

***NATIONAL
LABOR
RELATIONS
BOARD***

SEMIANNUAL REPORT

For the Period

April 1, 1991 through September 30, 1991



Office of Inspector General

October 15, 1991

Honorable James M. Stephens, Chairman
National Labor Relations Board
1717 Pennsylvania Avenue, NW
Washington, DC 20570

Honorable Jerry M. Hunter, General Counsel
National Labor Relations Board
1717 Pennsylvania Avenue, NW
Washington, DC 20570

Dear Chairman Stephens and General Counsel Hunter:

I am pleased to provide each of you with two copies of the Semiannual Report on the activities of the Office of Inspector General (OIG) for the period April 1, 1991 through September 30, 1991. This is the fourth Semiannual Report to issue since the creation of the OIG.

During this reporting period, we issued five final audit reports on the dates indicated: (1) "Review of National Labor Relations Board Control Over Kastle Systems Security Cards" (May 28); (2) "Review of Accountability and Control Over Imprest Funds and Travelers Checks" (June 24); (3) "Review of Accountability and Control Over Travel Advances" (June 24); (4) "Review of National Labor Relations Board Remittances" (June 25); and, (5) "Review of Alleged Improprieties of an Employee's Travel Account" (June 27).

We have also embarked upon a major audit which was not previously included in our audit universe, but which was prompted by the concern that the Agency might not be able to complete Fiscal Year 1990 without having to furlough staff. The apparent inability of the Financial Management Branch to ascertain, with precision, the exact financial status of the Agency as it neared the end of Fiscal Year 1990 prompted the OIG to engage in a budget execution audit covering Fiscal Years 1985-1990. We hope to have the field work on this audit completed and a discussion draft issued prior to the time we issue our next semiannual report, provided staffing levels permit.

In addition to the budget execution audit, we have continued to investigate those matters which are brought to our attention, as well as those which are self-initiated.

During the prior reporting period, the OIG lost two Auditors by way of transfer to the Federal Deposit Insurance Corporation. Budgetary constraints on the Agency precluded their replacement until near the the end of Fiscal Year 1991. This factor has seriously impacted on the work of the OIG as, throughout the reporting period, we have had but one Auditor. In addition, at the beginning of the reporting period, the OIG lost its Supervisory Auditor by way of transfer to the OIG of the Office of Personnel Management. Although authorized to replace the Supervisory Auditor early in the reporting period, we were not able to do so until September 22, 1991, primarily because of the long wait to complete a security check.

Just as in all preceding reporting periods, I have remained active in the Coordinating Conference of the President's Council on Integrity and Efficiency (PCIE-CC), and have continued to chair the Law Enforcement Committee of the PCIE-CC which explores issues law enforcement agencies, such as ours, have in common.

This will also serve as a reminder that, pursuant to Section 5 (b) of the Inspector General Act of 1978, as amended, this report "shall be transmitted by (the head of the establishment) to the appropriate committees or subcommittees of the Congress within thirty days after receipt of the report, together with a report by the head of the establishment"

With your continuing cooperation, my staff and I look forward to contributing, in whatever way we can, to the integrity, efficiency and effectiveness of the Agency's operations and programs.

Sincerely,



Bernard Levine
Inspector General

*SEMIANNUAL REPORT
OF THE
OFFICE OF INSPECTOR GENERAL
NATIONAL LABOR RELATIONS BOARD
FOR THE PERIOD
APRIL 1, 1991 THROUGH SEPTEMBER 30, 1991*

TABLE OF CONTENTS

	<u>Page</u>
FOREWORD	i
INSPECTOR GENERAL SUMMARY	iv
SECTION 1: DESCRIPTION OF SIGNIFICANT PROBLEMS, ABUSES AND DEFICIENCIES RELATING TO ADMINISTRATION OF PROGRAMS AND OPERATIONS AND DESCRIPTION OF RECOMMENDATIONS FOR CORRECTIVE ACTION (MANDATED BY SECTION 5 (a) (1) AND (2) OF THE ACT)	1
SECTION 2: IDENTIFICATION OF EACH SIGNIFICANT RECOMMENDATION DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS ON WHICH CORRECTIVE ACTION NOT COMPLETED (MANDATED BY SECTION 5 (a) (3) OF THE ACT)	7
SECTION 3: SUMMARY OF MATTERS REFERRED TO PROSECUTIVE AUTHORITIES AND RESULTANT PROSECUTIONS AND CONVICTIONS (MANDATED BY SECTION 5 (a) (4) OF THE ACT)	10
SECTION 4: SUMMARY OF EACH REPORT TO ESTABLISHMENT HEAD CONCERNING INFORMATION OR ASSISTANCE UNREASONABLY REFUSED OR NOT PROVIDED (MANDATED BY SECTION 5 (a) (5) OF THE ACT)	11
SECTION 5: LIST OF EACH AUDIT REPORT ISSUED (MANDATED BY SECTION 5 (a) (6) OF THE ACT)	12
SECTION 6: SUMMARY OF EACH SIGNIFICANT AUDIT REPORT IN SECTION 5 (MANDATED BY SECTION 5 (a) (7) OF THE ACT)	14
SECTION 7: STATISTICAL TABLES SHOWING TOTAL NUMBER OF AUDIT REPORTS AND TOTAL DOLLAR VALUE OF QUESTIONED AND UNSUPPORTED COSTS (MANDATED BY SECTION 5 (a) (8) OF THE ACT)	21

