U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICES OF THE CHIEF FINANCIAL OFFICER AND THE CHIEF INFORMATION OFFICER

MANAGEMENT ADVISORY COMMENTS IDENTIFIED IN AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Carolyn R. Hantz

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

Date Issued:	**January 30, 2023**
Report Number:	**22-23-005-13-001**

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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 and its sustainability financial statements as of and for the year ended September 30, 2022, and issued its *Independent Auditors' Report* on December 13, 2022. 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. 22-01, *Audit Requirements for Federal Financial Statements*. The objective of the audit engagement was to express opinions on the fair presentation of DOL's consolidated financial statements and its sustainability financial statements.

This report is presented for DOL's consideration of certain matters KPMG noted, as of December 13, 2022, involving deficiencies in internal control identified during the audit. KPMG prepared this report to assist DOL in developing corrective actions for the management advisory comments identified in the Fiscal Year (FY) 2022 audit.

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 three comments newly identified in FY 2022 and five prior year comments that continued to exist in FY 2022. Also included in this report are four prior year comments KPMG determined were corrected and closed during FY 2022. See Table 1 for a summary of comments by audit area.

Table 1: Summary of Comments by Audit Area

Audit Areas	New Comments Identified in FY 2022	Prior Year Comments Still Present in FY 2022	Prior Year Comments Closed in FY 2022
Financial Reporting			1
Unemployment Trust Fund		1	
FECA	1		
Energy		1	
Black Lung	1		1
Entity Wide			1
Grants	1	2	
Information Technology		1	1
Totals	**3**	**5**	**4**

Source: Based on comments in Exhibit I and Exhibit II

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

December 13, 2022

Mr. Kevin Brown, Deputy Chief Financial Officer
Mr. Gundeep Ahluwalia, Chief Information Officer
United States Department of Labor
Washington, DC 20210

Mr. Brown and Mr. Ahluwalia:

In planning and performing our audit of the United States Department of Labor's (DOL) consolidated financial statements and its sustainability financial statements as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, we considered DOL's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on these financial statements, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated December 13, 2022, on our consideration of DOL's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be a material weakness.

KPMG

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. During our audit, we identified certain deficiencies in internal control. These comments and recommendations are summarized in Exhibit I.

Prior year comments and recommendations that were closed in fiscal year 2022 are summarized in Exhibit II.

DOL's responses to the comments and recommendations identified in this letter are presented in Exhibit I. DOL's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and sustainability financial statements, and accordingly, we express no opinion on the responses.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

Comments and Recommendations

New Financial Comments and Recommendations Identified in Fiscal Year 2022

1. Insufficient Review of Continuing Eligibility for Existing Federal Employees' Compensation Act (FECA) Claims

During our current year audit procedures, we noted the Office of Workers' Compensation Programs' (OWCP) control related to the claim examiner's (CE) review of claims to verify the claimants' continuing eligibility to receive benefits was not operating effectively. Specifically, for a sample of 88 claims, we identified the following:

- For one claim, the CE reviewed the CA-12 form, an annual form that claimants and beneficiaries complete in order to continue compensation, as evidence in the Integrated Federal Employees' Compensation System (iFECS) but did not mark the Periodic Entitlement Review (PER) as completed in the system.
- For one claim, the claimant submitted the required CA-12 form; however, the CE did not detect that the form is in iFECS and incorrectly suspended benefits in the amount of $561.98. After we raised the issue, OWCP processed the previously suspended payments.

The above instances occurred because OWCP did not have monitoring controls in place to determine that the CEs' claims reviews were performed in accordance with the FECA Procedure Manual (Manual).

Ineffective controls over the review of continuing eligibility increases the risk of errors in benefit payments made to claimants.

Section 2-0812(5) of the Manual states:

> Monitoring Claims on the Periodic Roll. After payment has begun, the CE is responsible for obtaining medical and non-medical evidence to determine continued entitlement. The CE is responsible for annual review of cases on the periodic roll to ensure that payments are correct and that continuing entitlement is substantiated in the file.

The GAO Standards, Principle 16, *Perform Monitoring Activities,* states:

> Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

Current Year Recommendations

We recommend that the Director of OWCP:

1. Develop and provide training to claims examiners to reinforce the policies and procedures related to performing PER reviews; and

2. Design and implement policies and procedures to monitor that the claims examiner reviews are performed in accordance with the Manual.

