to be captured and monitored."

Auditors' Response

Management indicated that actions have or will be implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

17. Ineffective Controls over Single Audit Report and Desk Review Tracking

OIG made progress in implementing corrective actions to address the prior-year recommendation. However, based on our testing of a sample of 58 single audit reports, improvement was still needed in the single audit and desk review tracking process. Specifically, the following errors were identified:

- One report did not identify and report the correct number of applicable DOL findings to the respective agency.

- Three reports within the OIG's Single Audit Tracking spreadsheet did not have correct dollar values for the amounts audited per the audit report obtained from the Federal Audit Clearinghouse.

- Three reports recorded on the spreadsheet did not have the correct number of findings and/or questioned costs reported. The OIG subsequently corrected the applicable entries after they were identified during the audit.

OIG's supervisory review procedures in place were not sufficient to ensure all Single Audit reports from FAC were included within its Single Audit Tracking spreadsheet or to ensure dollars audited, single audit findings, and questioned costs were identified and tracked.

Excluding Single Audit reports from the Single Audit Tracking spreadsheet hinders OIG's desk review process, which may result in applicable audit findings and questioned costs not being identified and reported to the applicable agencies for resolution. Furthermore, failure to maintain reliable data within the Single Audit Tracking spreadsheet can limit management's ability to generate accurate and timely information for decision-making purposes.

Single Audit Act Amendments of 1996, Section 7502 (f)(1)(B), states:

> Each Federal Agency which provides Federal awards to a recipient shall…review the audit of a recipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the recipient by the Federal agency.

OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Subpart D, Section 400(c), states that federal awarding agencies should perform the following for the federal awards they make:

- Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part.

- Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action.

GAO Standards state:

> Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and

> accountability for stewardship of government resources and achieving effective results.

GAO 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.

DLMS 8, *Audit Resolution, Closure and Follow-up*, Chapter 513(F), states in part that the Inspector General is responsible for:

- Maintaining the official DOL system for tracking OIG audits from issuance through resolution and implementation of corrective action, including debt collection.

Prior-Year Recommendation

Management updated the single audit desk review procedures and we consider the following recommendation **closed**:

- Ensure single audit desk review procedures are updated to include a supervisory review process that ensures all applicable reports from the Federal Audit Clearinghouse are identified, reviewed, accurately tracked, and resolved.

Current-Year Recommendation

To improve controls over single audit report and desk review tracking, we recommend the Acting CFO coordinate with OIG's Assistant Inspector General for Audit to:

26. Enhance the supervisory review process to ensure all applicable reports from the Federal Audit Clearinghouse are identified, reviewed, accurately tracked, and reported to the applicable agency.

Management's Response

Management concurred with the finding and provided the following response.

"Management will convene a working group to review the supervisory review process and identify improvements needed to ensure all applicable reports from the Federal Audit Clearinghouse are identified, reviewed, accurately tracked, and reported to the applicable agency. All needed improvements identified will be put into place by May 31, 2015.”

Auditors’ Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

18. Insufficient Supporting Documentation for Contracts

Based on testing a sample of 58 contracts from NCFMS in determining the DOL’s compliance with the Federal Acquisition Regulation (FAR), OASAM did not provide relevant information for one contract to support that the contract complied with FAR solicitation requirements.

OASAM personnel had not maintained adequate documentation to support that the contract complied with FAR solicitation requirements. In addition, the OASAM contracting officer lacked sufficient oversight to ensure contracts were in compliance with FAR. DOL was not in full compliance with FAR, Subpart 6.1, Full and Open Competition; and Subpart 13, Simplified Acquisition Procedures.

FAR, Subpart 6.1 – Full and Open Competition, states:

> FAR, 6.101 – Policy
>
> (a) 10 U.S.C. § 2304, and 41 U.S.C. § 253, require, with certain limited exceptions (see Subpart 6.2 and 6.3), that contracting officers shall promote and provide for full and open competition in soliciting offers and awarding Government contracts. (b) Contracting officers shall provide for full and open competition through use of the competitive procedure(s) contained in this subpart that are best suited to the circumstances of the contract action and consistent with the need to fulfill the Government’s requirements efficiently (10 U.S.C. § 2304, and 41 U.S.C. § 253).