TABLE OF CONTENTS

	<u>Page</u>
SECTION 8: STATISTICAL TABLES SHOWING TOTAL NUMBER OF AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (MANDATED BY SECTION 5 (a) (9) OF THE ACT)	22
SECTION 9: SUMMARY OF EACH AUDIT REPORT ISSUED BEFORE REPORTING PERIOD FOR WHICH NO MANAGEMENT DECISION MADE BY END OF REPORTING PERIOD (MANDATED BY SECTION 5 (a) (10) OF THE ACT)	23
SECTION 10: DESCRIPTION AND EXPLANATION OF REASONS FOR ANY SIGNIFICANT REVISED MANAGEMENT DECISION MADE DURING THE REPORTING PERIOD (MANDATED BY SECTION 5 (a) (11) OF THE ACT)	24
SECTION 11: INFORMATION CONCERNING ANY SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH INSPECTOR GENERAL IS IN DISAGREEMENT (MANDATED BY SECTION 5 (a) (12) OF THE ACT)	25

FOREWORD

The National Labor Relations Board, which employs about 2,200 employees and, for Fiscal Year 1991, had an annual budget of approximately \$147,000,000, is an independent agency which was established in 1935 to administer the principal labor relations law of the United States, the Labor Management Relations Act. The provisions of the Act are generally applied, upon the filing of a petition or unfair labor practice charge, to all enterprises engaged in, or in activities affecting, interstate commerce, including health care institutions and the United States Postal Service, but excluding railroads and airlines.

The Agency implements national labor policy to protect the public interest by helping to maintain peaceful relations among employers, labor organizations and employees; encouraging collective bargaining; and, by providing a forum for all parties to peacefully resolve representation and unfair labor practice issues. This function is primarily carried out in two ways: (1) by conducting secret ballot elections to determine if a group of employees wishes to be represented for collective bargaining purposes by a labor organization, and (2) by preventing and/or remedying unfair labor practices committed by employers and unions.

The Chairman, four Board Members and a General Counsel are appointed by the President with the advice and consent of the Senate. The Chairman and Board Members have staggered terms of 5 years each and the General Counsel has a 4-year term.

The Agency, headquartered in Washington, has 33 Regional Offices, some of which have Subregional and Resident Offices. This far-flung organization has handled unfair labor practice cases affecting hundreds of thousands of persons and has conducted representation elections in which millions of employees have decided whether they wished to be represented by a labor organization for collective bargaining purposes.

Prior to the creation of the Office of Inspector General (OIG) under the Inspector General Act of 1978, as amended, the Agency had a Security and Audit Branch under the Division of Administration. The audit function of that Branch is now contained within the OIG. The OIG Table of Organization provides for an Inspector General (IG); a Supervisory Auditor (the former incumbent transferred to another agency at the beginning of the reporting period and was not replaced until the end of the reporting period); three Auditors (two of whom transferred to another agency prior to the reporting period and who have not yet been replaced); a Staff Assistant, who has not yet entered on duty; a Counsel to the IG who also serves as an Investigator (who resigned shortly

before the end of the reporting period to permit her to fulfill her obligations as Miss Oregon); and, a Secretary to the Inspector General. ¹

¹ The length of time it has taken to replace the Supervisory Auditor is a matter Congress may want to address from two standpoints - one, there is a potential for cost-savings and, two, the long waiting periods involved deprive the OIGs of the staff needed to do an effective job. The position for the new Supervisory Auditor was posted on May 2, 1991; the posting closed on May 31, and a selection was made on July 12. However, the new Supervisory Auditor did not report for work until September 22, primarily because of the length of time it takes to obtain a security clearance. As a result the OIG was without a Supervisory Auditor for a period in excess of four months, over a month of which is attributable to a security investigation.

The person selected to fill the Supervisory Auditor vacancy already had a Top Secret security clearance. In his new position as Supervisory Auditor, a Special Sensitive security clearance is required, but we were precluded from having him enter on duty until he obtained the necessary clearance, because his Top Secret clearance was not based on a special background investigation completed within the past year. Had his clearance of Top Secret been obtained on the basis of a special background investigation completed within the past year, he could have reported to work immediately and the necessary investigation for a Special Sensitive security clearance could have been done after the fact of his arrival. The security investigation takes a minimum of 35 days at a cost of \$3,025, but 35-day investigations are taking 35 to 50 days. The cost decreases the longer one is willing to wait. Thus, if one requests a 120-day investigation, the cost is only \$2,575.

I believe it makes for a more efficient and economic government if persons with a Top Secret security clearance or higher who are transferring to another government agency are permitted to enter on duty immediately, irrespective of when their last security investigation was done, and have an investigation done while employed by their new employer when they are next due for a security update (normally five years from the last update) or five years after they enter on duty in their new position, effectuating a cost saving and permitting their new employer to have more immediate use of their services.

The OIG has established an audit universe, prioritized the elements of that universe and has begun implementing those priorities. In addition, the OIG has continued to investigate those complaints which have been brought to its attention, as well as those matters which have been self-initiated.

This Semiannual Report is the fourth issued by the OIG since the appointment of the IG.² Five audit reports issued in final form during this reporting period.³

² The initial Semiannual Report issued prior to the advent of the IG.

³ (1) "Review of National Labor Relations Board Control Over Kastle Systems Security Cards," (2) "Review of Accountability and Control Over Imprest Funds and Travelers Checks," (3) "Review of Accountability and Control Over Travel Advances," (4) "Review of National Labor Relations Board Remittances," and, (5) "Review of Alleged Improprieties of an Employee's Travel Account."

