



NATIONAL LABOR RELATIONS BOARD

Washington, D.C. 20570

November 15, 1989

The Honorable Thomas S. Foley
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

I have received and hereby enclose the first semiannual report of the Office of Inspector General of the National Labor Relations Board.

I am pleased to provide the following comments on the three reviews conducted by the audit staff and contract auditor. The tables required by law follow these comments

1. Review of Paid Invoices for Verbatim Reporting Services.

The audit report referred to approximately \$17,500 in overpayments to the National Labor Relations Board (NLRB) reporting contractors, and noted that approximately \$11,500 had already been recovered. The Agency's Procurement Branch continued its collection efforts by contacting three non-responsive reporting contractors, and advising that contract offsets or other action would be taken if they failed to respond and reimburse the Agency for their overbillings. All three subsequently responded and, after making some adjustments, the Agency resubmitted requests for reimbursement. We expect that the additional funds will be recovered, and will be reported in the next Office of Inspector General semiannual report.

2. Review of Processing Procedures for Unused Airline Tickets.

The contract auditor reported that the Agency had not followed-up on refunds due to it by airlines for the unused portions of airline tickets. In addition to detailing the specific overdue refunds, the contractor recommended that a suspense file be created to ensure follow-up action on future refunds due. In response, the Agency's Finance Section forwarded to the General Services Administration, as recommended, the specified unused tickets for collection. Also, the Agency will establish a suspense file to ensure that future collections are sought on a timely basis.

3 Review and Analysis of the Agency's Obligation and Reporting System.

The contract auditor also reviewed our obligation and reporting system. While our fundamental controls and accounting system were found to do well what they purport to do, the auditor found that some regional offices were not reporting their obligations and expenditures according to existing Manual requirements. It was also suggested that standardized procedures be developed for headquarters accounting staff, and that some tightening of supervisory review was in order. Further, the report recommended that branch obligations be reconciled with official accounting records on a continuing basis.

As a result of these findings, the Finance Branch has implemented the following procedures:

- o All Agency obligations are reviewed and verified on a quarterly basis by senior level personnel in order to determine the validity of all entries in the accounting system.
- o Three monthly 10-Day Obligation Reports, which reflect costs incurred by Field Office operations, are now being reviewed by professional accountants to determine the validity of the reported items. These consist primarily of court reporting, witness travel, field office travel and miscellaneous related items.
- o Field Offices are promptly notified when their 10-Day Obligation Reports are late in order that the centralized Finance Office in Washington can obtain and properly include them in each monthly accounting cycle closing.
- o Employees are notified quarterly to submit any late travel vouchers, which are necessary to adjust obligation accounts to reflect accurate and current balances and fund availability.
- o A recently completed draft desk manual for Accounts Assistants includes procedures for processing 10-Day Obligation Reports, which will assist them in their day to day duties.


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Additionally:

- o A log for tracking 10-Day Obligation Reports in the Headquarters Finance operation is planned for implementation in the first quarter of Fiscal Year 1990 in order to allow Finance personnel to monitor Field obligation submissions
- o The Agency plans to convert our accounting operations to the National Transportation Safety Board accounting system in Fiscal Year 1990 This state of the art system will greatly enhance our ability to control obligations and costs through built-in internal controls and to provide the Finance Office and management with current and accurate reports

During my tenure as Chairman, I look forward to working closely with the Office of Inspector General in promoting management effectiveness and addressing any questions of fraud, waste or abuse which may arise.

Sincerely,


James M. Stephens
Chairman

Enclosures (3)
Management Report on Final Action on Audit Reports with Disallowed Costs
Management Report on Final Action on Audit Reports with Recommendations that Funds be Put to Better Use
NLRB Office of Inspector General Semiannual Report to the Congress, April 1989 - September 1989

