Financial Management Accountability

To maximize the overall achievement of the Secretary's three strategic goals, the Department established an overarching goal to effectively link strategic planning, resource allocation, and on-going operational activities with program strategies. This process is supported by work in the Office of Inspector General, the Office of the Chief Financial Officer and the Office of the Assistant Secretary for Administration and Management. These offices, in conjunction with program agencies of the Department, developed strategic and performance plans in FY 1997. Performance against the management goals and measures established for FY 1999 and beyond in those plans will be the subject of future accountability reports. In the interim, reporting under various financial management and related statutes will be the primary focus of this section of the Accountability Report.

In this Section...

- **Federal Managers' Financial Integrity Act (FMFIA) Report**
- **Year 2000 Conversion Status**
- **EDP Controls**
- **Federal Financial Management Improvement Act (FFMIA) Reporting**
- **Debt Management**
- **Civil Monetary Penalties**
- **Electronic Funds Transfer (EFT) Program**
- **Prompt Payment Act**
- **User Fees**
- **Office of the Inspector General (OIG)**

Federal Managers' Financial Integrity Act (FMFIA) Report

The OIG noted in its audit opinion that the Department made substantial progress in FY 1997 to close out six longstanding material weaknesses and system non-conformances reported in prior years. In total, twenty-eight prior year recommendations have been closed. Many of these recommendation and corrective actions cover items reported in prior year reports under the FMFIA. The Department's corrective action plans on outstanding FMFIA issues are discussed in the program and management sections of this report within the Secretary's Goals. Table I lists open OIG issues, and a page reference for the discussion in this report. A Table of closed material weaknesses may be found in the Appendix.

The Department's Management Control Policy Board, represented by senior managers in all DOL program agencies and the Office of the Inspector General, continue to promote comprehensive reporting of material weaknesses, prompt identification of corrective actions, and tracking of progress to eliminate these problems.

Table I - Open FMFIA Issues:

Title	Current Target Date For Correction	Page
Material Weaknesses (Internal Controls)		
Employee Retirement Income Security Act (ERISA) Audit Process - Absence of effective requirements and oversight	Dependent on action By Congress	21
Job Training Partnership Act (JTPA) Return on Investment for Programs as required by Section 106 of the Act.	1998	10
Improvements Needed to the Trade Adjustment Assistance (TAA) Program Goals and Objectives And Necessary Oversight Through Performance Measures	1998	25
Occupational Injury and Illness Data Collection Needs Improvements (OSHA)	1998	36
Improvements Needed in Accounting for SESA Real Property	1998	10
Unemployment Trust Fund (UTF) Cash Management Needs Improvement to Ensure Maximum Benefits	1999	23
Material Non-Conformances (Financial Systems)		
Inadequate Accounting of Debt Management Activities - ETA	2000	57

Year 2000 Conversion Status

The Department has 61 mission critical systems that must be brought into Year 2000 compliance by March, 1999. DOL is ahead of its planned schedule for implementation with 13 systems now compliant. Given the critical nature of the Year 2000 work, this report is providing the most current information (beyond FY 1997).

The number of systems already compliant has increased from 10 to 13, a 30 percent increase from November, 1997 through February, 1998.

The Department is managing this conversion of the 61 mission-critical systems through a four stage process. Completion rates for each stage are as of March, 1998.

• assessment - what needs to be done (100% completed)
• renovation - changing the program code (32% completed)
• validation - testing the system (19% completed)
• implementation - putting the revised system into production (12% completed)

Table II - Year 2000 Systems

Mission Critical	Already Compliant	Being Replaced	Being Repaired
61	13	22	26

The Department continues to show substantial progress in meeting Year 2000 objectives. The number of mission critical systems becoming Year 2000 compliant has increased from 16% to 21% between November, 1997 and February, 1998. DOL management has demanded that federal programming and contractor staff establish and follow aggressive schedules to convert and test all applications and systems.

The Chief Information Officer continues to work closely with the agencies to further identify and resolve potential problems relating to the Year 2000. As a result agencies have taken action to meet the new target and to assure that all DOL mission critical systems are ready for the Year 2000.