INSPECTOR GENERAL SUMMARY

During the current reporting period, the OIG:

- - Initiated 5 investigations (exclusive of those referred to the General Counsel on the basis that they concerned purely programmatic matters);
- - The 5 nonprogrammatic investigations initiated during this reporting period remain pending in the OIG;
- - Referred 3 matters to the General Counsel which were purely programmatic in nature and fell under the aegis of the General Counsel;
- - Of the 3 programmatic matters referred to the General Counsel during this reporting period, 1 is still pending;
- Of the 3 programmatic matters referred to the General Counsel during the October 1, 1990 through March 31, 1991 reporting period, 2 are still pending;
- - Of the 4 programmatic matters referred to the General Counsel during the April 1, 1990 through September 30, 1990 reporting period, 1 is still pending;
- - Of the 5 programmatic matters referred to the General Counsel during the October 1, 1989 through March 31, 1990 reporting period, 2 are still pending;
- - The 1 matter referred to the General Counsel's Office of Equal Employment Opportunity during the October 1, 1989 through March 31, 1990 reporting period remained pending at the end of this reporting period;
- - During the reporting period, made 87 recommendations and/or suggestions to the Chairman and/or General Counsel for improving Agency programs, operations and activities;
- - Of the 87 recommendations and/or suggestions made during the reporting period, 1 is still pending;
- - Of the 5 recommendations and/or suggestions made during the reporting period April 1, 1990 through September 30, 1990, 1 remains pending;

- - Of the 12 recommendations and/or suggestions made during the reporting period October 1, 1989 through March 31, 1990, 1 remains pending; and,
- - Of the 9 recommendations and/or suggestions made during the reporting period April 1, 1989 through September 30, 1989, 2 remain pending.

The status of matters pending before the OIG at the end of the reporting period are as follows:

- - 7 audits and 3 inspections in progress;
- - 11 investigations in progress, excluding the 6 referred to the General Counsel during this and the prior reporting periods;
- - 6 programmatic matters referred to the General Counsel;
- - 1 matter referred to the General Counsel's Office of Equal Employment Opportunity; and,
- - 5 recommendations and/or suggestions pending action by the Chairman and/or General Counsel, 1 of which was made during the reporting period and 4 of which were made during prior reporting periods. Of the 4 pending since prior reporting periods, 3 have been agreed to, but not implemented or fully implemented.

SECTION 1

DESCRIPTION OF SIGNIFICANT PROBLEMS, ABUSES AND DEFICIENCIES RELATING TO ADMINISTRATION OF PROGRAMS AND OPERATIONS AND DESCRIPTION OF RECOMMENDATIONS FOR CORRECTIVE ACTION (MANDATED BY SECTION 5 (a) (1) AND (2) OF THE ACT)

AUDITS

Five final audit reports issued during the reporting period on the dates indicated:

- (1) "Review of National Labor Relations Board Control Over Kastle Systems Security Cards" (Audit Report No. OIG-AMR-2, May 28);
- (2) "Review of Accountability and Control Over Imprest Funds and Travelers Checks" (Audit Report No. OIG-F-2, June 24);
- (3) "Review of Accountability and Control Over Travel Advances" (Audit Report No. OIG-AMR-4, June 24);
- (4) "Review of National Labor Relations Board Remittances" (Audit Report No. OIG-F-1, June 25); and,
- (5) "Review of Alleged Improprieties of an Employee's Travel Account" (Audit Report No. OIG-AMR-5, June 27).

Of the 85 recommendations made in these reports, 82 were adopted by management. A substantial majority of those 85 recommendations centered around the need to establish or improve upon internal controls which will: (1) facilitate better management of the Agency's resources, (2) provide a mechanism for assuring adherence to Agency policy and external regulations, and (3) make less likely abuses such as those encountered in the course of earlier investigations.

Thus, for example, audits revealed that the Agency:

- A. Did not have adequate procedures to ensure that:
 - (1) employees leaving the Agency returned the security cards which, while employed, properly permitted them entry to the building during off hours;
 - (2) proper records were kept of security card assignments;

(3) the contractor providing the security card service had an accurate record of card assignments; and,

(4) that the contractor was notified of employees whose employment with the Agency was terminated so their assigned security cards could be electronically revoked. (Audit Report No. OIG-AMR-2);

B. Needed to strengthen internal controls over its imprest funds and provide administrative controls to ensure:

(1) proper maintenance of records. For example, contrary to requirements of the Treasury Financial Manual with respect to the numbering of subvouchers used to record disbursements from the imprest fund, the audit revealed that such was not always done;

(2) safeguards over cash. For example, questionable payments of \$8,118 were discovered, consisting of \$6,857 paid for clipped or altered receipts (the tops had been cut off to conceal the date of purchase as well as the identity of the supplier) and \$1,261 paid for receipts that did not appear consistent with the stated supplies purchased;

(3) compliance with internal and external regulations;

(4) proper separation of duties in compliance with the Accounting and Auditing Act of 1950 and the Government Accounting Office (GAO) internal control standards. For example, the audit showed that Washington headquarters imprest fund cashiers, contrary to GAO internal control standards which mandate a separation of duties, disbursed funds, prepared and recorded employee travel cards, maintained employee travel advance balances, classified and entered subvoucher transactions into the accounting system and prepared a form showing payees, the amount paid and the voucher number; and,

(5) accountability over travelers checks. For example, the Washington headquarters cashier had no record of the balance of travelers checks on hand, did not maintain a log of travelers checks remitted and received and did not uniformly issue travelers checks in numerical sequence. (Audit Report No. OIG-F-2);

C. Needed to strengthen internal controls over its travel advance procedures and provide administrative controls to ensure:

(1) proper maintenance of records. For example, 111 of 1,170 open travel advance accounts (almost 9.5%) had been assigned invalid social security numbers;

(2) safeguards over travel advances. For example:

(a) of the 1,170 open travel advance accounts, 99, with a balance of \$34,215, represented former employees of the Agency; and,

