

UNITED STATES GOVERNMENT
NATIONAL LABOR RELATIONS BOARD
Office of Inspector General

MEMORANDUM

DATE: June 24, 1991

TO : Chairman James M. Stephens
General Counsel Jerry M. Hunter

FROM : Inspector General Bernard Levine

SUBJECT: Final Audit Report - "Review of Accountability and
Control Over Travel Advances"
Audit Report No. OIG-AMR-4

Enclosed for each of you is a copy of the Office of Inspector General (OIG) Audit Report in the above referenced matter. Although the subject matter of the report originated on the General Counsel side of the Agency, a copy is being provided to each of you should the Chairman receive inquiries concerning the report.

The report contains the results of an OIG audit of Agency accountability and control over travel advances. The review was focused on travel advances outstanding as of May 31, 1990. A total of 23 recommendations were made in this report, all of which have been adopted and a number of which have already been implemented.

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. An Agency which did not know if it was going to get through the end of Fiscal Year 1990 without having to furlough employees can ill afford to have that large a sum outstanding in inactive travel advances, especially if the outstanding amount represents, in effect, "interest free loans" and cannot be offset against travel vouchers.

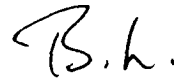
The remainder of the recommendations dealt with: (1) the travel advance subsidiary ledger not being reconciled, (2) the travel advance subsidiary ledger not providing a history of liquidated advances, (3) improper aging of travel advances, (4) the

assignment of invalid social security numbers, ¹ and (5)
incorrect travel advance amounts being recorded on the
certification for release of final salary checks

At some appropriate time in the future, we may do a follow-up
review to ascertain if the implementation of our recommendations
has had the desired result.

We appreciate the cooperation extended to us during the conduct of
this audit and look forward to continued cooperation in the
conduct of other audits in the future so our joint efforts will
result in a National Labor Relations Board free of waste, fraud
and abuse.

Should you have any questions or comments concerning this report,
please do not hesitate to call upon us



B.L.

1 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.

AUDIT
REPORT

Office of Inspector General

REVIEW OF ACCOUNTABILITY AND CONTROL
OVER TRAVEL ADVANCES



National Labor Relations Board

AUDIT OIG-AMR-4

Issued June 24, 1991

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I EXECUTIVE DIGEST

The Office of Inspector General (OIG) conducted an audit of National Labor Relations Board (NLRB) accountability and control over travel advances. The review was focused on travel advances outstanding as of May 31, 1990. A total of 23 recommendations were made in this report, all of which have been adopted and a number of which have already been implemented.

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. An Agency which did not know if it was going to get through the end of Fiscal Year 1990 without having to furlough employees can ill afford to have that large a sum outstanding in inactive travel advances, especially if the outstanding amount represents, in effect, "interest free loans" and cannot be offset against travel vouchers.

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,¹ and (5) incorrect travel advance amounts being recorded on the certification for release of final salary checks.

A full text of the General Counsel's response to a draft copy of this report is included as Section VI of this report.

1 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.

II BACKGROUND

The National Labor Relations Board (NLRB) is an independent agency established in 1935 to administer the principal labor relations law of the United States, the Labor Management Relations Act. The NLRB 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 representational and unfair labor practice issues.

In carrying out these duties, the NLRB has about 2,200 employees and an annual appropriation of approximately \$147 million. The Agency is headquartered in Washington, DC, and has 33 Regional Offices, several of which have Subregional and Resident Offices.

This review of accountability and control over travel advances was selected for audit as part of our Fiscal Year 1990 Office of Inspector General Audit Plan.

A general ledger is made up of many separate accounts, including asset, liability, and fund balance accounts. A subsidiary ledger provides the detail for control accounts within the general ledger. The Travel Advance Subsidiary Ledger provides a history of advances and liquidations for employees with outstanding travel advance balances. The sum of all outstanding travel advances within the subsidiary ledger should agree with the account balance recorded in the general ledger.

As of May 31, 1990, the Travel Advance Subsidiary Ledger reported outstanding advances of \$779,892. This includes travel advances issued for both travel and relocation. According to GSA Travel Regulations regular travel vouchers should, but are not required to, be submitted within 5 working days after completion of the trip or period of travel, or every 30 days if the employee is in continuous travel status. Travel vouchers for relocation may be submitted up to 2 years after the employee reports for duty at the new official station. The head of the agency may extend the time limitation for submission of travel vouchers for relocation for an additional period of time not to exceed 1 year.

The Travel Advance Subsidiary Ledger is maintained by the Financial Management Branch to show outstanding balances. Advances are removed from the subsidiary ledger when

liquidated. The Financial Management Branch is responsible for keeping track of travel advances to ensure timely liquidation as well as accuracy, either by submission of a travel voucher or repayment of the advance.

Employees complete Form NLRB - 4197 (Certification for Release of Final Salary Check, attached hereto as Appendix A) upon separation from the agency.² Section 11 of this form covers outstanding travel advances, and is to be completed by the Financial Management Branch. The Financial Management Branch is to either verify that the employees have no outstanding advances or, if they do have an outstanding advances, ensure that the travel advance will be repaid or deducted from the employee's separation check.

2 The Form NLRB-4197 attached as Appendix A is the form that was in use during the audit period. Form NLRB-4197 was revised by the Agency after the audit period.

III OBJECTIVES, SCOPE AND METHODOLOGY

The audit objectives were to determine if the Financial Management Branch (1) maintained adequate internal controls to safeguard and control travel advances, (2) maintained accounting ledgers which accurately reported travel advance data, (3) followed good cash management practices, and (4) complied with internal and external travel and relocation regulations

This audit was primarily focused on travel advances outstanding as of May 31, 1990. Audit field work was conducted during the period from July to December, 1990.

This review included a survey of applicable procedures in the General Accounting Office Accounting System Structure and Operations Manual; General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies; General Accounting Office Standards for Internal Controls in the Federal Government; Office of Management and Budget Circular A-130; National Labor Relations Board Administrative Policies and Procedures Manual; and, General Services Administration Travel Regulations and, Internal Revenue Service (IRS) Publication 17, 1990 Tax Guide for Individuals. We interviewed personnel to determine procedures used to safeguard and control travel advances. We determined the accuracy of the Travel Advance Subsidiary Ledger through record review and written confirmation from employees. We reviewed the Travel Advance Subsidiary Ledger to determine if advances were properly recorded. Thirty-three outstanding travel advance accounts were judgmentally selected for review.