Management's Response

While management concurs with the findings, the 2 findings were isolated instances; therefore, management does not concur with the recommendations. The FECA program already has a robust training regimen and conducts internal performance reviews. As errors are found they are shared with the Claims Examiner, and further training will be provided as needed to the Claims Examiner.

Auditors' Response

Management concurred with the finding, but not the recommendations. However, management indicated that action will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

2. <u>Ineffective Review of Continuing Eligibility for Black Lung Claims</u>

During our audit procedures, we noted that OWCP's control related to the review of continuing eligibility for existing Black Lung claims did not operate effectively. OWCP did not send an "Order to Show Cause," as required by the Division of Coal Mine Workers' Compensation (DCMW) Procedure Manual, in order to determine benefit eligibility or suspend benefits before the payment was made to a claimant. OWCP is required to send an "Order to Show Cause" when a claimant does not return the required annual form CM-929, *Report of Changes that May Affect your Black Lung Benefits*, for over four years.

The above instance occurred because OWCP did not enforce accountability over control owners for the review of continuing eligibility for Black Lung claims to confirm that benefits would be terminated if claimants became ineligible.

Ineffective controls over the review of continuing eligibility for Black Lung claims increases the risk that benefit payments could be made to ineligible claimants, which could result in errors in the underlying data used to record the statement of social insurance liability estimates.

Section 2-1406(22)(g) of the DCMW Compensation Procedure Manual states:

> If an end date is not entered to "close out" a claimant's 929W/start date line prior to the next scheduled mailing of the form (signifying, of course, that the completed CM-929W was not submitted to DCMWC), the automated system will not mail additional CM-929s nor will it automatically close out the DIARY code 929W line with an end date. But the claim will continue to appear on the CM-929 Monthly Monitoring Report until a 929W end date is manually entered. Take appropriate action to suspend benefits to the beneficiary. Send an Order to Show Cause that outlines the reasons for and effects of the suspension (failure to return Forms CM-929 and suspension of monthly and medical treatment benefits, respectively). Use the date of the Order to Show Cause as both the submission date and completed review date of the CM-929W.

The GAO Standards, Principle 5, *Enforce Accountability*, states:

> Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability for performance of internal control responsibility supports day-to-day decision making, attitudes, and behaviors. Management holds personnel accountable through mechanisms such as performance appraisals and disciplinary actions.

The GAO Standards, Principle 12, *Implement Control Activities* states:

> Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management

communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Current Year Recommendation

We recommend that the Director of OWCP:

3. Enforce existing policies and procedures for the review of continuing eligibility for Black Lung claims to confirm that benefit eligibility is reviewed when a claimant does not submit required annual documentation and provide additional training to re-enforce such policies and procedures.

Management's Response

Management concurs with the finding and has provided a corrective action plan, with milestone dates, developed to address the condition to the auditors.

Auditors' Response

Management indicated that action will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

3. <u>Untimely Issuance of Single Audit Determination Letters</u>

During our audit procedures, we noted that the Employment and Training Administration's (ETA) control over Single Audit Final Determination Letters did not operate effectively to ensure timely documentation of single audit reports within Audit and Information Reporting System (AIRS) and communication of the Single Audit Final Determination Letters to its grantees. Specifically, for two out of 58 grants tested, we noted that the resolution specialist did not issue their single audit "Final Determination Letters" within 180 days of the Federal Audit Clearinghouse "Final Determination Letter" date.

The above instances occurred because there were inadequate monitoring controls to ensure the timely documentation of the single audit reports within AIRS. Ineffective controls over the timely documentation of single audit reports within AIRS could result in noncompliance with the 2 Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The *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.

2 CFR Part 200, Subpart F, *Audit Requirements*, section 200.521 (d), states:

> The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Recommendation

We recommend that the Principal Deputy Assistant Secretary of ETA:

4. Implement controls to determine that the Final Determination Letters are issued in accordance with the *2 CFR Part 200*.

Management's Response

The Division of Resolution and Closeout, Audit Resolution Unit (ARU), within ETA's Office of Grants Management is responsible for ensuring that Single Audit Final Determination (FDs) letters are issued with 180 days of the FAC Management Decision Letter date. To ensure future adherence to this requirement, the ARU Supervisor will reinforce existing policies and procedures by:

- Updating the Single Audit Manual and related Standard Operating Procedure,
- Holding bi-weekly staff/status meetings, as needed, and
- Performing ongoing review of internal tracking reports.