(b) one former employee with a current outstanding travel account balance of \$3,025 retired in 1981 and died in 1984, about 6 years prior to the end of the period covered by the audit;

(3) compliance with internal and external regulations. For example:

(a) during the entire 20-month period covered by the audit, October 1, 1988 to May 31, 1990, 47% of the open travel advance accounts, representing \$303,258, were inactive, thus calling into question whether the employees should have repaid the amounts advanced;

(b) of 22 employee relocation advances reviewed, 7, totalling \$25,045, had been outstanding for over two years, and two of the seven had been outstanding for over five years;

(c) no direct confirmation and reconciliation of all travel advance balances had been performed for at least 10 years;

(d) internal controls, such as an adequate separation of duties, had not been implemented;

(e) travel advance accounts were often improperly aged; and,

(f) a large number of source documents needed to support postings to accounts were missing and could not be located. (Audit Report No. OIG-AMR-4);

D. Needed to strengthen internal controls over:

(1) the receipt of remittances. ⁴ For example, for the period covered by the audit, Fiscal Year 1989, there were discrepancies between deposit slips submitted by the Agency and those processed by the Depository amounting to \$4.5 million; ⁵

(2) the recording of entries in the receipt ledger. For example, improper reconciliation procedures resulted in a failure to discover that over \$3 million had not been recorded in the remittance receipt ledger; ⁶

(3) timely submission of deposits to the Depository. For example, a Treasury regulation requires agencies to deposit receipts of \$1,000 or more on the same day received and prior to the depository cut off time. Despite the regulation, the audit showed that, for Fiscal Year 1989, 120 remittances totalling \$1,000 or more were deposited. The 120 totalled \$2,997,668.49. Of the 120 remittances, only 9 complied with the requirement for same-day deposit. For the 107 for which a receipt date could be determined, ⁷ deposits were made between 1 and 35 days after receipt, thus preventing the Treasury Department from reducing borrowing costs or increasing investment funds by over \$2.1 million;

(4) separation of duties; and,

(5) the Agency's collection efforts to make certain that all amounts deposited are in fact collectible. (Audit Report No. OIG-F-1); and

⁴ Remittances are received from eight sources: (1) employee reimbursements to the Agency for travel advances, (2) employee jury duty pay in excess of allowable expenses, (3) payroll related items, (4) Freedom of Information Act payments for materials received, (5) refunds from overpaid vendors, (6) backpay payments to discriminatees who cannot be located, (7) court costs related to litigation, and (8) airline refunds for unused tickets.

⁵ No actual harm was done, but the discrepancies occurred on four deposit tickets, with one ticket having an error of over \$4 million. These errors highlighted the need for greater supervisory and managerial review over the entire process.

⁶ Again, while no harm was done, the need for greater supervisory and managerial review was obvious.

⁷ This was not true in the case of four remittances.

E. Needed to strengthen internal controls to ensure:

- (1) proper supervisory and managerial reviews of the travel advance process are conducted;
- (2) an audit trail which will disclose not only the recipient of the funds but also the disburser;
- (3) proper recordation of travel advances, including the initialling of any changes which occur on the documents;
- (4) enforcement of Agency internal policies with respect to recall of travel advance funds when the travel currently being performed does not justify retention of the travel advance. (Audit Report No. OIG-AMR-5).

INVESTIGATIONS

During the reporting period, the OIG completed an investigation into an allegation raised in an anonymous letter asserting, in effect, that the Director of Equal Employment Opportunity (DEEO), while engaged in an investigation into allegations raised in another anonymous letter, directed to the EEO Office, concerning "whether person[s] had heard anyone engage in a racially offensive conversation or had made racial epithets," also "questioned individuals as to whether they had heard anyone criticizing the General Counsel for delay in case processing." The concern raised in the anonymous letter sent to the OIG was whether the DEEO, while conducting a legitimate inquiry into matters clearly pertaining to alleged discrimination based on race, color, creed, etc., can inquire into matters unrelated to the mission of the EEO Office, that is, criticism of the General Counsel if such is not based on EEO considerations.

Almost all witnesses interviewed by the OIG asserted that the Director of EEO was conducting two, very distinct lines of inquiry. One dealt with whether the witness had uttered, or heard others utter, racial slurs or epithets, whether directed against others in the Division where the employees were employed or against the General Counsel. The other line of inquiry was whether the witness had been, or had heard others be, critical, in a context devoid of any racial connection, of the General Counsel. Some of those witnesses stated they pointedly asked the DEEO whether these two, very distinct lines of inquiry were being made and received an affirmative answer.

The DEEO acknowledged asking, first, whether the persons interviewed in the EEO investigation had heard of, or engaged in, any criticism of the General Counsel based on race and then asking if they had heard of, or engaged in, criticism of

the General Counsel based on delays in case processing.⁸ The latter question, i.e., the one related to delays in case processing, was then asked about specific former General Counsels.

The DEEO volunteered, among other things, that the employees, because of the way in which the questions were asked and their lack of knowledge about certain matters, "may have perceived" they were being asked about criticism of the General Counsel unrelated to race.

Shortly after the commencement of the reporting period, the OIG submitted a Final Investigative Report to the General Counsel concerning the above-noted subject matter, together with a recommendation for appropriate action. The OIG requested that it be notified of the action taken by the General Counsel so the matter could be closed, but no such notification has been received.

⁸ Not all persons were asked the latter question as, late in the EEO investigation, the DEEO received instructions not to ask that question any longer or include the answers to that question, already obtained, in the final report to the General Counsel. In fact, that report is silent on the issue.

