

NATIONAL
LABOR
RELATIONS
BOARD



SEMIANNUAL REPORT

For the Period

October 1, 1989 to March 31, 1990

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April 23, 1990

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

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

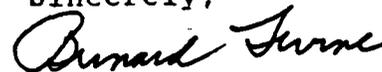
Dear Chairman Stephens and General Counsel Hunter:

I am pleased to provide each of you with two copies of this report on the activities of the Office of the Inspector General (OIG) for the period October 1, 1989 to March 31, 1990. As you know, I was appointed as Inspector General on November 7, 1989 and assumed office on November 13. Although much of my time since being appointed has been devoted to organizing, equipping and staffing the OIG, we are now poised, with the advent of a Supervisory Auditor, to establish an audit universe, prioritize that universe, and embark on the audits identified. We, of course, will continue to investigate those matters brought to our attention, as well as those which are self-initiated.

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 programs.

Sincerely,



Bernard Levine
Inspector General

SEMIANNUAL REPORT OF THE
OFFICE OF THE INSPECTOR GENERAL
NATIONAL LABOR RELATIONS BOARD
FOR THE PERIOD
OCTOBER 1, 1989 TO MARCH 31, 1990

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FOREWORD

While this is the second semiannual report submitted for the National Labor Relations Board, it is the first such report by the incumbent since his appointment as Inspector General on November 7, 1989. Therefore, this document is not only an introduction to the Agency, but also a description of the organization, as well as the activities, of the Office of the Inspector General (OIG).

In that regard, inasmuch as this is the first semiannual report of the incumbent and, therefore, may be the subject of interest to Agency employees as well as others, an effort will be made in it to impart as much information as possible while, at the same time, have it conform to the requirements of the Inspector General Act of 1978, as amended, (the Act).

The National Labor Relations Board, which employs about 2,200 employees and has an annual budget of approximately \$140,000,000, is an independent agency 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 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 between employers, labor organizations and employees; encouraging collective bargaining; and, by providing a forum for all parties to peacefully resolve representational 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.

Five Board Members and a General Counsel are appointed by the President with the advice and consent of the Senate. The 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 OIG under the Act, 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 consists of the Inspector General; a Supervisory Auditor who entered on duty on April 8, 1990, after the period covered by this report; an Auditor who was formerly a member of the Security and Audit Branch; a Staff Assistant, who has not yet entered on duty; and, a Secretary to the Inspector General. Much of the time since the appointment of the Inspector General has been taken up with staffing, organizing and equipping the OIG.

With the advent of the Supervisory Auditor, the OIG will embark upon establishing an audit universe, prioritizing the elements of that universe, implementing those priorities, and continuing not only investigation of those employee complaints which have been brought to its attention, but also those which have been self-initiated.

INSPECTOR GENERAL SUMMARY

During the current reporting period, the OIG:

- - Was headed for the first time by an Inspector General who was appointed on November 7, 1989 and assumed office on November 13
- - Completed the first phase of its organizational plan by recruiting a Supervisory Auditor and employing a Secretary to the Inspector General, with only the latter entering on duty during the reporting period
- - Established a budget for the balance of Fiscal Year 1990 which permitted it to acquire the necessary equipment and staff for its first year of operation
- - Initiated 14 investigations and 4 audits
- - Referred 5 matters to the General Counsel which were purely programmatic in nature and fell under the aegis of the General Counsel
- - Made 12 recommendations and/or suggestions to the Chairman and/or General Counsel for improving Agency programs, operations and activities
- - Concluded 1 investigation and 1 audit
- - Referred 1 matter to both the Civil and Criminal Divisions of the Justice Department for appropriate action

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

- - 3 audits in progress
- - 8 investigations in progress, excluding the 5 referred to the General Counsel
- - 12 recommendations and/or suggestions pending action by the Chairman and/or General Counsel, 6 of which were made during the reporting period and 6 of which were made during the prior reporting period

- - 5 programmatic matters referred to the General Counsel
- - 1 matter pending action by both the Civil and Criminal Divisions of the Justice Department

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)

During the reporting period, the OIG, in conjunction with the Agency's compliance with the Federal Managers' Financial Integrity Act and pursuant to Office of Management and Budget Circular A-123, conducted an analysis of the Agency Annual Internal Control Status Reports (AICSR) for calendar years 1987 through 1989. That review disclosed a number of problems. The AICSRs did not, in all instances, contain target dates for the correction of those assessable units which had been identified as constituting Material Weaknesses. With the exception of two matters identified as constituting Material Weaknesses, all others have been permitted to go unremedied for as long as three years. One unit identified as constituting a Material Weakness failed to appear on one AICSR even though it had appeared as unremedied in the years preceding and following that in which it was not enumerated.