This audit was conducted in accordance with the Government Auditing Standards issued by the General Accounting Office and included such auditing procedures as we considered necessary.

IV AUDIT FINDINGS SYNOPSIS

The NLRB needs to strengthen internal controls over its travel advances and provide administrative controls to ensure: (1) proper maintenance of records, (2) safeguards over travel advances, and (3) compliance with internal and external regulations

The following is an overview of some of the significant deficiencies we discovered during the course of this audit

- An analysis of the 1,170 open travel advance accounts in the Travel Advance Ledger disclosed that 549 (47%) with a balance of \$303,258 were inactive during the entire 20-month period of October 1, 1988 to May 31, 1990. Further, we found that 99 of these accounts with a balance of \$34,215 represented former NLRB employees
- A review of 22 employee relocation advance accounts, which included 37 outstanding advances disclosed that 7 totalling \$25,045 had been outstanding for over 2 years. Two of these 7 advances were outstanding for over 5 years
- We found that 111 of 1,170 open travel advance accounts had been assigned invalid social security numbers. We believe that 100 of these 111 accounts were probably invalid due to clerical or keypunch errors and had not been detected due to a lack of proper edit or follow-up. The other 11 have been referred within the OIG for investigation. Included in the accounts referred for investigation are social security numbers recorded as 123-45-6789, 555-55-5555, and 999-99-9999
- One former employee with a current outstanding travel advance balance of \$3,025 was found to have retired from the NLRB in 1981 and died in 1984
- At the start of this audit, we were told that a direct confirmation and reconciliation of all travel advance balances had not been performed for at least 10 years

- Internal controls, such as adequate separation of duties, had not been implemented to deter waste, fraud, abuse, and error. Travel advance accounts were often found to be improperly aged. In addition, a large amount of source documents needed to support postings to travel advance accounts was missing and could not be located.

A total of 23 recommendations are made in this report. The following is an overview of corrective actions we have recommended:

- A separation of duties needs to be established over travel advance activities.
- A reconciliation of the Travel Advance Subsidiary Ledger needs to be performed in the interim and at fiscal year-end.
- Program controls need to be installed into the computerized accounting system to provide an accurate aging of outstanding travel advances and to ensure assignment of valid social security numbers.
- The Financial Management Branch and Payroll Unit need to ensure agreement between the Travel Advance Subsidiary Ledger and Form NLRB 4197 (Certification for Release of Final Salary Check).
- All forms or memos authorizing an advance of funds and all travel vouchers need to include the title and signature of an approving official.

V FINDINGS AND RECOMMENDATIONS

A. Internal Controls Should Be Improved Through Separation of Duties

The Accounting and Auditing Act of 1950 requires the head of each department and agency to establish and maintain adequate systems of internal control. The GAO has promulgated internal control standards which define the minimum level of quality acceptable for internal control systems. We believe these minimum standards are not met by the NLRB, especially in the areas of separation of duties and documentation of transactions.

GAO standards regarding separation of duties are as follows: "Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. To reduce the risk of error, waste, or wrongful acts or to reduce the risk of their going undetected, no one individual shall control all key aspects of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions."

We have determined that the separation of duties over the accounting, monitoring, and collecting of travel advances is inadequate. The NLRB imprest fund cashiers assigned to the Travel Unit, who are responsible for administering the travel advance program for headquarters employees, have been assigned the following incompatible duties:

- 1) Disbursing travel advance funds from the imprest fund;
- 2) Preparing and recording employee travel cards which are used to record advances and liquidations;
- 3) Maintaining employee travel advance balances on travel cards;
- 4) Classifying and inputting travel advances and travel vouchers into the accounting system; and,
- 5) Preparing SF 1166 (Voucher and Schedule of Payments, attached hereto as Appendix B) which is

used to obtain funds from the Treasury Department.

The Audits and Accounts section, which is responsible for monitoring travel advance activity for field employees, has been assigned the following incompatible duties

- 1) Preparing and recording employee travel cards;
- 2) Maintaining employee travel advance balances on travel cards; and,
- 3) Classifying and inputting travel vouchers into the accounting system.

The Finance Specialist, who is responsible for monitoring relocation activity for all NLRB employees, has been assigned the following incompatible duties

- 1) Preparing and recording relocation cards;
- 2) Maintaining employee relocation advance balances on relocation cards;
- 3) Classifying and inputting relocation advances and travel vouchers (for relocation expenditures) into the accounting system;
- 4) Preparing travel vouchers (for relocation expenditures) based on supporting documentation supplied by the employee; and,
- 5) Preparing SF 1166

1 Recommendation 1 of 23

Duties pertaining to processing, reviewing, and recording travel advance activities should be assigned to separate individuals

Management Response

The Financial Management Branch has realigned the duties of those involved in travel advance processing to eliminate incompatibility and provide proper separation. Realigned functions and responsibilities will be documented in new written procedures and fully explained to operating personnel by Branch management

B. Travel Advance Subsidiary Ledger
Should Be Reconciled

During this audit, we determined that reconciliations of the travel advance subsidiary ledger and confirmation of outstanding account balances with NLRB employees were not routinely performed. The GAO provides guidance regarding reconciliation of the Travel Advance Subsidiary Ledger. According to the GAO Accounting System Structure and Operation Manual (Chapter 2 of Appendix III)

General ledger balances must be reconciled with subsidiary accounts and records, either manually or by the computer, in a timely manner. Regularly scheduled reconciliation of control and subsidiary accounts and records for such things as .. travel advances helps to substantiate and maintain the accuracy of account postings and balances by checking the agreement between the sum of the detail in subsidiary accounts and the general ledger control balances (Emphasis added.)

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Section 3 7 provides:

Periodically, and at the close of each fiscal year, each agency must reconcile its obligation controlling accounts to the total of amounts posted to supporting records. The working papers and records on which such verifications are based shall be retained in the agency in a form that will facilitate audit.

Interviews with the Financial Management Branch Systems Unit Chief and Supervisory Accountant disclosed that a complete reconciliation of the Travel Advance Subsidiary Ledger has not been performed for at least 10 years. During the course of our audit the Finance Section sent confirmations to NLRB employees with outstanding travel advances. We were advised that some accounts were reconciled as a result of this effort.