SECTION 2

IDENTIFICATION OF EACH SIGNIFICANT RECOMMENDATION DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS ON WHICH CORRECTIVE ACTION NOT COMPLETED (MANDATED BY SECTION 5 (a) (3) OF THE ACT)

Prior semiannual reports described several recommendations and/or suggestions for corrective action, most of which have been acted upon to completion. Those on which some action remains to be taken are treated separately below.

UNUSED AIRLINE TICKETS

The semiannual report for the period April 1, 1989 through September 30, 1989⁹ noted that an independent certified public accounting firm had conducted an audit of the Agency's Fiscal Year 1987 financial statements. Their management letter included a recommendation that accounts receivable established for reimbursement of unused airline tickets be removed from the books and all supporting documentation be forwarded to GSA for collection if refund checks were not received within the required time period. It was also recommended that uncollected accounts receivable which were not supported by the proper documentation (the unused airline tickets) be written off. The Agency began implementing those recommendations.

In its response to the April - September, 1990 semiannual report, the Agency observed that it anticipated reconciling all records no later than December 31, 1990 and that all unused airline tickets had been forwarded to GSA according to applicable regulations.

In responding to the October, 1990 - March, 1991 semiannual report, the Agency stated there were difficulties in completing the task occasioned by problems experienced in converting needed accounting data to a new system and observed that, since the data conversion process was completed on April 25, 1991, all necessary actions to resolve the unused airline ticket matter should be completed by June 30, 1991.

As of the end of this reporting period, the OIG had not been apprised that the process had been completed.

FOLLOWUP MANAGER

Prior to the creation of the OIG, it had been the responsibility of the Agency's Audit Staff to conduct follow-ups of audit findings. Upon the creation of the OIG,

⁹ Issued prior to the advent of the OIG.

it absorbed the one remaining auditor, leaving no one to conduct follow-ups of audit findings. Therefore, consistent with Office of Management and Budget Circular A-50, revised, it was recommended in all previous semiannual reports that management assign this responsibility to other personnel.

The Agency, in its response to the April - September, 1990 semiannual report, noted that the appointment of a follow-up manager had been delayed because of budgetary constraints. In responding to the October, 1990 - March, 1991 semiannual report, the Agency commented that budgetary considerations still precluded the appointment of a follow-up manager, but stated that, in the meantime, supervisors and managers would perform the function.

As of the end of this reporting period, the OIG had not been apprised of the appointment of a follow-up manager consistent with OMB Circular A-50.

AMENDMENT OF EMPLOYEE CODE OF CONDUCT (COOPERATION WITH OIG)

During the October 1, 1989 - March 31, 1990 reporting period, it was suggested by the OIG that the Agency's code of "Employee Responsibilities and Conduct" be amended to require employee cooperation with the OIG. The Agency advised that the suggestion was agreed to and that the amendment would be published in the Code of Federal Regulations (CFR) in July 1991. In response to the April - September, 1990 semiannual report, the Agency specified that employees would be notified of the requirement prior to the CFR publication and that, on May 7, 1990, the General Counsel had issued a memorandum to employees in the Division of Administration with respect to continued cooperation with the OIG.

In its response to the October, 1990 - March, 1991 semiannual report, the Agency remarked that the text to amend Agency regulations at 29 CFR with respect to this issue had been prepared for transmittal to the Federal Register and was then being discussed with the collective bargaining representatives of the involved employees in accordance with the Federal Labor Relations Act and contractual agreements.

By the end of this reporting period, the Agency had not informed the OIG of its notification of the requirement for cooperation with the OIG to any employees beyond the one Division already notified. As of the end of the reporting period, the matter was still under discussion with the collective bargaining representatives of the involved employees and nothing has been published in the CFR on the subject matter.

CONVERSION FROM ONE FINANCIAL SYSTEM TO ANOTHER

On November 14, 1990, at a time when the Agency was converting from one financial system (FEDCOUNT) to another (DB-MARS), ¹⁰ the OIG suggested that something more than the mere dollar balances from the old system be incorporated into the new in order to take full advantage of the new system's capabilities. The suggestion was made, because the OIG learned that only dollar balances from FEDCOUNT were being entered, without any of the supporting data which would permit full use of DB-MARS' capabilities.

For example, the then new system (DB-MARS) allegedly had the ability to automatically check an invoice being submitted for payment to determine: (1) if the amount had been obligated; if not, no payment would be permitted; (2) the amount of the obligation; if the invoice submitted for payment exceeded the amount obligated, no payment would be permitted; and, (3) if the invoice was entered as a final payment; if so, all obligated funds in excess of the total invoice would be deobligated.

The OIG has received no response to this suggestion and, since DB-MARS has been supplanted by FRA (which assertedly has the same capabilities as DB-MARS in the manner described above), the suggestion remains viable.

¹⁰ DB-MARS has since been supplanted by the Agency with still another financial system (Federal Railroad Administration or FRA)

SECTION 3

SUMMARY OF MATTERS REFERRED TO PROSECUTIVE AUTHORITIES
AND RESULTANT PROSECUTIONS AND CONVICTIONS
(MANDATED BY SECTION 5 (a) (4) OF THE ACT)

No matters were referred to prosecutive authorities during this reporting period, nor were there any prosecutions or convictions.

SECTION 4

SUMMARY OF EACH REPORT TO ESTABLISHMENT HEAD CONCERNING INFORMATION OR ASSISTANCE UNREASONABLY REFUSED OR NOT PROVIDED (MANDATED BY SECTION 5 (a) (5) OF THE ACT)

Section 5 (a) (5) of the Act requires the OIG to include in a semiannual report a summary of each report made to the head of the establishment under Section 6 (b) (2) during the reporting period. Section 6 (b) (2), in turn, authorizes an Inspector General to report to the head of the establishment whenever information or assistance requested under subsection (a) (1) or (3) is, in the judgement of an Inspector General, unreasonably refused or not provided. The subsections referred to authorize an Inspector General to have access to, in effect, all documentation or other material available to the establishment which relate to programs and operations with respect to which the Inspector General has responsibilities under the Act, and authorize an Inspector General to request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by the Act from any Federal, State, or local governmental agency or unit.