To remedy the above, it was recommended that, in the future, all AICSRs contain target dates for each unit identified as constituting a Material Weakness to: (1) make certain target dates have been set, and (2) permit the AICSR to function as the primary tool for monitoring compliance. The fact that some Material Weaknesses have been permitted to exist for as long as they have prompted the recommendation that, in the initial planning, goals be set which are obtainable; that intermediate goals be set with at least quarterly monitoring to make certain the plan is on target; and, that sufficient Agency resources, in terms of staff and funds, be allocated to accomplish the target within reasonable proximity to the time set. Finally, it was recommended that Agency managers be made aware of all ongoing assignments so none can be overlooked.

In view of the limited time permitted the OIG to fulfill its function under Office of Management and Budget Circular A-123, no review was possible of the internal control documentation, systems and compliance to determine whether the policies and standards established by the Circular were implemented properly. As a result, it will be necessary to involve the OIG at an earlier date to permit it to properly perform its function.

Aside from the above, no other significant problems, abuses or deficiencies were noted during this reporting period.

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)

The first semiannual report of the OIG contained several recommendations for corrective action, only some of which have been completed. Each will be dealt with separately

CONTRACTOR INVOICES

A followup review had been conducted of paid invoices for verbatim transcript services as new procedures had been established which delegated invoice certification responsibilities to the Agency's Regional Offices. The procedures contemplated each Regional Office reviewing invoices submitted by contractors to ascertain that the correct amount was being billed based upon services rendered. There had been a finding that some invoices had been submitted for incorrect amounts and that some invoices had not been properly reviewed, which resulted in 17 5 thousand dollars in overpayments of which 14 thousand had been recovered.

Based on the above, recommendations were made that: (1) there be a secondary review of a contractor's invoices prior to payment until such time that it could be safely concluded that Regional certifying officials thoroughly understood the certification process; and, (2) that periodic reviews of the invoices be conducted to eliminate the possibility of any additional overpayments

The review procedures have been implemented, but in some cases a problem persists and additional followup will be necessary by management officials

OBLIGATIONS AND REPORTING

An independent certified public accounting firm had conducted a review and analysis of the Agency's obligation and reporting system and made several recommendations.

With respect to the Regional Offices, it was recommended that: (1) more emphasis be directed to promoting the use of the Regional Office Accounting Manual in order to establish standardized operational procedures consistently throughout the Regional Offices; (2) standardized procedures for the accounting assistants be developed, including use of logs, for processing regional obligation/expenditure reports in the accounting system; and, (3) reports that are processed

by the accounting assistants should be reviewed by a supervisor or comparable official.

The standardized operational procedures recommended are still being reviewed; the standardized procedures for the accounting assistants have been developed, but not issued; the use of a log is not being contemplated; and, the reports processed by the accounting assistants are not being reviewed due to insufficient personnel

Concerning the Headquarters operation, it was recommended that (1) a standard form be designed for use by those branches tracking their own obligation and expenditure activities; and, (2) some of the reports generated by the accounting system be redesigned to report on obligation and expenditure transactions by each branch or Regional Office.

No standard form has been designed to enable each branch to track its own obligation and expenditure activities, nor have the reports which it was recommended be redesigned been redesigned.

UNUSED AIRLINE TICKETS

Prior to the issuance of the previous semiannual report, an independent certified public accounting firm had conducted an audit of the Agency's FY '87 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, commencing with the prior reporting period, began implementing those recommendations.