Auditors' Response

Management indicated that action will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

Prior Year Financial Comments and Recommendations Still Present in Fiscal Year 2022

4. Insufficient Review of Significant Medical Bills Related to the Energy Employees Occupational Illness Compensation Program Act (EEOICPA)

During our audit procedures, we noted the OWCP's control related to the review of significant medical bills (i.e., medical bills that are above established thresholds) did not operate effectively during the fiscal year for the Division of Energy Employees Occupational Illness Compensation (DEEOIC). Specifically, we noted that for one of 15 significant medical bills selected for testing in the amount of $67,756, management did not perform their review of accuracy and eligibility prior to payment.

- Management stated that the service provider flagged the transaction in question and sent it to DEEOIC for approval. DEEOIC staff reviewed the transaction and inadvertently marked the transaction in the system as "force" rather than "deny" due to a lack of supporting documentation, which allowed the service organization to pay the bill.

Ineffective controls over the accuracy and eligibility of medical bills increases the risk of errors in benefit payments made to medical providers on behalf of claimants.

The GAO Standards, Principle 16, states:

> Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned process. Monitoring activities related to service organizations may include the use of work performed by external parties, such as service auditors, and reviewed by management.

Prior Year Recommendations

The open prior year recommendations were closed.

Current Year Recommendations

We recommend that the Director of OWCP:

5. Implement controls to periodically verify that all medical bills over the applicable thresholds are identified, reviewed, and approved prior to payment.

Management's Response

Energy has several measures in place to ensure that there are proper controls such that management in the Energy office must approve all significant bills prior to the Bill Pay Contractor (BPC) paying such bills. In the instance identified, Energy followed these processes. Unfortunately, due to human error, the Medical Bill Processing Unit (MBPU) staff designated to resolve bills in the billing system inadvertently marked a bill as "Force" when the staff intended to mark the bill as "Deny" due to lack of supporting documentation.

Although human error is an inherent risk in any manual process, Energy has taken steps to mitigate such errors. Energy already implemented an additional process where a list of all bills for the review period is routed to the MBPU manager, thus showing bills denied for no documentation and those being recommended for approval. Previously, only bills being recommended for approval were forwarded to the MBPU manager. In addition, a second MBPU staff member compares the list of bills approved by MBPU management to the report of forced bills processed by the BPC. This reconciliation will immediately notify MBPU management if there are any discrepancies between the bills forced through data entry and the list approved by management. This reconciliation step will allow Energy to immediately take corrective action should a bill show as "forced" when it was not approved by management. These additional controls were put in place on September 9, 2022.

Auditors' Response

Management indicated that action has been taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

5. <u>Improvements Needed in Management's Review of Unemployment Insurance Benefit Expense</u>

During our audit procedures, we noted the updated design of the control did not require the reviewer to validate the completeness of the underlying data used to develop the expense estimate. Specifically, the reviewer did not identify that for the December 2021 expense estimate, the preparer had inadvertently excluded the last day of transactions from the Automated Standard Application for Payments system that is used to develop the estimate.

This occurred because management's updates to the policies and procedures did not address the reliability of information used within the control.

Ineffective review controls may result in errors in the UTF disbursement estimate going undetected, resulting in a misstatement to expenses. As a result of the above condition, the benefit disbursement estimate as of December 31, 2021 was understated by $60,900.

The GAO Standards, Principle 13, *Use Quality Information*, states:

> Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

Prior Year Recommendations

The open prior year recommendations were closed.

Current Year Recommendation

We recommend that the Principal Deputy Assistant Secretary for ETA:

6. Update the Unemployment Insurance Disbursements standard operating procedures to ensure the reviewers validate the reliability of information used by the preparer in the development of the benefit expense estimate.

Management's Response

DOL concurs with this finding which led to an understated estimate of December 2021's Mixed Earner Unemployment Compensation (MEUC) disbursements in the amount of $60,900. The issue occurred when transactions for a single day during the month of December were not downloaded from Treasury's Automated Standard Application for Payments (ASAP) system and the missing day was not identified in the management review. Transactions for one day at a time must be downloaded from the ASAP system and due in part to leave associated with the holidays, the day in question was missed.