During the reporting period, no such reports were made to the head of the establishment by the OIG.

SECTION 5

LIST OF EACH AUDIT REPORT ISSUED
(MANDATED BY SECTION 5(a)(6) OF THE ACT)

Dollar Value (in thousand \$)

<u>AUDIT BY TYPE</u>	<u>REPORT NUMBER</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>	<u>RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE</u>
<u>Management Review Audits</u>				
Kastle Systems Security Cards	OIG-AMR-2	0	0	0
Travel Advances	OIG-AMR-4	34	0	294
Alleged Improprieties of an Employee's Travel Account	OIG-AMR-5	1	0	0

SECTION 5
(continued)

LIST OF EACH AUDIT REPORT ISSUED
(MANDATED BY SECTION 5(a)(6) OF THE ACT)

Dollar Value (in thousand \$)

<u>AUDIT</u> <u>BY</u> <u>TYPE</u>	<u>REPORT</u> <u>NUMBER</u>	<u>QUESTIONED</u> <u>COSTS</u>	<u>UNSUPPORTED</u> <u>COSTS</u>	<u>RECOMMENDATIONS</u> <u>THAT FUNDS BE</u> <u>PUT TO BETTER USE</u>
<u>Financial</u> <u>Audits</u>				
Imprest Funds and Travelers Checks	OIG-F-2	8 11	0	31
Remittances	OIG-F-1	2 12	0	2,100

11 \$6,000 of this amount was recovered.

12 This amount has been recovered.

SECTION 6

SUMMARY OF EACH SIGNIFICANT AUDIT REPORT IN SECTION 5 (MANDATED BY SECTION 5 (a) (7) OF THE ACT)

Review of National Labor Relations Board Control Over Kastle Systems Security Cards, (OIG-AMR-2; May 28, 1991).

This audit, which was added to the OIG Audit Plan for Fiscal Year 1990 primarily as a result of information developed during the investigation of a break-in at the OIG, constituted a review of Agency controls over Kastle Security Cards used at the NLRB headquarters in Washington, DC. The building's owner, Charles E. Smith, contracts with Kastle Systems (Kastle) to provide a security card activated lock at the front entrance. Administrative controls, procedures and practices concerning the issuing and revoking of Kastle Security Cards were reviewed. We found that these controls, procedures and practices needed improvement and made 14 recommendations.

In this area, as in others, we found a need to improve upon internal controls. We found that employees who had left the Agency or had transferred from headquarters still had Security Cards according to the two security card lists separately maintained by the Agency's Security Office and by Kastle. We recommended that the Agency secure the return of Kastle cards from departing employees, that Form NLRB-4197 be amended to provide space to reflect the return of the card, and that the final paycheck of departing employees be withheld until the card is returned.

The General Counsel agreed that the Security Office should make every effort to secure the return of Kastle cards and also agreed to amend Form NLRB-4197. The General Counsel disagreed, however, with respect to the recommendation to withhold paychecks, reasoning that since the cards can be electronically voided by Kastle, withholding paychecks is not necessary.

Numerous discrepancies between the Security Office Card List and the Kastle Card List were found. We recommended that the Security Office notify Kastle whenever an employee leaves the Agency or there is any other change in the status of a card and that the Security Office conduct periodic supervisory reviews to ensure that the two lists contain identical information. The General Counsel concurred and advised that these recommendations had been implemented.

The Agency also needs to take steps to have Kastle electronically revoke the cards of employees departing the

Agency as well as those cards reported by employees as being lost. The General Counsel concurred with these recommendations and they have been implemented.

Finally, there were numerous misspellings of employees' names in both the Security Office Card List and the Kastle Card List. We recommended that the employee's full name as it appears on the Agency's identification card be used on both lists and that periodic supervisory review be conducted to eliminate misspellings. The General Counsel agreed with these recommendations.

Review of Accountability and Control Over Imprest Funds and Travelers Checks, (OIG-F-2; June 24, 1991).

In this audit, we reviewed the accountability and control over imprest funds and travelers checks. The review was primarily focused on activity during the period October 1, 1988 through March 31, 1990; however, financial documents which contained questioned costs were reviewed from Fiscal Year 1985 through March 31, 1990. A total of 20 recommendations were made in this report.

Four of the recommendations pertained to the need to strengthen internal controls over imprest funds by proper segregation of duties, maintaining an appropriate log, maintaining documentation to support disbursements, and effective use of certifying officers. A fifth recommendation was made that a log or other mechanism be implemented to strengthen controls over travelers checks. Eleven recommendations were made regarding the need to follow Department of Treasury and/or NLRB procedures in managing imprest funds or to develop stronger procedures within appropriate guidelines. These recommendations pertained to preparation of required monthly accountability reports, limiting disbursements to \$500, returning receipts for purchases within 5 days, properly numbering subvouchers, and making quarterly unannounced verifications of funds. Additional documentation on disbursement forms and consistent designation of imprest fund cashiers were also recommended.

A double posting of \$27,500 of imprest fund assets was discovered and a recommendation was made to make appropriate adjustments.