Status of Non-Mission Critical Systems: The Department has 80 non-mission critical systems of which 56 are already compliant, 11 are being replaced, 12 are being repaired, and 1 is being retired.

Data Exchanges: The Department met the OMB February 1998 goal of inventorying its 3,130 data exchanges with States, Federal agencies, and private sector organizations. In addition, the Department exceeded the OMB March 1998 goal for contacting data exchange partners having made at least initial contact with all exchange partners.

Contingency Planning: The CIO has developed a Year 2000 contingency policy. The policy requires that agencies submit contingency plans for the following category of mission critical systems: (1) all benefit and payment systems, and (2) any systems for which scheduled dates have slipped substantially. Contingency plans are scheduled to be submitted by July 1998.

DOL/State Interfaces: The CIO is monitoring all critical DOL interfaces with the States for Year 2000 compliance. Responsibility for meeting with the State agencies, to ensure agency data exchanges are compatible and Year 2000 compliant, rests with the DOL entities involved and they have successfully concluded this phase of the Year 2000 plan. In particular, the Unemployment Insurance Service (UIS) is in the process of developing contingency plans with State Employment Security Agency (SESA) systems which are at risk for meeting their target dates for compliance. Eleven states have been identified at risk. In these cases risk abatement requirements have been built into the funding allocations so that continued funding depends on acceptable progress.

EDP Controls

To gain assurance that information relevant to financial management produced by EDP systems is reliable, the OIG reviewed the six major financial systems in its FY 1997 Financial Statement audit. Weaknesses were noted in the following areas:

Documentation
The hardware and application systems in the Federal Employees' Compensation Act program (FECA) have not been documented with system flow charts, file interactions, interfaces with other applications, pseudo code, etc. Also, the documentation for FECA's Sequent and Mainframe applications have not been updated and are outdated. In Job Corps, there was no software development or configuration management documentation for any of the major systems supported by the Job Corps Data Center.

User Access Controls
The OIG audit found Black Lung personnel were granted inappropriate system access. The position description of these employees does not warrant access to the system.

During the FY 1996 audit, the OIG noted that ETA did not restrict access to certain GCMIS modules and functions based on user profiles. ETA implemented a security module to correct this problem at the National Office, and has implemented alternative procedures, which appear acceptable, to limit user access at the Regional Offices. However, this occurred subsequent to the FY 1997 audit and has not been verified.

Computer Security Plans
Job Corps does not have a formal policy covering key elements of fundamental computer security, FECA's host data center has no security plan, and the security plan for DOLAR$ is incomplete.

Termination Procedures
In Black Lung, five users had access to computer systems after they were no longer assigned to the organization. Job Corps has no formal termination procedures. FECA National Office uses a checklist when terminating an employee; however, written procedures to use the checklist do not exist.

Security Clearance
Sensitive information in Federal information systems must be protected from individuals who have not been cleared or whose background is unknown. The OIG audit found several instances where security

clearances had not been performed on personnel considered as critical users within the DOLAR$ system.

Separation of Duties
There are no standardized, written procedures to control input into DOLAR$--the Department's central accounting system. A DOLAR$ user entering invoice data can create a payee vendor record in the vendor master file without automatic review. Name and address information can be changed by accounting technicians. The only input verification which can be performed is a review of the input document; however, there is no requirement for this review. The risk of unauthorized payments to vendors or the input of erroneous data is possible without adequate controls.

Disaster Recovery Plans
In a FY 1995 audit, the OIG recommended that action be taken to ensure that written disaster recovery plans be developed. However, not all agencies have developed such plans. ETA's Office of Information Resources Management (OIRM) and the Unemployment Insurance Service (UIS) still have not developed written disaster recovery plans. Also, FECA does not have an adequate plan in place.

The FY 1997 audit revealed additional problems in this area. Recent changes in Black Lung Programs have not been tested as a part of the disaster recovery plan. Also, Job Corps' plan did not include backup provisions, nor instructions for restoring the operational system or procedures for moving operations to an off-site location.