In addition, FAR, Subpart 13 – Simplified Acquisition Procedures, states:

> FAR, 13.106-3 – Award and documentation
>
> (b) *File documentation and retention*. Keep documentation to a minimum. Purchasing offices shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes. The following illustrate the extent to which quotation or offer information should be recorded:

(1) *Oral solicitations*. The contracting office should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.

(2) *Written solicitations* (see 2.101). For acquisitions not exceeding the simplified acquisition threshold, limit written records of solicitation or offers to notes or abstracts to show prices, delivery, references to printed price lists used, the supplier or suppliers contacted, and other pertinent data.

(3) *Special Situations*. Include additional statements— (i) Explaining the absence of competition if only one source is solicited and the acquisition does not exceed the simplified acquisition threshold (does not apply to an acquisition of utility services available from only one source); or (ii) Supporting the award decision if other than price-related factors were considered in selecting the supplier.

GAO 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.

Prior-Year Recommendations

The following prior-year recommendations are still **open**:

- Enforce minimum documentation requirements to support compliance with the FAR.

- Develop and implement monitoring procedures to ensure compliance with the FAR regarding competitive contracts.

Management's Response

"The Office of Contracts Management (OCM) will ensure better documentation and file management in all acquisitions regardless of contract value. OCM recently implemented an internal file review process that will not only assist Contract Specialists and

Contracting Officers with proper file maintenance, but will also serve as an accountability mechanism."

Auditors' Response

Management indicated that actions have been implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

19. Lack of Advisory Council on Unemployment Compensation

DOL was not in compliance with Section 908 of the *Social Security Act* (SSA), which requires the Advisory Council on Unemployment Compensation (Advisory Council) to meet every four years. The last meeting of the Advisory Council was in 1997. 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 DOL to establish an advisory council at his/her discretion, instead of every four years. Congress has not yet approved this amendment.

ETA proposed another amendment for submission to Congress, which had not been approved by DOL's Office of the Secretary, which would change the requirement.

As such, DOL was not in compliance with SSA, Section 908, which 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.

Prior-Year Recommendation

The following prior-year recommendation is still **open**:

- Comply with Section 908 of the SSA.

Management's Response

Management concurred with the comment and provided the following response.

"Management is working to have the proposed amendment sent to Congress for action."

Auditors' Response

Management indicated that actions will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether corrective actions have been developed and implemented.

20. Unsupported and/or Incorrect Expenses

Certain non-benefit, non-payroll expense transactions recorded in NCFMS for the year ended September 30, 2013, lacked supporting documentation or were incorrectly recorded. Specifically, the following errors were identified during testing of 159 transactions:

- 2 transactions where supporting documentation did not agree with the expense amount recorded in NCFMS.
- 8 transactions that were recorded under an object class code that was not defined within the *Fiscal Year 2014 Departmental Management NCFMS Accounting Classification Booklet*.
- 2 transactions for which the document type was omitted.
- 2 transactions that were assigned an incorrect fund or object class code.

The errors lacking sufficient documentation occurred because proper monitoring procedures were not in place to ensure transactions posted to the GL were adequately supported. These errors resulted in a known and projected overstatement of $5,586 of total non-benefit, non-payroll expenses as of September 30, 2014.

Additionally, a proper review process was not in place to ensure NCFMS manuals were updated with current and complete information for both manual adjustments and journal entries. Furthermore, related expense transactions were not entered properly into the system, and the review process was not sufficient to ensure that all expense identifiers were properly recorded. Failure to ensure NCFMS manuals were updated with current and complete information and failure to record transactions with the proper identifiers increase the risk that expenses are misclassified and will not be included in appropriate management reports.

GAO 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, GAO Standards state:

> 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.