Of the 33 outstanding travel advance accounts reviewed, 16 involved regular travel as distinguished from relocation travel. The following errors were noted in our limited review of accounts involving regular travel. We believe

these would have been detected if a complete reconciliation had been performed.

- Five vouchers totaling \$10,608 were either not posted or posted to the wrong account.
- One advance totaling \$4,000 was posted to the wrong account
- One advance totaling \$200 was posted from the wrong fiscal year.

2. Recommendation 2 of 23

The NLRB should perform interim and fiscal year-end reconciliations of the Travel Advance Subsidiary Ledger to supporting documentation. This reconciliation should include employee confirmation of outstanding travel advance balances

Management Response

The Branch has undertaken a reconciliation of the FY 1990 travel advance subsidiary to the General Ledger and advised Supervisory Accountants that monthly reconciliations will be performed in addition to the year end. A policy will be implemented to have all advances cleared at fiscal year end, and if the situation warrants, the reissue of long-term advances.

C Travel Advance Subsidiary Ledger Not Maintained for Liquidated Accounts

According to the General Accounting Office Standards for Internal Controls in the Federal Government, "Documentation of transactions or other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information from before it occurs, while it is in process, to after it is completed."

The Travel Advance Subsidiary Ledger does not provide a history of liquidated advances. One month after an account balance reaches zero it is removed from the subsidiary ledger. Copies of the subsidiary ledger (generated on a monthly basis) are not maintained. A Year End Closing Control Listing is generated by the computerized accounting system at the end of each fiscal year. This listing provides detail of all transactions flowing through the Travel Advance Subsidiary Ledger. This listing facilitates tracing the transaction or event and related information. This listing is only generated at the end of each fiscal year.

3 Recommendation 3 of 23

We recommend that the Financial Management Branch print a copy of the Travel Advance Subsidiary Ledger each month. Copies of the subsidiary ledger should be filed in the Finance section to facilitate tracing data throughout the year.

Management Response

Under the new accounting system to be installed this summer a monthly report will be generated which will satisfy this recommendation. Until then, travel advances will be manually reviewed.

D. Improper Aging of Outstanding Travel Advance

A report that properly ages outstanding travel advance balances will identify those accounts that are inactive or overdue and provide information to better manage these accounts. Internal control standards promulgated by the OMB Circular No. A-130 with regard to automated information systems require that the systems operate effectively and accurately.

An employee's outstanding travel advance is usually not the result of a single advance; it often is a combination of several different advances and liquidations. Aging segregates the advance and classifies the advance according to the number of days it has been outstanding. This information is necessary to monitor the length of time travel advances have been outstanding and ensure timely repayment or reimbursement to the Agency.

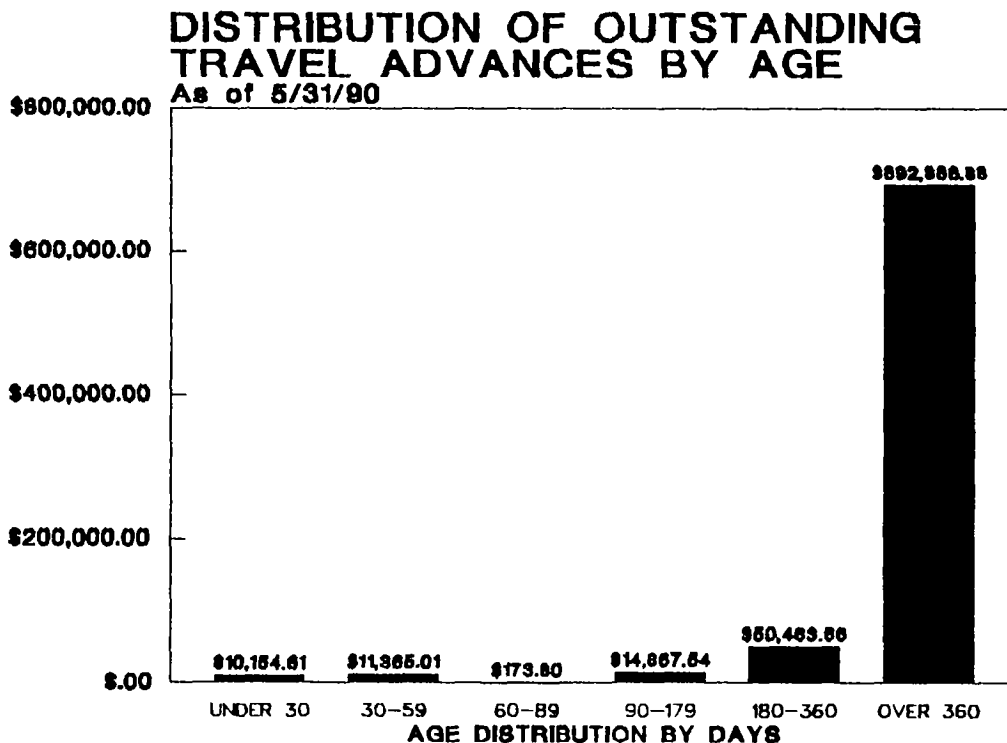
In the course of our audit we discovered that the computerized accounting system as reflected in the A585 ledger ages the entire outstanding balance as if advanced on the same date as the earliest transaction flowing through the account. When compared with the supporting documentation, it is apparent that this information is not only misleading, but inaccurate, and makes it impossible to monitor the length of time each advance has been outstanding without the aid of manually prepared records. Examples are as follows:

Analysis of Computer Generated Aging of
Outstanding Travel Advances Compared
to Supporting Documentation

| <u>Employee</u> | <u>Total</u> | Aging Per A585 | -----Aging Per Supporting Documentation----- | | | |
|-----------------|-----------------|----------------------|--|-------------------|--------------------|----------------------|
| | | <u>Over 360 Days</u> | <u>30-60 Days</u> | <u>60-90 Days</u> | <u>90-180 Days</u> | <u>Over 360 Days</u> |
| A | \$ 8,400 | \$ 8,400 | \$ - 0 - | \$ 8,400 | \$ - 0 - | \$ - 0 - |
| B | 4,275 | 4,275 | - 0 - | - 0 - | 3,725 | 550 |
| C | <u>16,353</u> | <u>\$16,353</u> | <u>6,600</u> | <u>- 0 -</u> | <u>8,760</u> | <u>993</u> |
| Total | <u>\$29,028</u> | <u>\$29,028</u> | <u>\$6,600</u> | <u>\$8,400</u> | <u>\$12,485</u> | <u>\$1,543</u> |

The travel analysis of these three NLRB employees shows that while \$29,028 is shown as being aged over 360 days, only \$1,543 was actually outstanding over 360 days. As shown elsewhere in this report, a substantial dollar amount of advances has been outstanding over 360 days.³

Current distribution by age as of May 31, 1990 was reported on the travel advance subsidiary ledger A585 as follows



³ See Finding F Collection of Inactive Travel Advances Not Aggressively Pursued, for analysis of inactive accounts

4. Recommendation 4 of 23

The computerized accounting system should be improved to accurately age each advance, within an employee's account, according to the number of days it has been outstanding

Management Response

Under the new NLRB accounting system an aging analysis will be generated each month.