Departmental Property System
The OIG identified an EDP system under development in ESA that was not recorded in the Department's property system. The Department agreed to provide guidance and technical assistance to agencies concerning identifying capitalized costs associated with EDP system's development. ESA is currently reconstructing system development costs for inclusion in the Department's property system.

These EDP audit findings are being addressed in the audit follow-up on the FY 1997 Consolidated Financial Statement Audit.

Federal Financial Management Improvement Act (FFMIA) Reporting

The Act requires the OIG financial statement audit to evaluate DOL systems for compliance with the Act's standards. Under FFMIA, the OIG is required to report whether DOL's financial management systems substantially comply with 1) the Federal financial management systems requirements, 2) applicable accounting standards, and 3) the United States Standard General Ledger at the transaction level. To meet this audit requirement, the OIG performed tests of compliance using the implementation guidance for FFMIA issued by OMB in September, 1997. The OIG audit did not identify any compliance issues with the Department's core accounting system; however, the results of OIG tests disclosed instances where certain DOL subsidiary financial management systems did not comply with one or more of the three requirements of the Act.

Table III - Financial System Discussions

Wage and Hour's Back Wage and Civil Monetary Penalties system	29
ETA's debt management subsidiary system	57
MSHA's and OSHA's penalty tracking systems	52
Job Corps' real and personal property systems	10

Noncompliance issues include: complete, timely, reliable and consistent information is not provided; financial information is not processed effectively and efficiently; a complete and adequate audit trail is not provided; and transaction detail supporting SGL accounts is not readily available.

Debt Management

The bulk of the Department's debt results from Civil Monetary Penalties assessed by several of our program agencies. DOL has made good progress in moving toward compliance with the Debt Collection Improvement Act of 1996. Program agencies have been actively referring debts to the Department of the Treasury, having forwarded almost 50% of all debts eligible to be cross-serviced. We anticipate the remaining debts to be forwarded to Treasury (or written off) during FY 1998. Table IV identifies the key debt information recently provided to the House Government Reform and Oversight Committee. Both CFO staff and program agency staff are actively involved in FMS interagency committees on various aspects of DCIA.

Debt Management Systems Improvements Needed

The OIG's audits of the Department's FY 1997 and previous Consolidated Financial Statements have recommended improvements needed to ensure:

- Implementation of DOL policies and procedures require the books of account be maintained in accordance with the accounting policies described in the notes to the annual financial statements;

- All debt management activity in MSHA, OSHA and other systems are integrated with the Department of Labor Accounting and related Systems (DOLAR$) - DOL's general ledger;

- Erroneous payable balances are identified and corrected;

- Procedures are established for recording, accounting, and reporting debt management;

- A policy is established for the allocation of settlement outcomes; and

Table IV - DOL Delinquent Debt Data

Delinquent Debt (9/30/97)	$81,624,498
Delinquent Debt over 180 days	$57,886,691
Debts in Bankruptcy	$1,919,602
Foreign Debts	$186,174
Covered under DCIA	$55,780,215
At Private Collection Agencies	3,373,314
At or to go to DOJ/in foreclosure	$31,213,227
Total Exemptions	$34,586,541
Available for Cross-Servicing	$21,193,674
Referred for Cross-Servicing	$9,188,326

- Procedures are established so that cases files are maintained on a current basis and all debt management activity is clearly documented and readily available for examination.

Accounting for ETA Debt Management
ETA Debt Management activities are not integrated with the general ledger. The debt management function has several deficiencies: timely maintenance of subsidiary records and posting to the general ledger; controls over the receiving, logging, processing, and depositing of debt collection checks; and documentation of writeoffs and collection efforts.

In FY 1998, ETA will begin using the departmental accounts receivable subsystem. This change and improved data interchanges between ETA's Grant and Contract Management Information System and the Department's central accounting system will address these problems.

Fines and Penalties
The OIG audit noted that the ESA's OWCP debt management system included inaccurate accounts receivable balances due to errors in recording overpayments and assessment of interest and other posting errors. In the FY 1996 audit, the OIG noted the need for guidance to the agencies on the proper identification, accounting, collection, and reporting for accounts receivable. Weaknesses still exist in accounts receivable for back wage and civil monetary penalties, and the receivable balance for OWCP is still misstated. Guidance, in the form of a policy memorandum, is expected to be issued in the near future.