During the management review of the disbursement estimates, the figures were compared to the total of the daily transactions as downloaded and therefore the missing day was not identified. Upon discovery of the issue, DOL immediately implemented an additional management control to validate that all business days are accounted for by ensuring each business day in the report reflects transactions for that day. Business days without any transactions are validated directly against the ASAP system by downloading that day's transactions and verifying that no MEUC draws were made on that day. This control was added to management's review documentation and went into effect beginning with the review of the May 2022 disbursement estimates.

Auditors' Response

Management indicated that action has been taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

6. <u>Ineffective Controls Over Grant Closeout</u>

During our audit procedures, we noted that management's grant closeout control did not operate effectively to ensure the timely closeout of expired grants and de-obligation of remaining funds. Specifically, we noted the Bureau of International Labor Affairs (ILAB) and Office of Disability Employment Policy (ODEP) offices did not close certain grants within 365 days of their expiration (i.e., the end of the performance period). We tested a sample of 30 grants that were subject to closeout and identified the two exceptions for ILAB and ODEP grants that were still noted as open.

Management stated for one of the grants, the delay was due to the late approval of a technical progress report that is required for closeout documentation. The close out of the second grant was not completed timely due to significant staff transition in the Grant Closeout Officer unit. Without adequate controls in place to review and closeout expired grants timely, including the de-obligation of remaining funds, undelivered orders may be overstated.

Department of Labor Manual Series (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 […];
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 (ADP)).
> b. All other contracts – 18 calendar months.
> c. Grants and agreements – 12 calendar months.

The GAO Standards, Principle 10, states:

> Transactions are 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 its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Prior Year Recommendations

We recommend that the Assistant Secretary for ODEP and Deputy Undersecretary for ILAB:

- Enforce accountability on grant officers and closeout specialists to incentivize timely execution and process improvement.

- Continue to fully implement monitoring controls to track the status of grants during the closeout processes to ensure proper follow-up and timely execution.

- Administer grant closeout continuous improvement trainings for all agencies to address inconsistent grant closeout implementation concerns.

Current Year Recommendation

We further recommend that the Assistant Secretary for ODEP and Deputy Undersecretary for ILAB:

7. Implement back-up protocols to ensure timely grant closeout when staff shortages occur.

Management's Response

Office of Grants Management (OGM) provides grant administration services to ILAB and ODEP through separate units in OGM. The circumstances impacting the two identified late closeouts from these agencies are different, as referenced below.

The delay in closing the ILAB award is an outlier. Out of 136 open awards, ILAB/OGM has only one award exceeding the one-year closeout target, due to open audit findings involving questioned costs.

The closeout of this cooperative agreement was delayed due to a late approval of a technical progress report, required for closeout documentation. The award in question was administered by the Office of International Relations and Economic Research (OIRER). OGM and OIRER do not typically work together, as OIRER has handled just two ILAB awards since 2015.

The ODEP cooperative agreement was closed June 27, 2022. The unit processing this closeout has seen a great deal of staff transition, which has contributed significantly to the delay associated with this late closeout.

OGM acknowledges the recommendations of the finding; however, it has developed and implemented its own corrective actions.

Auditors' Response

Management indicated that action will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented and address our recommendations.

7. Ineffective Controls Over Delinquent Grant Cost Reports

During our audit procedures, we noted that management's controls over delinquent ETA-9130 cost reports continued to not operate effectively to ensure timely review and follow up with grantees, if needed, about delinquent grant cost reports. Specifically, we identified instances where a Federal Project Officer (FPO) did not review and accept a submitted ETA-9130 within 10 days of receipt. We noted for 5 of the 30 sample items selected for testing, the FPO was delinquent in accepting the cost report once it was submitted by the grantees.

This occurred because there are no effective monitoring controls in place to determine that FPOs' review and acceptance of the ETA-9130 cost reports is completed within 10 days of submission.

Ineffective controls over the timely receipt and review of grantees' cost reports increase the risk that grant-related expenses, advances, payables, and undelivered orders could be misstated.

DOL's *Grants Management Policies and Responsibilities within the Employment and Training Administration Attachment B*, dated September 19, 2017, states:

> After a grantee submits a certified 9130, ETA assigned staff has 10 business days to review and accept or reject the 9130.