MANAGEMENT REPORT ON FINAL ACTION ON
AUDIT REPORTS WITH DISALLOWED COSTS

	<u>Number of</u> <u>Reports</u>	<u>Dollar Value</u> <u>(in thousands)</u>
		<u>Disallowed</u> <u>Costs</u>
A. For which final action had not been taken by the commencement of the reporting period	<u>0</u>	<u> </u>
B. On which management decisions were made during the reporting period	<u>1</u>	<u>18</u>
Total audit reports pending final action during period (total of A and B)	<u>1</u>	<u>18</u>
C. For which final action was taken during the reporting period, including	<u>1</u>	<u>18</u>
(1) Disallowed costs that were recovered by:		
(a) Collections and offsets	<u>1</u>	<u>11.5</u>
(b) Property in lieu of cash	<u> </u>	<u> </u>
(c) Other	<u> </u>	<u> </u>
(2) Disallowed costs that were write-offs	<u> </u>	<u> </u>
(3) Total of 1 and 2	<u>1</u>	<u>11.5</u>
D. For which no final action has been taken by the end of the reporting period	<u>0</u>	<u> </u>

MANAGEMENT REPORT ON FINAL ACTION ON
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THAT FUNDS BE PUT TO BETTER USE

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C. For which final action was taken during the reporting period	<u> </u>	<u> </u>
(i) the dollar value of recommendations that were actually completed; and	<u> </u>	<u> </u>
(ii) the dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed; and	<u> </u>	<u> </u>
D. For which no final action has been taken by the end of the reporting period	<u>0</u>	<u> </u>



NATIONAL LABOR RELATIONS BOARD

Washington, D.C. 20570

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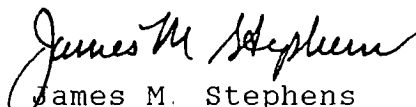
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NATIONAL LABOR RELATIONS BOARD
OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT TO THE CONGRESS
APRIL 1, 1989 - SEPTEMBER 30, 1989

October 31, 1989

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I. Executive Summary

This is the first semiannual report of the Office of the Inspector General (OIG) issued under the Inspector General Act Amendments of 1988. The National Labor Relations Board (NLRB) is an independent Federal agency created in 1935 to administer the National Labor Relations Act. The NLRB conducts elections for employees to determine whether they want to be represented by a union for purposes of collective bargaining and investigates, prosecutes, and remedies unfair labor practices committed by employers or unions. The NLRB has no discretionary funds.

The mission of the OIG is to prevent and detect fraud, waste, and abuse and to promote efficiency and effectiveness in the NLRB's programs and operations. Due to circumstances stated in the Chairman's implementation report to Congress, an Inspector General has not yet been appointed. However, this report summarizes the audit activities and accomplishments performed by the in-house audit staff and contractor for the six month reporting period ending September 30, 1989.

During this period, the Audit Staff issued three reports which focused on improving management programs and operations in response to fulfilling the Agency's mission. The issuance of the reports contributed to improved operations and identified \$17.5 thousand dollars of disallowed cost. About \$11.5 thousand was recovered during the reporting period. Also, the Audit Staff performed an active role in assisting the Agency with reporting requirements set forth by the Federal Manager's Financial Integrity Act of 1982, by Office of Management & Budget Circulars and other such reporting requirements deemed necessary by Agency Management.

II. Audit Activities

A. Summary of Audits

The Audit Staff provides independent evaluations and analyses to management for improving the economy, efficiency, and effectiveness of programs and system operations administered by the NLRB. During the reporting period, the Audit Staff issued three reports which have assisted managers with improving operations and strengthening the internal controls of various functions. Also, a CPA firm (Brown and Company) under contract to the Agency provided additional auditing and accounting services through specific task orders. The firm completed a review and analysis of the Agency's obligation and reporting system and provided recommendations for improving program and operation activities.

As required by the Federal Manager's Financial Integrity Act of 1982 (FMFIA), the Agency evaluated the adequacy of its internal controls and will report the results of its evaluation to the President and Congress in December. The Audit Staff has taken an active role in this process by conducting reviews to determine whether management's internal control reviews of accounting and administrative controls and the accounting system were performed in accordance with FMFIA and Office of Management and Budget (OMB) Circular A-127. Our reviews have disclosed that the Agency has made significant progress in evaluating its internal controls and financial management systems at its Headquarters Office. However, evaluations of Regional Office internal controls have not yet been initiated. Also, our reviews have revealed that corrective actions have been taken by management on material weaknesses reported in the prior year. However, the overall objective of OMB Circular A-127 requiring an accounting system with subsidiary ledgers was not accomplished during this reporting period.

Also, the Audit Staff has attended PCIE Coordinating Conference meetings to keep abreast with current policies, procedures and technologies in the audit community.