E. Lack of Program Control Results in Assignment of Invalid Social Security Numbers to Travel Advance Accounts

Internal control standards promulgated by the OMB Circular No. A-130 with regard to automated information systems require the following:

Agencies shall assure an adequate level of security for all agency automated information systems, whether maintained in-house or commercially. Specifically, agencies shall

Assure that automated information systems operate effectively and accurately;
Assure that there are appropriate technical, personnel, administrative, environmental, and telecommunications safeguards in automated information systems

In the course of our audit we discovered 111 accounts of 1,170 within the Travel Advance Subsidiary Ledger which were assigned invalid social security numbers. Further review disclosed that 75 of these accounts (66.9%) had negative balances, potentially indicating that the employees were owed money by the NLRB. This is unusual since travel advances are an asset to the NLRB and negative balance advance accounts normally are an exception that indicates the need for review for error or irregularity. While the gross amount of these 111 accounts was \$41,094, the net value of these accounts was -\$13,354 as shown below:

| <u>Positive or</u> <u>Negative Balance</u> | <u>Number of</u> <u>Accounts</u> | <u>Dollar Value</u> <u>Net Amount</u> |
|---|-------------------------------------|--|
| Positive | 36 | \$ 13,870 |
| Negative | 75 | (27,224) |
| Total | <u>111</u> | <u>(-\$13,354)</u> |

We did not determine the source of these entries or discern why invalid social security numbers were assigned. At least 3 of the 111 invalid numbers (123-45-6789, 555-55-5555, and 999-99-999) appear to be intentional misassignment and not clerical error. Although our audit did not disclose any fraud, the ability to assign invalid social security numbers enhances the potential for fraudulent activity.

5. Recommendation 5 of 23

Travel advance accounts with negative balances should be routinely reviewed for accuracy.

Management Response

The accounting system to be adopted this summer will automatically generate a listing of outstanding advance balances. Negative advances will be reviewed.

6. Recommendation 6 of 23

An analysis should be prepared to determine the source of entries posted to accounts assigned invalid social security numbers. Correcting entries should be posted to eliminate these accounts.

Management Response

This analysis is currently being performed.

7. Recommendation 7 of 23

A program control should be written into the computerized accounting system to perform a test of social security number validity. The test should provide a comparison of employee social security number with a master file for authenticity. Entry of an invalid social security number should cause the computer processing to halt and errors to be printed out by the person generating the error.

Management Response

The new accounting system's Vendor Table can only be updated by a limited number of individuals. The Accounting Assistants will not be able to enter an invalid social security number.

F. Collection of Inactive Travel Advance Not Aggressively Pursued

GSA regulations permit the head of each agency to advance funds for regular travel. Travel vouchers should be submitted within 5 working days after completion of the trip or period of travel, or every 30 days if the employee is in continuous travel status. This audit identified a significant number of inactive travel balances.

According to Title 12 of the National Labor Relations Board Administrative Policies and Procedures Manual (Section 6052)

Outstanding advances which have not been fully recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler will be recovered promptly by 'set-off of salary due, retirement credit, or otherwise, from the person to whom advanced, or his estate, by deduction from any amount due from the United States or by such other legal method of recovery as may be necessary.' Salary or other amounts due will be resorted to ahead of the retirement credit.

Section 3711(a) of the Debt Collection Act of 1982 states, "The head of an executive or legislative agency - (1) shall try to collect a claim of the United States Government for money or property arising out of the activities of the agency. "

According to Internal Revenue Service (IRS) Publication 17, 1990 Tax Guide For Individuals

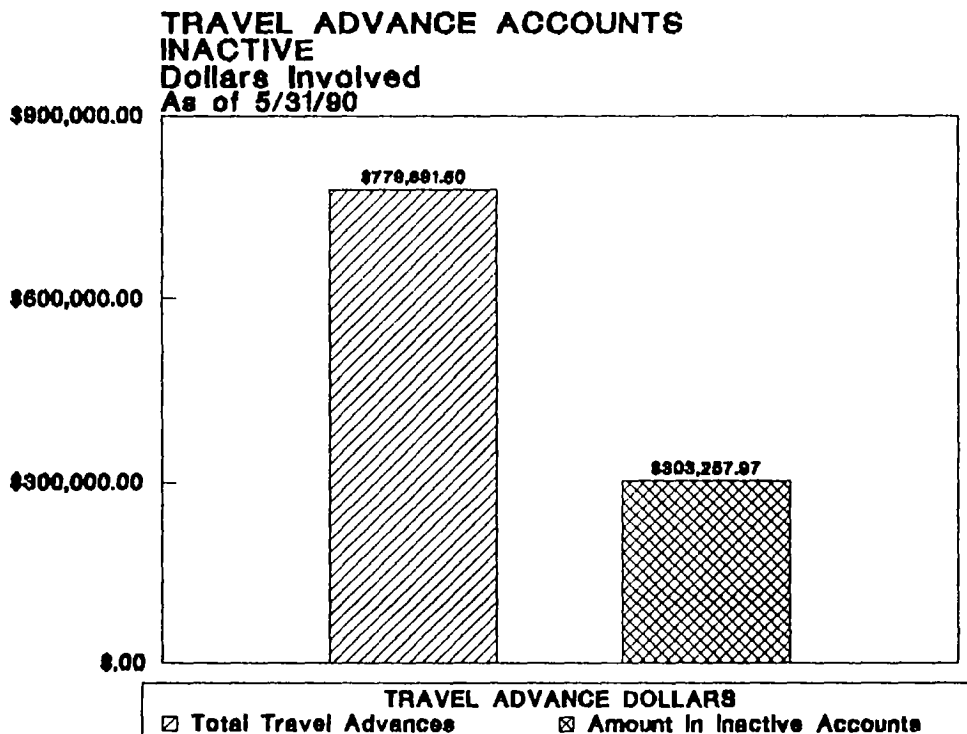
If your employer provides you with an expense allowance, reasonably calculated not to exceed your expected expenses before you actually have the expense, you have received a travel advance. You must adequately account to your employer for such an advance and be required to return any excess within a reasonable period of time.. If you do not adequately account or do not return any excess reimbursement within a reasonable period of time, the unaccounted for or unreturned amount will be treated as having been paid under a nonaccountable plan.