The GAO Standards, Principle 5, states:

> Management, with oversight body, takes corrective action as necessary to enforce accountability for internal control in the entity. These actions can range from informal feedback provided by the direct supervisor to disciplinary action taken by the oversight body, depending on the significance of the deficiency to the internal control system.

The GAO Standards, Principle 10, *Design Control Activities*, states:

> Transactions are 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 its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Prior Year Recommendation

The open prior year recommendation has been modified. See below.

Current Year Recommendation

We recommend the Principal Deputy Assistant Secretary for ETA:

8. Design and implement monitoring controls over FPOs' review and acceptance of the ETA-9130 cost reports to determine that such review and acceptance is completed within 10 days.

Management's Response

ETA will continue with the corrective action as outlined in the response to last year's audit and in line with the review of this year's audit findings. ETA believes that the corrective action it implemented has reduced the number of reports dramatically, and as explained to both sets of auditors, required time to implement. ETA's acceptance rate is in the very high 90's. ETA will continue using a centralized POC to review 9130 reports weekly and submit to Regional Offices for action. ETA will supplement this corrective action by tracking each week staff that have had late reports for elevation and corrective action in the appropriate office.

The ETA Office of Grants Management (OGM) plans to submit a Change1 to ETO 2-21, Grants Management Policies and Responsibilities. One of several edits includes proposing the following as it relates to the review and acceptance of the ETA-9130 Report:

ETA Policy: It is ETA's policy that when a grant recipient submits a certified ETA-9130 report (early, late and/or on-time), an FPO/reviewer has 10 business days upon receipt to review and accept or reject the submission. If rejected, the FPO/reviewer is responsible for conducting follow-up. When resubmitted by the grant recipient, the FPO/reviewer again has 10 business days upon receipt to review and accept the report. To meet an acceptable performance level, FPOs should adhere to this policy at a minimum 98% of the time.

At this time the policy update is pending clearance as additional modifications addressing other policy areas are being considered.

Auditors' Response

Management indicated that action will be taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

Prior Year Information Technology Comments and Recommendations Still Present in Fiscal Year 2022

8. Improvements Needed in Account Management

During our audit procedures, we identified deficiencies associated with account management with certain DOL systems as follows:

- Certain reports used for re-certifications were not designed to capture all required users; and
- Certain application user accounts were not timely removed for separated users.

These deficiencies were the result of issues in the monitoring, design, or operation of departmental procedures and controls. Control deficiencies related to account management and system access settings increase the risk that current employees, separated employees, and/or contractors may conduct unauthorized activities, obtain inappropriate disclosures of sensitive data, and/or compromise the confidentiality, integrity, or availability of DOL financial data processed through the DOL systems without being timely detected and prevented.

The specific nature of these deficiencies, their specific causes, and the system impacted by them have been communicated separately to management.

The GAO Standards, Principle 10, states:

> Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

The GAO Standards, Principle 11, *Design Activities for the Information Systems*, states:

> Management designs control activities for security management of the entity's information system for appropriate access by internal and external sources to protect the entity's information system. Objectives for security management include confidentiality, integrity, and availability. Confidentiality means that data, reports, and other outputs are safeguarded against unauthorized access. Integrity means that information is safeguarded against improper modification or destruction, which includes ensuring information's nonrepudiation and authenticity. Availability means that data, reports, and other relevant information are readily available to users when needed.

Prior Year Recommendations

We recommend that the Chief Information Officer:

- Coordinate efforts among the DOL agencies to design and implement procedures and controls to address account management in key financial feeder systems; and
- Monitor the agencies' progress to ensure that established procedures and controls are operating effectively and maintained.

Management's Response

Management concurs with the recommendations. Office of Chief Information Officer, (OCIO) has updated its procedures surrounding account management settings for DOL systems. In addition, OCIO has implemented monthly ISCM compliance reporting that provides enterprise-wide oversight and enforcement of account review completion to ensure adherence with the DOL Cybersecurity Policy Portfolio (CPP). OCIO considers these recommendations addressed.

Auditors' Response

Management indicated that action has been taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2023 to determine whether corrective actions have been implemented.