Civil Monetary Penalties
Monetary Penalties are assessed by four DOL program agencies: OSHA; MSHA; PWBA; and ESA. Together, these agencies assess approximately $100 million in penalties each year. Through reinvention efforts, program agencies have worked to improve regulated conditions by working cooperatively and proactively with private

Table V Civil Monetary Penalty Collections (in 000's)

Agency	*FY 1995*	*FY 1996*	*FY 1997*
MSHA	*$19,796*	*$15,043*	*$13,680*
OSHA	*$67,193*	*$43,743*	*$54,886*
ESA	*$6,948*	*$7,977*	*$6,286*
PWBA	*$5,463*	*$13,142*	*$11,285*
Total	***$99,400***	***$79,905***	***$86,137***

sector entities, rather than simply assessing violations as they are found. OSHA has been a leader in the Federal Government in this area.

Electronic Funds Transfer (EFT) Program

The Department of Labor's EFT program reported a modest increase in the number of EFT payments made during FY 1997. The percentage of EFT transactions increased from 31% in Fiscal Year 1996 to 35% in Fiscal Year 1997. On a positive note, 95% of all DOL employees are having their salary payments deposited electronically. The EFT travel payment volume has increased to 23%, up from 2% in Fiscal Year 1996. In addition, with the completion of a new travel input system simplifying EFT payments, a substantial increase in FY 1998 will be realized. DOL's vendor payments are at an EFT rate of 49% as opposed to only 15% a year ago.

Overall, the Department lags well behind the total Federal government which was making 62% of its payments by EFT through September 30, 1997. This is due to the ESA medical and benefit programs (FECA, Black Lung, and Longshore), which account for 83% of the volume of all payments processed in the Department. Additionally, the FECA payments for medical providers, which accounts for 34% of the Department's total payments, will not have an EFT capability until the year 2000, when a comprehensive payment system

Table VI - DOL EFT Payments for 1997

	DOL	Fed. Govt.
Salary	92%	94%
Administrative Vendor	49%	27%
Miscellaneous (Travel, Imprest Fund)	23%	17%
ESA Benefits	49%	62%
Workers Comp Medical Providers (a)	7%	27%
Total	35%	62%

(a) Accounts for 49% of all DOL payments.

modification will be completed.

Prompt Payment Act

In FY 1997, DOL agencies made 174,297 payments that were subject to the Prompt Payment Act, with a total dollar value of $525 million. Interest penalties due to late payments were $139,117. Overall, the trend toward fewer, larger payments continued, as total dollar volume of payments subject to Prompt Pay increased by $120 million, while the number of payments fell by approximately 5,000. The number and percentage of late payments fell from 12,606 to 11,818, or from 7.00% to 6.79%, respectively. The total number and volume of late payment interest penalties rose slightly; however, the total dollar volume of penalties continues to represent (at less than three-tenths of one percent) a statistically insignificant portion of payments made.

Table VII - DOL Prompt Pay Performance

FY	On-time percent	Penalty # percent	Penalty $ percent
1995	95.8%	1.16%	.014%
1996	93.0%	1.52%	.022%
1997	93.2%	2.01%	.029%

Percent of invoices paid on-time; incurring penalties; and the penalty payments as a percentage of total payments

User Fees

The Department's programs provide limited opportunities for establishing user fees. All fees were appropriately updated for the user fee provisions of the Debt Collection Improvement Act of 1996, and a Departmentwide policy is being updated.

Office of Inspector General (OIG)

The OIG is charged with preventing fraud, waste, and abuse and promoting economy, efficiency and effectiveness in DOL programs and operations. The OIG is also responsible for conducting criminal investigations to eliminate the influence of organized crime and labor racketeering on employee benefit plans, labor-management relations and union affairs.