Prior-Year Recommendations

DOL implemented procedures to ensure grant accrual reversals are completed on the same date as the regular grant journal entry. In addition, DOL included within its fiscal year-end close process monitoring procedures related to the receipt of goods and follow-up procedures with contracting officer representatives as needed. As such, the following prior-year recommendations are **closed**:

- Review the current procedures for grant accrual reversals within NCFMS and develop procedures that require accrual reversals prior to the recording of actual cost reports.

- Develop and implement procedures to determine if invoices received prior to year end that could not be processed until the next fiscal year were properly included in the applicable expense accrual (e.g., though a look-back analysis in the case of accrual estimates).

Certain agencies within DOL did not assess the materiality of the aggregated impact of all entries that were recorded to correct prior-year balances in the current fiscal year. As such, we closed the following recommendation made in last year's Management Advisory Comments as unimplemented:

- Develop and implement a process to identify and accumulate prior-period errors that management determined to be immaterial and corrected through the current-year activity. Management's assessment should be documented.

We issued an alternative recommendation in the comment, *Improvements Needed over the Preparation and Review of Journal Entries*.

The following prior-year recommendation is still **open**:

- Develop and implement monitoring controls to ensure that individuals are performing sufficient reviews of expenses and related documentation prior to posting to ensure they are adequately supported and that the correct amounts and attributes are recorded.

Current-Year Recommendations

To improve the recording of expenses, we recommend the Acting CFO:

27. Update the Departmental Management NCFMS Accounting Classification Booklet to include all object classes used in the daily operations of DOL, including those for manual adjustments and journal entries.

Management's Response

Management concurred with the finding and provided the following response.

"Management will develop and implement monitoring controls to ensure individuals are performing sufficient reviews of expenses and related documentation before and after the transactions are posted to ensure they are adequately supported and that the correct amounts and attributes are recorded. OCFO provided refresher training for staff on January 13, 2015, and will continue to conduct meetings/communications with contracting officer representatives and client agencies to ensure greater understanding of the use of the applicable process. The Departmental Management NCFMS Accounting Classification Booklet was updated to include object classes used in the daily operations of DOL, including those for manual adjustments and journal entries."

Auditors' Response

Management indicated that actions have or will be implemented to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2015 to determine whether the corrective actions were developed and implemented.

Prior-Year Comments and Related Recommendations Closed in FY 2014

The following 9 comments reported in the *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2013*, dated March 31, 2014, were closed in FY 2014.

Prior-Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2013 MAC	Recommendation(s) Reported in the FY 2013 MAC
2013-02	2013	Improper Design of the Funds Check Control	We recommend the Acting CFO develop and implement an automated log of instances of the manual override of the funds controls and related management review procedures. Until an automated solution can be achieved, enhance policies and procedures to include procedures addressing the completeness of the listing of instances of the manual override of the funds control.
2013-03	2013	Deficiencies in OJC Reconciliation Controls between the HHS-PMS and the Department's NCFMS	Until the transfer of OJC contracts to the NCFMS Accounts Payable module is complete, we recommend the Acting CFO coordinate with the Assistant Secretary for Employment and Training to ensure: 1. The completeness and accuracy of the OJC HHS-PMS reconciliation. 2. The OJC HHS-PMS reconciliation is reviewed by an individual other than the preparer and that this review is documented.
2013-04	2013	Insufficient Review and Approval of Initial Grant Awards and Subsequent Grant Award Modifications	We recommend the Acting CFO coordinate with the respective agencies to ensure: 1. Procedures for BLS grants are developed and implemented to clearly demonstrate appropriate segregation of duties in the grant award and modification process. 2. The Assistant Secretary for Veterans' Employment and Training and the Assistant Secretary of Occupational Safety and Health work with the Assistant Secretary for Employment and Training to research and identify why E-Grants does not consistently require an accountant's review prior to a grant modification's approval, and implement