Questionable payments of \$8,118 were discovered, consisting of \$6,857 paid for clipped or altered receipts and \$1,261 paid for receipts that did not appear consistent with the stated supplies purchased. A criminal referral was made to the Department of Justice during an earlier reporting period and, based upon a Plea Agreement, the individual pleaded guilty to a misdemeanor count of theft of public money in violation of 18 U.S.C. 641. A recovery of \$6,000

as restitution was ordered by the U. S. District Court during the resolution of this criminal proceeding based upon this and one other matter. The NLRB appropriately does not plan to pursue the difference between the \$8,118 and the amount restituted beyond the court-ordered settlement.

A recommendation was made to reduce imprest funds with inadequate turnover.

Finally, we recommended that a \$100 theft that occurred in the Boston Regional Office 3 years ago be resolved in accordance with Department of the Treasury regulations. The theft was apparently properly reported and investigated, but a formal determination of employee liability had never been made.

All recommendations were adopted and a number of them had been implemented by the time the audit report issued.

Review of Accountability and Control Over Travel Advances, (OIG-AMR-4; June 24, 1991).

The review focused on travel advances outstanding as of May 31, 1990. A total of 23 recommendations were made in this report, all of which were adopted. A number of them had been implemented by the time the report issued.

Seven of these recommendations pertained to the need to strengthen internal controls over travel advances through: (1) separation of duties, (2) maintaining adequate documentation, (3) abiding by Agency policy with respect to partial voucher application, (4) proper authorization of travel advance forms and travel voucher authorization, and (5) assuring that relocation advances are not permitted to remain outstanding for excessive periods.

An additional seven recommendations pertained to the need to aggressively pursue inactive travel advances, which, for the period under review, exceeded \$300,000.00 in 549 accounts.

The remainder of the recommendations dealt with: (1) the travel advance subsidiary ledger not being reconciled, (2) the travel advance subsidiary ledger not providing a history of liquidated advances, (3) improper aging of travel advances, (4) the assignment of invalid social security numbers, ¹³ and (5) incorrect travel advance amounts being recorded on the certification for release of final salary checks.

¹³ Although no criminal activity was detected as a result of this audit, the assignment of invalid social security numbers is always a matter of concern as that practice lends itself to criminal activity.

Review of National Labor Relations Board Remittances,
(OIG-F-1; June 25, 1991).

Accounting for receipts and deposit of remittances are functions performed by the Financial Management Branch (FMB) at the Headquarters Office. The audit involved an examination of the administrative controls, procedures, and practices utilized by the FMB for the various processing stages of remittances which are derived from eight sources: (1) employees reimbursing the Agency for unused travel advances; (2) employee jury duty pay in excess of allowable expenses; (3) payroll related items; (4) Freedom of Information Act payments for materials received; (5) refunds from vendors who were overpaid; (6) backpay payments for discriminatees who cannot be located; (7) court costs related to litigation; and, (8) airline refunds for unused tickets.

During Fiscal Year 1989, remittances totalling \$6,261,810.53 were confirmed by the Depository on behalf of NLRB. This audit identified significant weaknesses in the areas of internal controls, management supervision, and operating procedures.

The audit revealed that the FMB needs to strengthen the internal controls over the operational process of remittances and increase management involvement. Because of weak internal controls in processing areas, some remittances were improperly recorded or classified, and several were not deposited in a timely manner. Also, collection efforts for uncollected checks need to be strengthened.

During this audit, we found very little documented evidence of supervisory review over the operational process of Agency remittances. The audit revealed discrepancies between the deposit ticket totals prepared and submitted by the Agency and those that were processed through the banking system. The Depository made adjustments totalling over \$4.5 million to remittances submitted by the Agency. Although no actual harm was done, the discrepancies occurred on four deposit tickets in which one ticket had an error of over \$4 million. This indicates the need for more supervisory review over the submission process of deposit tickets to the Depository. The General Counsel advised that corrective measures to ensure more effective internal controls and fix responsibilities will be implemented and documented through written internal operating procedures; and, that supervisors will be held responsible for the effectiveness of their units.

Our examination also disclosed that operating procedures and management review were not sufficient to ensure proper record keeping and timely submissions of remittances. Because of improper reconciliation procedures, remittances

of over \$3 million were not recorded in the remittance receipt ledger. The lack of proper supervisory review was also a contributing factor for untimely submissions of remittances to the Depository. A Treasury Department regulation provides that a remittance of \$1,000 or more is required to be deposited on the same day it is received. Our review disclosed that many remittances requiring same day deposit took between 1 and 35 days before they were deposited. A total of over \$2.1 million was not submitted to the Depository in accordance with Treasury Department's regulation requiring same day deposit. Failure to promptly deposit remittances in accordance with the above regulations prevented the Treasury Department from reducing borrowing costs or increasing investment funds.

A recommendation was made that deposit ticket totals should be reconciled each month to the remittance receipt ledger to ensure that all remittances are properly recorded. Also, it was recommended that operating manuals be revised to include Treasury Department regulations. The General Counsel concurred with our findings and recommendations and advised that corrective actions will be implemented.

Also, the lack of proper reconciliation procedures resulted in discrepancies when comparing account classification information recorded on the deposit tickets with account information listed in the remittance receipt ledger. A review of one month was judgmentally selected for comparison. The review disclosed that \$83,394.81 of remittances reported on 21 deposit tickets submitted to the bank affected six depository accounts. Of the 21 deposit tickets, 7, or 33%, reconciled to the account classification information recorded in the remittance receipt ledger. Three entries in the receipt ledger were not classified. As a result of improper reconciliation of account information, a total discrepancy of \$5,874.22 was disclosed. A recommendation was made that account information recorded on the deposit ticket be reconciled to the information listed in the remittance receipt ledger. The General Counsel concurred with the finding and recommendation and advised that reconciliation procedures are being implemented.