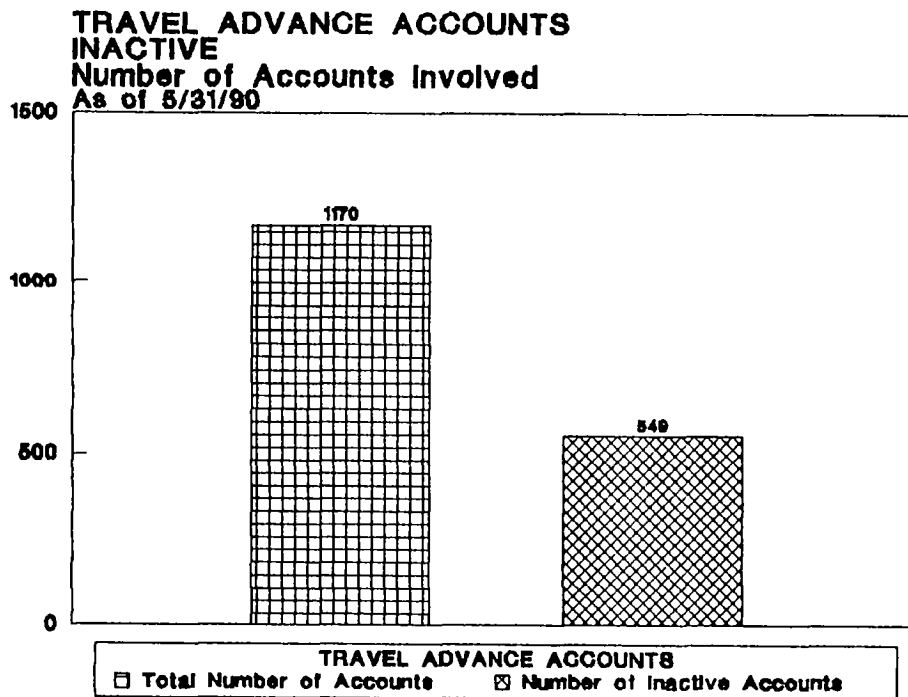
A nonaccountable reimbursement is classified as a plan where, "Either adequate accounting or return of excess or both, not required " The entire amount must be reported as wages

"The definition of 'reasonable period of time' depends on the facts of your situation. It is reasonable for you to receive an advance within 30 days of when you have an expense and to adequately account for your expenses within 60 days of when they were paid or incurred. Also, it is considered reasonable if you return any excess reimbursement within 120 days of when the expense was paid or incurred."

It appears that the Financial Management Branch has not aggressively pursued the collection of travel advances outstanding from current and former employees

During this audit we found there were 549 accounts within the Travel Advance Ledger that were inactive during the period from October 1, 1988 to May 31, 1990. These accounts totaled \$303,258. The Travel Advances Subsidiary Ledger, dated May 31, 1990 included 99 advance accounts for individuals no longer employed by the NLRB who still owed \$34,215 in travel advances. Records reflect that one of these former employees with a \$3,025 balance retired in 1981 and died in 1984. The following charts are an analysis of inactive accounts.





8 Recommendation 8 of 23

The NLRB should implement GSA regulations and require submission of travel vouchers within 5 working days after completion of travel, or every 30 days if the employee is in continuous travel status

Management Response

A draft administrative policy circular establishing these policies has been issued for comment. It will be rewritten to incorporate a relatively recent IRS ruling that will greatly increase the incentive to submit timely vouchers.

9 Recommendation 9 of 23

All current employees with inactive accounts should be notified in writing to repay their advance or submit a liquidating travel voucher.

Management Response

This will be done.

10 Recommendation 10 of 23

Action should be taken to offset amounts from salary or other amounts due if current employees do not liquidate their inactive accounts

Management Response

After discussions with the Unions, a letter will be issued to inform individuals with unliquidated balances more than 90 days old that the outstanding balances will be offset from salary. This will also be included in the administrative policy circular referenced in recommendation 8

11 Recommendation 11 of 23

A request should be made to all former employees with outstanding travel advance balances to repay their advance or submit a liquidating travel voucher

Management Response

This initiative is already in process. We are working with Personnel in locating these former employees

12 Recommendation 12 of 23

Action should be taken to offset amounts from retirement if retired employees do not liquidate their inactive accounts.

Management Response

The Branch will institute a practice, in cooperation with the Personnel Office, to issue SF-2805's for all employees in this situations

13 Recommendation 13 of 23

Action should be taken to offset amounts from salary if former employees (who are still employed by the federal government) do not liquidate their inactive accounts.

Management Response

We will, as standard practice, implement this policy under the authority of the Debt Collection Act

14 Recommendation 14 of 23

Amounts due from former employees that are deemed to be uncollectible should be written off

Management Response

After all actions outlined in our response to items 11, 12, and 13 have been taken and the maximum recoverable amounts collected, we will write off the uncollectible advances

G. Erroneous Travel Advance Amounts Recorded on Certification for Release of Final Salary Check

Whenever an employee leaves the NLRB, they are required to complete Form NLRB-4197. Section 11 of this form covers outstanding travel advances, and is to be completed by the Financial Management Branch. On this form, the Financial Management Branch is to verify that the employee has no outstanding travel advance. If the employee does have an outstanding advance it should be collected from the employee or deducted from the employee's separation check.