Prior-Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2013 MAC	Recommendation(s) Reported in the FY 2013 MAC
			appropriate corrective action.
2013-06	2013	Review of the Reconciliation of Unemployment Trust Fund Ending Balances to Bureau of Public Debt (BPD) Ending Balances	We recommend the Acting CFO develop and implement policies and procedures related to the documentation requirements when differences are identified in performing the reconciliation of UTF to BPD ending FBWT.
2013-07	2013	Improvements Needed over the Calculation of Net Present Values Used in the Statement of Social Insurance	We recommend the Acting CFO design OCFO's net present value calculation of projected cash flows for the Black Lung program to properly calculate average duration of cash flows, and utilize the interest rates published by Treasury as of the start of the projection period for Treasury loans to government agencies.
2013-11	2012	Recording of Budgetary and Proprietary Entries for Appropriations	We recommend the Acting CFO assign one agency to be responsible for recording both the budgetary and proprietary journal entries. Or if separate agencies continue to record the entries, develop and implement procedures that require those agencies to coordinate appropriately to ensure simultaneous recording.
2013-15	2011	Improvements Needed in Property, Plant, & Equipment Controls	We recommend the Acting CFO: 1. Complete efforts to configure NCFMS to timely record PP&E additions and deletions and accurately calculate current-year and accumulated depreciation. 2. Develop and implement policies and procedures requiring the contracting officer's representative to notify accountants of the substantial completion of a project within a specified timeframe (e.g., within five business days of certifying substantial completion). 3. Develop and implement procedures to inventory land on a periodic basis. 4. Develop and implement review procedures to ensure that a complete set of supporting documentation for each PP&E addition is readily available.

Prior-Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2013 MAC	Recommendation(s) Reported in the FY 2013 MAC
2013-16	2012	Improvements Needed over the Review and Reconciliation of Payroll-related Information Provided by the U.S. Department of Agriculture National Finance Center	We recommend the Acting CFO coordinate with OASAM to develop policies and procedures to: 1. Reconcile deduction data provided by NFC on a bi-weekly basis to DOL's records to arrive at an employee's net pay and total benefits expense. 2. Monitor Human Resource Offices to ensure compliance with ICD HRC-3 procedures.
2013-18	2011	Deficiencies Noted in the Preparation of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Draft Assurance Statement	We recommend the Acting CFO: 1. Enhance documentation of DOL's final internal control assessment and related rationale. 2. Enhance documentation of DOL's consideration of relevant external audit results. 3. Enhance the FMFIA process to include additional testing of controls for DOL IT systems to ensure all significant deficiencies and material weaknesses are identified.

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Appendix A

Acronyms and Abbreviations

Advisory Council	Advisory Council on Unemployment Compensation
AFR	Agency Financial Report
ALC	Agency Location Code
AR	Accounts Receivable
BLDTF	Black Lung Disability Trust Fund
BLS	Bureau of Labor Statistics
CFO	Chief Financial Officer
BPD	Bureau of Public Debt
CFR	Code of Federal Regulations
DCAO	Division of Central Accounting Operations
DLMS	Department of Labor Manual Series
DOL	United States Department of Labor
DPS	Division of Personnel Security
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
FBWT	Fund Balance with Treasury
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMS 6652	Statement of Differences
GAO	Government Accountability Office
GAO Standards	Government Accountability Office's *Standards for Internal Control in the Federal Government*
GL	General Ledger
GWA	Government-wide Accounting
HHS-PMS	U.S. Department of Health and Human Services – Payment Management System
ICD	Internal Control Directive
IT	Information Technology
MD&A	Management's Discussion and Analysis
NCFMS	New Core Financial Management System
NFC	National Finance Center
OASAM	Office of the Assistant Secretary for Administration and Management
OCFO	Office of the Chief Financial Officer
OFA	Office of Financial Administration
OIG	Office of Inspector General
OJC	Office of Job Corps
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSHA	Occupational Safety and Health Administration
OTA	Office of Tax Analysis
OWCP	Office of Workers' Compensation Programs

PIC	Previous Investigation Check
PP&E	Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards
SOP	Standard Operating Procedures
SOSI	Statement of Social Insurance
SSA	Social Security Act
TAFS	Treasury Appropriation Fund Symbol
TFM	Treasury Financial Manual
Treasury	United States Department of the Treasury
U.S.	United States
UDO	Undelivered Order
U.S.C.	United States Code
USSGL	U.S. Standard General Ledger
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service

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