As part of preparation for this semiannual report, a review was conducted, not only to determine if the recommendations had been fully implemented, but also of the underlying recommendations. That review disclosed that: (1) the recommendations had not been fully implemented; (2) there had been posting errors in the process of writing off the amounts of unused airline tickets specified; and, (3) in some instances, there was no documentation to support the entry, i.e., there were no copies of the unused airline tickets for which a refund had been requested.

It has now been determined that under the Federal Claims Act, a government claim for the value of unused airline tickets may be satisfied by means of administrative setoff within 10 years after accrual of the claim. See Northwest Airlines, Inc., B-210600, September 18, 1984; and that the

proper procedure is for the Agency to send the proper documentation to GSA for collection. Those amounts for which there are no unused tickets or other documentation should be written off as bad debts

FOLLOWUP MANAGER

Prior to the creation of the OIG, it had been the responsibility of the Agency's Audit Staff to conduct followups of audit findings. Upon the creation of the OIG, it absorbed the one remaining auditor, leaving no one to conduct followups of audit findings. Therefore, it was recommended in the semiannual report for the prior reporting period that management assign this responsibility to other personnel. The OIG has not been apprised of any such assignment as yet.

SECTION 3

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

During the reporting period, the OIG referred a matter to both the Civil and Criminal Divisions of the United States Department of Justice. As of the end of the reporting period, no reportable action had been taken by either Division.

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.

No such reports were made to the head of the establishment during this reporting period.

SECTION 5

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>BETTER SPENT</u>
Management Review	OIG-AMR-1	-0-	-0-	-0-

SECTION 6

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

The audit in OIG-AMR-1, undertaken in connection with an investigation, revealed that the Agency, in recruiting clerical staff for its Washington Headquarters Office, uses what is referred to as a "blanket" SF-52. That practice has the salutary effect of reducing unnecessary paperwork through the device of using a preprinted document which contains all the classification series and grades for which a recruiting effort may be undertaken, thus eliminating the need to prepare a new, specific SF-52 for each hire.

However, in utilizing that preprinted form, the practice developed of not deleting the inapplicable classification series and grades until after a decision had been made to hire a specific employee, at which time the employee's name is entered on the SF-52. This practice, as utilized, has caused unnecessary confusion.

Thus, at least one employee in the sample reviewed was evaluated for the wrong series and grade, because all series and grades were left extant on the "blanket" SF-52, without deleting those which did not apply; the same employee was informed that she would be hired at a higher grade than that intended, a fact which might not have occurred had the inapplicable series and grades been deleted at the outset of the hiring process; and, of 15 Official Personnel Folders reviewed in a one month sample, 6 did not contain a commitment letter from the Agency to the employee prior to entering on duty, despite an oral Agency policy to do so. Had they all received such a letter prior to entering on duty, each would have known prior to that time the series and grade at which they were being offered employment and, had a mistake been detected at that early juncture, it could have been remedied.

Recommendations were made to ensure that what is otherwise a sound and efficient practice, the use of a "blanket" SF-52, does not create problems in implementation. Thus, it was recommended that: (1) all staff members are to be reminded of the policy of delivering a commitment letter to an employee prior to, or no later than, the date of entry on duty; (2) periodic reviews of Official Personnel Folders are to be undertaken by managers to ensure adherence to that

policy; and, (3) when using a "blanket" SF-52, all inapplicable position titles, classifications series and grade levels are to be deleted from the form, and all direct-hire authorities included on the form, at the outset of the hiring process, rather than at its conclusion.

SECTION 7

STATISTICAL TABLES OF AUDIT REPORTS
CONCERNING QUESTIONED AND UNSUPPORTED COSTS
(MANDATED BY SECTION 5 (a) (8) OF THE ACT)

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

SECTION 8

STATISTICAL TABLES OF AUDIT REPORTS
CONCERNING 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>
		Recommendations That Funds B Put To Better Use
A. Reports for which no management decision had been made by the beginning of the reporting period	-0-	
B Findings in reports issued during the reporting period	-0-	
Subtotal (A + B)	-0-	
C For which a management decision was made during the reporting period	-0-	
(i) Recommendations agreed to by management	-0-	
(ii) Recommendations not agreed to by management	-0-	
D. For which no management decision has been made by the end of the reporting period	-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)

See detailed explanation at Section 2.

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