Our analysis of the subsidiary ledger for the period ending May 31, 1990 (for former employees) disclosed that the amount recorded on NLRB Form 4197 differed from the amount recorded on the computer generated subsidiary ledger. Twenty-eight of the forms exceeded the subsidiary ledger by \$5,748 while 26 of the forms were \$5,963 less than the subsidiary ledger

15. Recommendation 15 of 23

The Payroll Unit should compare the outstanding travel advance recorded in the subsidiary ledger for agreement with the outstanding balance recorded on Form NLRB 4197

Management Response

One of the Accountants will verify that no outstanding travel advances exist or, if so, they will indicate the advance on the form prior to forwarding to the Payroll/Personnel Section

H. Adequate Documentation Should Be Maintained
For Form NLRB-4197, Certification For
Release of Final Salary Check

NLRB Records Disposition Standards, Appendix I - Chapter 6, requires that all levy and garnishment files be maintained for 3 years and then be destroyed.

A review of all Forms NLRB-4197 showed forms could not be found for 12 employees who had left the NLRB.

16. Recommendation 16 of 23

Adequate documentation for Forms NLRB-4197 should be maintained and be readily available for examination.

Management Response

The Payroll/Personnel Branch will maintain these forms

I Adequate Documentation Should Be Maintained
to Support Travel Advances

Internal control standards promulgated by the GAO with regard to documentation state, "Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination."

The General Records Schedule, 9-3, requires that all supporting documents relating to official travel by officers, employees, dependents, or others authorized by law to travel be maintained for 3 years after the close of the fiscal year-end and then be destroyed.

In our limited sample of 16 employee regular travel advance accounts, we were unable to find the supporting documentation, SF 1038, (Advance of Funds Application and Account, attached hereto as Appendix C) for 23 advances totaling \$59,950. Each employee may have had more than one advance accounting for the apparent above inconsistency in numbers.

17 Recommendation 17 of 23

Adequate documentation to support travel advances should be maintained and be readily available for examination.

Management Response

A file will be established for all SF-1038's and maintained in accordance with regulatory and Agency policy.

J Partial Voucher Application Violates Agency Policy

According to Title 12 of the National Labor Relations Board Administrative Policies and Procedures Manual (Section 6050.1):

An employee may reduce or liquidate an outstanding advance by requesting, at the time he/she submits his/her voucher, that the full amount of the voucher be applied against his/her advance. Partial application of a voucher will not be made.

Travel vouchers were not always fully applied against outstanding advances. In our limited sample of 16 regular travel advance accounts, 12 instances of partial voucher application were noted.

18 Recommendation 18 of 23

NLRB voucher examiners should not process partial applications of travel vouchers, or NLRB policy should be modified to allow partial applications of travel vouchers.

Management Response

As standard practice, partial application of travel vouchers will be prohibited except where travelers have long-term advances. In those instances partial application of the advance will be permitted.

K. Improper Authorization of Travel Advance Forms

Authorization by an approving official prior to disbursement of funds enhances internal control over travel advance disbursements. GSA Travel Regulations, Section 2-1.6 provides:

An employee may be advanced funds for use while traveling and for certain expenses which he/she may incur incident to a transfer based on his/her prospective entitlement to reimbursement for those expenses after they are incurred.

As printed on SF 1038, its purpose " . is to facilitate the review, approval, accounting, and advancement of funds for travel and certain relocation allowance expenses to be incurred under appropriate administrative authorization. "

Treasury Department regulations require that the SF 1038 be signed by both the traveler and an authorized approving officer.

The General Records Schedule, 9-3, requires all supporting documents relating to official travel by officers, employees, dependents, or others authorized by law to travel, be maintained for 3 years after the close of the fiscal year-end and then be destroyed.

In the course of our audit we selected a sample of 22 employee accounts with outstanding relocation advances and 16 employee accounts with outstanding travel advances for regular travel as of May 31, 1990. There may have been an overlap between the two groups. Forty-one of the SF 1038's were improperly authorized (missing title or signature of authorizing official) and 23 SF 1038's could not be located.

19. Recommendation 19 of 23

Authorizing officials need to include their signatures and titles when approving SF 1038's in order to facilitate the review and subsequent accountability of travel advances.

Management Response

Titles and signatures of approving officials will be requested on all SF-1038's before disbursements are made. In addition, a list of authorized approving officials will be maintained in the Travel Office and the Audit and Accounts Section.

20 Recommendation 20 of 23

All SF 1038's should be maintained for 3 years after the close of the fiscal year in order to provide a proper audit trail of travel documents.

Management Response

As specified in our response to recommendation 17 this will be done.

L. Relocation Advances Outstanding in Excess
of Time Limitation

The GSA has issued regulations pertaining to relocation advances, including time limitations for which they may remain outstanding. According to GSA Travel Regulations, Section 2-1.6:

An employee may be advanced funds for use while traveling and for certain expenses which he/she may incur incident to a transfer based on his/her prospective entitlement to reimbursement for those expenses after they are incurred.

GSA Travel Regulations, Section 1-10.3 further provides:

It shall be the responsibility of the head of each agency or his/her designee to ensure that the amount previously advanced is deducted from the total expenses allowed or that it is otherwise recovered. Outstanding advances which have not been recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler shall be recovered promptly by a setoff of salary due or retirement credit or otherwise from the person to whom it was advanced, or his/her estate, by deduction from any amount due from the United States, or by any other legal method of recovery that may be necessary.

Finally, GSA Travel Regulations, Section 2-6.1 provides:

The settlement dates for the sale and purchase or lease termination transactions for which reimbursement is requested are not later than 2 years after the date that the employee reported for duty at the new official duty station.

Upon the employee's written request, the 2 year time limitation for completion of the sale and purchase or lease termination transactions may be extended by the head of the agency or his/her designee for an additional period of time not to exceed 1 year.

In the course of our audit we reviewed 22 employee travel advance accounts for relocation which included 37 outstanding relocation advances. The number of advances exceeds the number of travel advance accounts, because some employees received more than one advance per relocation. We discovered seven relocation advances (totaling \$25,044.81) which had been outstanding over 2 years. Of the seven, two had been outstanding over 5 years. Evidence of an approved extension of the allowable period could not be located.