Of the total remittances confirmed by the Depository, \$6,796.13 was classified as uncollectible. The Agency recovered \$3,035.07 of the reported unpaid remittances, of which amount, as a direct result of this audit, the OIG was responsible for the recovery of \$1,802.10. Due to the lack of collection efforts for uncollected checks, \$3,761.06 of unpaid checks remain outstanding, and will likely never be collected. Recommendations have been made to assign the responsibilities and duties of performing the collection procedures to a specific employee. The General Counsel advised that effective measures which fix responsibility are being implemented and documented, and supervisors will be

held responsible for the effectiveness of their units. Also, the General Counsel advised that final collection efforts will be made to attempt recovery of any uncollectible items that remain outstanding.

Review of Alleged Improprieties of an Employee's Travel Account, (OIG-AMR-5; June 27, 1991).

The audit, which covered the employee's travel activities from the beginning of FY 1984 through FY 1990, was prompted by anonymous letters which asserted that an employee had misappropriated Agency funds through a manipulation of the travel advance system. This audit and a simultaneously conducted investigation established that the assertion in the anonymous letters was partially correct.

A total of 8 recommendations were made in this report, all of which have been adopted. Seven of the recommendations pertain to the need to:

- (1) strengthen internal controls to ensure:
 - (a) proper supervisory and managerial reviews of the travel advance process are conducted,
 - (b) an audit trail which will disclose not only the recipient of the funds but also the disburser,
 - (c) proper recordation of travel advances, including the initialling of any changes which occur on the documents and,
 - (d) enforcement of Agency internal policies with respect to recall of travel advance funds when the travel currently being performed does not justify retention of the travel advance; and,
- (2) make certain that supervisory and managerial review take place, conclusions we have reached in virtually every audit undertaken by the OIG.

The eighth recommendation deals with securing reimbursement from the employee in question of an amount in excess of \$1,200 for a travel advance which did not appear on the employee's travel card, but which was reflected in a ledger dealing with travel advances.

This report is closely related to the "Review of Accountability and Control Over Travel Advances," Audit Report No. OIG-AMR-4, which issued June 24, 1991. Although the instant report is based upon the review of a single individual's travel records and not a comprehensive review such as was undertaken in OIG-AMR-4, we are satisfied that

our findings here are fully supported by those in the companion matter.

SECTION 7

STATISTICAL TABLES SHOWING TOTAL NUMBER OF AUDIT REPORTS
AND TOTAL DOLLAR VALUE OF QUESTIONED AND UNSUPPORTED COSTS
(MANDATED BY SECTION 5 (a) (8) OF THE ACT)

	<u>Number</u>	<u>Dollar Value (in thousand \$)</u>	
		<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. Reports for which no management decision had been made by the beginning of the reporting period	0	0	0
B. Findings in reports issued during the reporting period	4	45	0
Subtotal (A + B)	4	45	0
C. For which a management decision was made during the reporting period	0		
(i) Disallowed costs	4	45	0
(ii) Costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0

SECTION 8

STATISTICAL TABLES SHOWING TOTAL NUMBER OF AUDIT REPORTS
AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
(MANDATED BY SECTION 5 (a) (9) OF THE ACT)

	<u>Number</u>	<u>Dollar Value (in thousand \$)</u>	
			<u>Recommendations That Funds Be Put To Better Use</u>
A. Reports for which no management decision had been made by the beginning of the reporting period	0	0	
B. Findings in reports issued during the reporting period	4	2,425	
Subtotal (A + B)	4	2,425	
C. For which a management decision was made during the reporting period	4	2,425	
(i) Recommendations agreed to by management	4	2,425	
(ii) Recommendations not agreed to by management	0	0	
D. For which no management decision has been made by the end of the reporting period	0	0	

SECTION 9

SUMMARY OF EACH AUDIT REPORT ISSUED
BEFORE REPORTING PERIOD FOR WHICH NO MANAGEMENT DECISION
MADE BY END OF REPORTING PERIOD
(MANDATED BY SECTION 5 (a) (10) OF THE ACT)

Not applicable.

SECTION 10

DESCRIPTION AND EXPLANATION OF REASONS FOR ANY
SIGNIFICANT REVISED MANAGEMENT DECISION
MADE DURING THE REPORTING PERIOD
(MANDATED BY SECTION 5 (a) (11) OF THE ACT)

During the reporting period, no significant revised management decisions were made.

SECTION 11

INFORMATION CONCERNING ANY SIGNIFICANT MANAGEMENT DECISIONS
WITH WHICH INSPECTOR GENERAL IS IN DISAGREEMENT
(MANDATED BY SECTION 5 (a) (12) OF THE ACT

During the reporting period, there were no significant management decisions with which the Inspector General disagreed.

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NOTIFY THE OFFICE OF INSPECTOR GENERAL (OIG) IF YOU ARE AWARE OF OR SUSPECT ANY SUCH ACTIVITY. YOU MAY DO SO BY WRITING TO THE OFFICE OF INSPECTOR GENERAL, 1717 PENNSYLVANIA AVENUE, NW, ROOM 232, WASHINGTON, DC 20570. OR YOU MAY CALL THE OIG HOTLINE AT (202) 254 4885; FTS 8 254 4885. THIS IS A SECURE LINE AND CAN ONLY BE ACCESSED BY THE OIG STAFF FROM INSIDE THE OIG OFFICE. THE DEVICE WHICH WOULD PERMIT ANYONE, INCLUDING OIG STAFF, TO ACCESS THE HOTLINE FROM ANOTHER LOCATION HAS BEEN DEACTIVATED SO IT CAN ONLY BE ACCESSED BY MEMBERS OF THE OIG STAFF FROM INSIDE THE OFFICE. THE OIG HOTLINE IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK.

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