B. Significant Audit Activities and Recommendations

1. Review of Paid Invoices for Verbatim Transcript Services

A follow-up review of paid invoices for verbatim transcript services was performed this period because new procedures had been established which delegated invoice certification responsibilities to the Agency's Regional Offices. As contractors submit their invoices for payment, the Regional Offices must review each invoice for the appropriate billing charges based on rendered services. It is also the responsibility of each contractor to submit invoices with charges in accordance with rendered services and contract terms. We found that some invoices were submitted

with incorrect billing rates, and that some were not reviewed properly, which resulted in 17.5 thousand dollars in overpayments. About 11.5 thousand dollars have been recovered during this reporting period. Letters of inquiries have been forwarded to those contractors with outstanding debts requesting payments.

We have recommended that for the immediate future, a secondary review of the contractors' invoices be performed prior to processing payments. This review should continue until the reviewing official feels that the regional certifying official completely understands the certification process. We also recommended that periodic reviews of these invoices be conducted to eliminate the possibility of any additional overpayments.

2. Review of Processing Procedures for Unused Airline Tickets

A follow-up review of unused airline tickets disclosed that the processing procedures for refunds of unused portions of tickets were not processed in accordance with the Code of Federal Regulations (CFR) 41-210. We found that most of the unused tickets that were processed for refunds did not receive a follow-up review. This practice gave airline companies an opportunity to avoid refunding unused tickets.

A prior audit report recommended that all account receivables set up for reimbursements from unused airline tickets should be removed from the books and all supporting documentation forwarded to GSA for collection if refund checks were not received within the required time period. Also, uncollected account receivables not supported by the proper documentation for unused tickets were recommended to be written-off as a bad debt expense. The above recommendations have been implemented during this reporting period.

3. Review and Analysis of the Agency's Obligation and Reporting System

A review and analysis of the obligation and reporting system was performed to determine the adequacy of the system as it pertains to budgeting, expenditure procedures, obligations, payables, deobligations, and undelivered orders. The review was conducted by Brown and Company, an independent certified public accounting firm.

The review focused primarily on the various reporting systems established by management for controlling and reporting agency funds. The review involved an examination of the reporting requirements and expenditure procedures for both the Regional

Offices and the Headquarters Offices, a review of the Agency's accounting system, and an evaluation of management controls and reports.

Our contractor, Brown and Company, found that the overall reporting process provides adequate controls for reporting obligations and expenditures and for making decisions regarding the allocation of funds and budget planning. However, the process appears to be less than effective in some Regional Offices because of:

- * untimely submission of travel records by employees;
- * non-distribution by Headquarters of feedback reports to Regional Offices regarding obligations and expenditure activities; and
- * inconsistent processing procedures used by Regional Offices when preparing obligation/expenditure reports.

Also, the reports sent to Headquarters by the Regions are reviewed only by accounting assistants. There is no independent review or evaluation by a supervisor or comparable official.

Brown and Company also found that the overall expenditure procedures performed by the various branches at Headquarters have provided good administrative and accounting controls. However, the review of the different branches' procedures disclosed that each branch tracks its own budgeted accounts and obligations by using a separate manual reporting system. A major concern with this practice is that duplicate reporting systems have a tendency to overstate obligations, and this was found to be the case in certain branches. In some instances, the maximum allowable amounts for items were committed and, because of inaccurate estimates and the lack of feedback reports on actual expenditures, the obligation system overstated estimated obligations. By not performing the continuing follow-up reviews, obligations remain on the books until close to the end of the fiscal year, and then, because of budget constraints, they must be reviewed in a short period of time to determine their accuracy. Consequently, there are numerous changes in reported costs which have the potential for causing the Agency to either exceed its appropriation, or not adequately use its resources.

The contractor concluded that the overall accounting system operates in accordance with Agency policies and procedures and provides adequate and detailed information relating to reported expenditures and governmental charges. However, the contractor observed that a major problem is user reports, which are too voluminous for management use, and the information within the reports is not always reviewed by the appropriate user.

For the Regional Office findings, the contractor recommended that: 1) more emphasis be directed to promoting the use of the Regional Office Accounting Manual 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.