Analysis of Outstanding Relocation Advances

| <u>Condition</u> | <u>Number</u> | <u>Amount</u> |
|--|---------------|---------------------|
| Relocation Advances in Current Status | 30 | \$ 87,758.58 |
| Relocation Advances Outstanding 2 - 5 Years | 5 | 19,413.42 |
| Relocation Advances Outstanding Over 5 Years | <u>2</u> | <u>5,631.39</u> |
| | <u>37</u> | <u>\$112,803.39</u> |

21 Recommendation 21 of 23

All relocation advances which have not been cleared within 2 years after the date the employee reported for duty at the new official station and which have not been properly extended should be cleared by requiring the employee to submit vouchers, or reimburse the NLRB.

Management Response

This policy will be included in the rewrite of the draft administrative policy circular that is currently being circulated for comment.

22 Recommendation 22 of 23

Action should be taken to offset amounts from salary or other entitlements due if current employees do not liquidate relocation advances outstanding in excess of time limitation.

Management Response

As indicated in our response to recommendation 10 this policy will be implemented as soon as appropriate procedures are finalized.

M. Improper Travel Voucher Authorization

During this audit, we found a discrepancy between GSA regulations and NLRB regulations regarding the approval policy for relocation vouchers. GSA Travel Regulations, Section 1-11.4 provides

The purpose of the supervisory review of the completed travel voucher is primarily to confirm that the travel for which expenses are being claimed was performed as authorized. The supervisory review should be at a level that is fully knowledgeable of the employee's activities

The responsibility of the voucher examiner is to ensure that the voucher is properly prepared according to pertinent regulations and agency procedures

Also, GSA Travel Regulations, Section 2-6.3 provides:

Applications shall be reviewed by a responsible official of the agency. The application for reimbursement of expenses for the sale of a residence shall be sent to the claimant's old official station for review and approval of the claim unless agency review and approval functions are performed elsewhere. This review and approval are intended to be limited to determining whether the expenses claimed are reasonable in amount and customarily paid by the seller in the locality where the property is located. (Emphasis added)

In the course of our audit we selected a limited sample of 15 travel vouchers submitted to liquidate outstanding relocation advances. Proper approval was omitted from all of the travel vouchers (totaling \$101,005) included in our sample

Title 13 of the NLRB Policy and Procedures Manual does not require the signature of an approving official on travel vouchers submitted in liquidation of an outstanding relocation advance.

23 Recommendation 23 of 23

We believe that the NLRB Policies and Procedures Manual should be amended to require the signature of an approving official on travel vouchers submitted in liquidation of outstanding relocation advances, because, if the relocation voucher is prepared by the Financial Management Branch and not reviewed there because they have prepared it, and it is not signed by an approving official, then no adequate internal control will be present. Further, the existing practice violates the concept of a separation of duties.

Management Response

Because the Branch has the expertise required by this particularly complicated type of travel it will continue to assist with preparation as a service to Agency employees. There will be close coordination and signatures will be obtained from the approving official authorizing the relocation.



UNITED STATES GOVERNMENT
National Labor Relations Board

Memorandum

TO Bernard Levine
Inspector General

DATE: June 12, 1991

FROM Jerry M. Hunter
General Counsel

SUBJECT Formal Comments on Draft Audit Report Entitled "Review of
Accountability and Control Over Travel Advances" OIG-AMR-4

We are in general agreement with your findings that NLRB needs to strengthen internal controls over its travel advances and provide administrative controls to ensure proper maintenance of records, safeguards over travel advances, and compliance with internal and external regulations. The Financial Management Branch has already implemented a number of improvements and will develop and implement additional procedures to ensure effective controls. Our comments with regard to specific recommendations follow.

Recommendation 1 of 23:

Duties pertaining to processing, reviewing, and recording travel advance activities should be assigned to separate individuals.

Response:

The Financial Management Branch has realigned the duties of those involved in travel advance processing to eliminate incompatibility and provide proper separation. Realigned functions and responsibilities will be documented in new written procedures and fully explained to operating personnel by Branch management.

Recommendation 2 of 23:

The NLRB should perform interim and fiscal year-end reconciliations of the Travel Advance Subsidiary Ledger to supporting documentation. This reconciliation should include employee confirmation of outstanding travel advance balances.



Response:

The Branch has undertaken a reconciliation of the FY 1990 travel advance subsidiary to the General Ledger and advised Supervisory Accountants that monthly reconciliations will be performed in addition to the year end. A policy will be implemented to have all advances cleared at fiscal year end, and if the situation warrants, the reissuance of long-term advances.

Recommendation 3 of 23:

We recommend that the Financial Management Branch print a copy of the Travel Advance Subsidiary Ledger each month. Copies of the subsidiary ledger should be filed in the Finance Section to facilitate tracing data throughout the year.

Response:

Under the new accounting system to be installed this summer a monthly report will be generated which will satisfy this recommendation. Until then, travel advances will be manually reviewed.

Recommendation 4 of 23:

The computerized accounting system should be improved to accurately age each advance, within an employee's account, according to the number of days it has been outstanding.

Response:

Under the new NLRB accounting system an aging analysis will be generated each month.

Recommendation 5 of 23:

Travel advance accounts with negative balances should be routinely reviewed for accuracy.

Response:

The accounting system to be adopted this summer will automatically generate a listing of outstanding advance balances. Negative advances will be reviewed.

Recommendation 6 of 23:

An analysis should be prepared to determine the source of entries posted to accounts assigned invalid social security numbers. Correcting entries should be posted to eliminate these accounts.

Response:

This analysis is currently being performed.

Recommendation 7 of 23:

A program control should be written into the computerized accounting system to perform a test of social security number validity. The test should provide a comparison of employee social security number with a master file for authenticity. Entry of an invalid social security number should cause the computer processing to halt and errors to be printed out by the person generating the error.

Response:

The new accounting system's Vendor Table can only be updated by a limited number of individuals. The Accounting Assistants will not be able to enter an invalid social security number.

Recommendation 8 of 23:

The NLRB should implement GSA regulations and require submission of travel vouchers within five working days after completion of travel, or every 30 days if the employee is in continuous travel status.

Response:

A draft administrative policy circular establishing these policies has been issued for comment. It will be rewritten to incorporate a relatively recent IRS ruling that will greatly increase the incentive to submit timely vouchers.

Recommendation 9 of 23:

All current employees with inactive accounts should be notified in writing to repay their advance or submit a liquidating travel voucher.

Response:

This will be done.

Recommendation 10 of 23:

Action should be taken to offset amounts from salary or other amounts due if current employees do not liquidate their inactive accounts.