Prior Year Comments and Recommendations Closed in Fiscal Year 2022

The following comments reported in the *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2021*, dated November 19, 2021, were closed in fiscal year (FY) 2022.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2021 MAC	Recommendation(s) Reported in the FY 2021 MAC
2021-01	2021	Untimely Review of Changes to Claimant Information	We recommend the Director of OWCP: 1. Reinforce existing policies and procedures requiring the completion of the review and approval of the Transaction Balancing sign-off sheet timely; and 2. Provide additional training to the reviewers regarding responsibilities and expectations when reviewing changes to claimant information to ensure reviews are completed timely and consistently.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2021 MAC	Recommendation(s) Reported in the FY 2021 MAC
2021-02	2021	Improvements Needed in Management's Review of Quarterly Flux Analysis	We recommend that the Acting Chief Financial Officer: 3. Update the policies and procedures to ensure that when adjustments are made to the financial statements any revised variances that exceed the acceptable threshold are properly investigated and documented, and the flux analysis is reviewed again.
2021-07	2020	Improvements Needed in Management's Process for Identifying, Assessing, and Responding Entity-Wide Risks	We recommend that the Acting Chief Financial Officer: 7. Continue their efforts to fully implement the revised ERM process and ensure that all necessary risk assessments are completed at both the individual agency level and at the agency-wide level.
2021-09	2019	Improvements Needed in Patch Management	We further recommend the Chief Information Officer 8. Enhance vulnerability scanning monitoring controls and procedures to track and remediate outstanding vulnerabilities in a timely manner; and 9. Formally document decisions in a memorandum when accepting the risks of not remediating findings and obtain the necessary approvals from management.

The following comments reported in the *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2021* dated November 19, 2021, were partially re-issued during FY 2022 but included recommendations that were closed during the year.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2021 MAC	Recommendation(s) Reported in the FY 2021 MAC
2021-03	2021	Improvements Needed in Management's Review of Benefit Disbursement	We recommend that the Principal Deputy Assistant Secretary for ETA: 4. Provide reinforcement to reviewers to ensure reviews are performed at the appropriate level of precision; and 5. Implement monitoring controls to periodically verify that management controls for estimates are operating effectively.
2021-04	2020	Insufficient Review of Significant Medical Bills Related to the Energy Employees Occupational Illness Compensation Program Act (EEOICPA)	We recommend that the Director of OWCP: • Continue to reinforce with the service provider the requirements to obtain DEEOIC's approval for medical bills exceeding the applicable review thresholds prior to payment; and • Implement a monitoring control to periodically verify that the service provider has sent all medical bills over the applicable thresholds to DEEOIC management for approval prior to payment.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2021 MAC	Recommendation(s) Reported in the FY 2021 MAC
2021-05	2021	Untimely Grant Closeout	We further recommend that the Assistant Secretary for VETS: 6. Monitor indirect cost schedule expiration dates and work with grantees to establish new cost allocation plans prior to grant closeout.
2021-06	2015	Improper Controls over Delinquent Grant Cost Reports	We recommend that the Assistant Secretary for ETA: • Provide continued training to FPOs, emphasizing the revised expectations of the corrective action plan; • Enforce accountability of the FPOs to facilitate timely and successful remediation of delinquent grant cost reports

Appendix A

Acronyms and Abbreviations

ADP	Automatic Data Processing
AIRS	Audit and Information Reporting System
CE	Claim Examiner
CFO	Chief Financial Officer
CSH	Computer Security Handbook
DCMW Manual	Division of Coal Mine Worker's Compensation Procedure Manual
DEEOIC	Division of Energy Employees Occupational Illness Compensation
DLMS	Department of Labor Manual Series
DOL	U.S. Department of Labor
EEOIC	Energy Employees Occupational Illness Compensation
ERM	Enterprise Risk Management
ETA	Employment and Training Administration
FAC	Federal Audit Clearinghouse
FPO	Federal Project Officer
FY	Fiscal Year
GAO	Government Accountability Office
GAO Standards	Government Accountability Office's *Standards for Internal Control in the Federal Government*
iFECS	Integrated Federal Employees' Compensation System
ILAB	Bureau of International Labor Affairs
IT	Information Technology
KPMG	KPMG LLP
MAC	Management Advisory Comments
MBPU	Medical Billing Processing Unit
No.	Number
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODEP	Office of Disability- Employment Policy
OGM	Office of Grants Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OWCP	Office of Workers' Compensation Program
PER	Periodic Entitlement Review
Treasury	U.S. Department of the Treasury
U.S.	United States
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service

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