For the Headquarters findings, the contractor recommended that a standard form should be designed for use by those branches tracking their own obligations and expenditure activities. This form would provide consistency in documenting obligations and expenditures. Also, the contractor recommended that the Finance Section reconcile all branch-maintained obligations with its own reports on a continuing basis to determine the status and accuracy of obligated funds.

Finally, Brown and Company recommended that some of the reports generated by the accounting system be redesigned to report on obligation and expenditure transactions by each branch/regional office.

4. Imprest Fund Reviews

Also during this reporting period, the Audit Staff performed unannounced cash counts of the imprest fund located at the Headquarters Office. Each cash verification disclosed that total cash, fund replenishment checks, vouchers, subvouchers, and interim receipts equaled the authorized imprest fund amount. The cash counts also indicated that sufficient management controls are being practiced.

C. Audit Resolution

I. Introduction

As required by the Inspector General Act Amendments of 1988, it is necessary to report significant recommendations from previous semi-annual reports where corrective actions have not been completed. In addition, the Act requires the preparation of two statistical tables to show audit reports which contain questioned costs and recommendations that funds be put to better use. The information from the audit reports is to be categorized in the statistical tables according to final decision by management in response to reported findings and recommendations. One table must contain audit reports with questioned costs and the other with recommendations that funds be put to better use. The following tables fulfill the above requirements.

AUDIT REPORTS WITH QUESTIONED COSTS

	<u>Number of reports</u>	<u>Dollar Value (in thousands)</u>	
		<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	<u>0 (*)</u>	<u> </u>	<u> </u>
B. Which were issued during the reporting period	<u>1</u>	<u>18</u>	<u> </u>
Subtotals (A + B)	<u>1</u>	<u>18</u>	<u> </u>
C. For which a management decision was made during the reporting period	<u>1</u>	<u>18</u>	<u> </u>
(i) dollar value of disallowed costs	<u>1</u>	<u>18</u>	<u> </u>
(ii) dollar value of costs not disallowed	<u> </u>	<u> </u>	<u> </u>
D. For which no management decision has been made by the end of the reporting period	<u> </u>	<u> </u>	<u> </u>
Reports for which no management decision was made within six months of issuance	<u> </u>	<u> </u>	<u> </u>

Note (*) Management decisions have been made for all audit reports issued by the commencement of this reporting period.

AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE

	<u>Number of reports</u>	<u>Dollar Value (in thousands)</u>
A. For which no management decision has been made by the commencement of the reporting period	<u>0 (*)</u>	<u> </u>
B. Which were issued during the reporting period	<u>0 (**)</u>	<u> </u>
Subtotals (A + B)	<u> </u>	<u> </u>
C. For which a management decision was made during the reporting period	<u> </u>	<u> </u>
(i) dollar value of recommendations that were agreed to by management	<u> </u>	<u> </u>
- based on proposed management action	<u> </u>	<u> </u>
- based on proposed legislative action	<u> </u>	<u> </u>
D. For which no management decision has been made by the end of the reporting period	<u> </u>	<u> </u>
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Note (*) Management decisions have been made for all audit reports issued by the commencement of this reporting period.

(**) The audit reports issued during this reporting period did not require a response to this table.

II. Status of Prior Audit Recommendations

As of the end of this reporting period, all audit reports issued by the Audit Staff have had a management decision made in response to reported findings and recommendations. However, final action has not been fully completed for some audit reports. Previous audit followup had been the responsibility of the Audit Staff. With the establishment of the OIG, management will need to ensure that other personnel fulfill this responsibility. It is anticipated that the required information will be provided in the next semiannual report.

III. Prosecutive Actions

No matters relating to the personnel, programs, and operations of this agency have been referred to prosecutive authorities.

Appendix A. Audit Reports Issued

The Inspector General Act requires a listing of each audit report issued during the reporting period. A total of three reports have been issued by the Audit Staff during this period. They are listed below.

<u>Rpt No</u>	<u>Issued Date</u>	<u>Report Title</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Funds For Better Use</u>
89-01	5/31/89	Review of Paid Vouchers for Reporting Ser.	17,856	-	-
89-02	7/05/89	Review of Unused Airline Tickets	-	-	-
89-03	7/26/89	Review & Analysis of Agency Obligation and Reporting System	-	-	-