Response:

After discussions with the Unions, a letter will be issued to inform individuals with unliquidated balances more than 90 days old that the outstanding balances will be offset from salary. This will also be included in the administrative policy circular referenced in recommendation 8.

Recommendation 11 of 23:

A request should be made to all former employees with outstanding travel advance balances to repay their advance or submit a liquidating travel vouchers.

Response:

This initiative is already in process. We are working with Personnel in locating these former employees.

Recommendation 12 of 23:

Action should be taken to offset amounts from retirement if retired employees do not liquidate their inactive accounts.

Response:

The Branch will institute a practice, in cooperation with the Personnel Office, to issue SF-2805's for all employees in this situation.

Recommendation 13 of 23:

Action should be taken to offset amounts from salary if former employees (who are still employed by the Federal Government) do not liquidate their inactive accounts.

Response:

We will, as standard practice, implement this policy under the authority of the Debt Collection Act.

Recommendation 14 of 23:

Amounts due from former employees that are deemed to be uncollectible should be written off.

Response:

After all actions outlined in our response to items 11, 12, and 13 have been taken and the maximum recoverable amounts collected, we will write off the uncollectible advances.

Recommendation 15 of 23:

The Payroll Unit should compare the outstanding travel advance recorded in the subsidiary ledger for agreement with the outstanding balance recorded on Form NLRB-4197.

Response:

One of the Accountants will verify that no outstanding travel advances exist or, if so, they will indicate the advance on the form prior to forwarding to the Payroll/Personnel Section.

Recommendation 16 of 23:

Adequate documentation for Forms NLRB-4197 should be maintained and be readily available for examination.

Response:

The Payroll/Personnel Branch will maintain these forms.

Recommendation 17 of 23:

Adequate documentation to support travel advances should be maintained and be readily available for examination.

Response:

A file will be established for all SF-1038's and maintained in accordance with regulatory and Agency policy.

Recommendation 18 of 23:

NLRB voucher examiners should not process partial applications of travel vouchers, or NLRB policy should be modified to allow partial applications to travel vouchers.

Response:

As standard practice, partial application of travel vouchers will be prohibited except where travelers have long-term advances. In those instances partial application of the advance will be permitted.

Recommendation 19 of 23:

Authorizing officials need to include their signatures and titles when approving SF-1038's in order to facilitate the review and subsequent accountability of travel advances.

Response:

Titles and signatures of approving officials will be requested on all SF-1038's before disbursements are made. In addition, a list of authorized approving officials will be maintained in the Travel Office and the Audit and Accounts Section.

Recommendation 20 of 23:

All SF-1038's should be maintained for three years after the close of the fiscal year in order to provide a proper audit trail of travel documents.

Response:

As specified in our response to recommendation 17 this will be done.

Recommendation 21 of 23:

All relocation advances which have not been cleared within two years after the date the employee reported for duty at the new official station and which have not been properly extended should be cleared by requiring the employee to submit vouchers, or reimburse the NLRB.

Response:

This policy will be included in the rewrite of the draft administrative policy circular that is currently being circulated for comment.

Recommendation 22 of 23:

Action should be taken to offset amounts from salary or other entitlements due if current employees do not liquidate relocation advances outstanding in excess of time limitation.

Response:

As indicated in our response to recommendation 10 this policy will be implemented as soon as appropriate procedures are finalized.

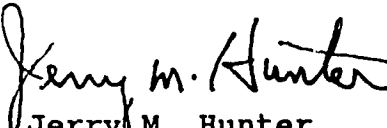
Recommendation 23 of 23:

We believe that the NLRB Policies and Procedures Manual should be amended to require the signature of an approving official on travel vouchers submitted in liquidation of outstanding relocation advances, because, if the relocation voucher is prepared by the Financial Management Branch and not reviewed there because they have prepared it, and

it is not signed by an approving official, then no adequate internal control will be present. Further, the existing practice violates the concept of a separation of duties.

Response:

A signature will be obtained from the approving official authorizing the relocation.


Jerry M. Hunter
General Counsel

APPENDICES

CERTIFICATION FOR RELEASE OF FINAL SALARY CHECK
(See NLRB Administrative Manual, Title 3 and reverse side for instructions)

| | | | | | |
|--|----------------|---|---------------------|----------------------|------------------|
| 1. EMPLOYEE'S NAME | | 2. TITLE | | 3. ORGANIZATION UNIT | |
| 4. LAST WORK DAY | | 5. REASON (Check One) | | | |
| | | DEATH - This form must be processed to Finance within 2 workdays. | | SEPARATION | LWOP |
| 6. SUPERVISOR'S CERTIFICATION | | | | | |
| I certify that to the best of my knowledge the above-named employee possesses no papers, files, documents, records of current or permanent value, or other accountable property issued by this office. | | | | | |
| DATE | | SIGNATURE | | | |
| 6a. UNRETURNED ACCOUNTABLE PROPERTY | | | | | |
| ARTICLE | | | VALUE | DATE | |
| | | | | SIGNATURE | |
| 7. SECURITY OFFICE | | | | | |
| IDENTIFICATION CARD (If misplaced, attach explanation) | | OFFICE KEY (Washington only) | DATE | | SECURITY OFFICER |
| 8. PROPERTY MANAGEMENT SECTION (Washington Employees Only) | | | | | |
| ITEMS UNACCOUNTED FOR | | DATE ISSUED | VALUE | COMMENTS | |
| BRIEF CASE | | | | | |
| TYPEWRITER | | | | | |
| DICTATING MACHINE | | | | | |
| OTHER (Specify) | | | | | |
| DATE | | SIGNATURE | | | |
| 9. RECORDS MANAGEMENT SECTION | | | | | |
| FILES AND TRANSCRIPTS | | | | | |
| DATE | | SIGNATURE | | | |
| 10. LIBRARY | | | | | |
| LIBRARY BOOKS | | | | | |
| OTHER (Specify) | | | | | |
| DATE | | SIGNATURE | | | |
| 11. FINANCE | | | | | |
| HOUSEHOLD ADVANCE | TRAVEL ADVANCE | TRANSPORTATION REQUEST | EMPLOYMENT CONTRACT | UNUSED TICKETS | |
| OTHER (Specify) | | | | | |
| REMARKS: (Identify item number and explain). | | | | | |
| DATE | | SIGNATURE | | | |

VOUCHER AND SCHEDULE OF PAYMENTS

[illegible]