During FY 1997, the OIG issued 313 reports on DOL programs and operations and opened a total of 529 investigations. The OIG questioned costs totaling $26.2 million and recommended that another $24.2 million in DOL funds be put to better use. In response to current and previous OIG recommendations, DOL management disallowed $7.4 million and agreed to put almost $1 million to better use. Moreover, the Department achieved a cost-avoidance of $4.7 million from resolution of previous OIG evaluations. OIG investigations resulted in 265 indictments, 225 convictions and $41.3 million in monetary results such as fines, penalties and restitution.

OIG program fraud investigations focused on suspected wrongdoing by DOL contractors, grantees, program participants, beneficiaries, and employees. Through labor racketeering investigations, the OIG worked to contribute to the Government's effort to reduce the influence of organized crime and labor racketeering in employee benefit plans, labor-management relations and union affairs. In FY 97, the OIG developed and began implementation of a strategic plan that establishes the OIG's priorities, goals, and performance targets for 6 years. Specific OIG accomplishments are detailed under each of the Secretary's goals.

In addition, the OIG worked to achieve its goal to improve the effectiveness, efficiency, and management of DOL agencies, programs, and operations.

For example, the OIG provided an assessment as to the financial status of DOL through its audits of the consolidated financial statements and the financial statements of the UI, Black Lung, Longshore and DC Trust Funds and the FECA Special Fund. The OIG worked with the Department to address issues related to the implementation of GPRA and provided recommendations to the Department regarding the sharing of information and consolidating of reports needed by VETS, ESA and the EEOC. Work was performed with PWBA and the CIO on the new Form 5500 reporting system development efforts.

Management Reporting under the Inspector General Act Amendments

The Inspector General Act Amendments require explanations for all audit reports with recommendations open for more than one year. DOL management and audit communities agree that some of these audit resolutions will require several years to complete the corrective action. As of 9/30/97, 118 audit reports have been open for over one year. The total value of open audits of $25.1 million covers 627 separate recommendations.

Table VIII demonstrates that most of the reportable audits and recommendations that are over one year old are not under the direct control of and cannot be closed by the Department of Labor. Auditees have certain rights to appeal audit decisions

Table VIII - Audit Status as of 9/30/97 (in 000's)

Affected amounts in 118 audits comprised of 627 recommendations over one year old	$ 25,075
Less:	
Value of 216 open recommendations under administrative law or Federal Court appeal	17,167
Amounts referred or in process of referral to the Department of Justice and STRP for disposition	2,781
Dollar balance of open audits requiring further discussion	$ 5,127

made by the Office of the Inspector General, including appeals to an Administrative Law Judge or a Federal Circuit Court of Appeals. Audits are not considered closed simply because the claim is being appealed and sent forward for further action. DOL agencies and the OIG jointly manage and update an audit tracking system where the current status of each open audit is maintained. Final action cannot be taken until the reviewing officials issue their decision. Many of these decisions take years before being rendered and the audit closed.

Of the 118 open audit reports requiring further discussion, 49 were monetary audits totaling $5,126,992 and 69 were non-monetary reports. Of the 49 monetary audits, 3 had a value above $900,000, 15 had a value between $100,000-$680,000 and 31 had a value below $100,000.

At the end of the reporting period, there were 216 audit reports totaling $55,410,757 requiring final action. This figure includes Disallowed Costs of $ 47,510,757, and $7,900,000 which represents recommendations to put Funds To Better Use.

Several compliance issues from the recent OIG audit of the Department's FY 1997 Consolidated Financial Statements are not discussed elsewhere in this document. The include the ETA grant closeout process, ETA's not charging or documenting administrative costs or penalties to its debtors, ETA's use of unapproved OMB forms for the Migrant and Seasonal Farm worker program, and UIS' need to reestablish the Advisory council on Unemployment Compensation.

The next OIG audit of the Department's FY 1998 Consolidated Financial Statements will examine cost allocation issues in the Working Capital Fund. Cost allocation methodologies were modified in FY 1997, subject to later audit verification. These issues are being addressed currently within the Department's audit resolution process.

The most significant of the open audits are discussed under the Strategic Goals above. A detailed listing of the audits is available upon request from the Office of the Chief Financial Officer or maybe accessed at http://www.dol.gov/dol/ocfo/public/publications/main.htm (*1997 Semi-Annual Management Report*).