Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

Highlights of Report Number 22-04-003-13-001, a report to Secretary of Labor. December 29, 2003.

WHY READ THE REPORT

The *Chief Financial Officers Act of 1990* (*CFO Act*) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. To meet the *CFO Act* reporting requirements, the Department of Labor (DOL) prepares annual financial statements, which the Office of Inspector General (OIG) audits.

WHY OIG CONDUCTED THE AUDIT

The OIG contracted with an independent public accounting (IPA) firm to audit the Department's FY 2003 financial statements. The objectives of the audit were to express an opinion on the fair presentation of DOL's principal financial statements, obtain an understanding of the Department's internal control, and test compliance with laws and regulations that could have a direct and material effect on the financial statements.

Additionally, the objectives included expressing an opinion on DOL's compliance with requirements of the *Federal Financial Management Improvement Act (FFMIA) of 1996*, based on an examination. The OIG also audited and issued separate reports on the FY 2003 financial statements of the *Longshore and Harbor Workers' Compensation Act* and *District of Columbia Workmen's Compensation Act* Special Funds. Our opinions were unqualified.

READ THE FULL REPORT

The full report, including the scope, methodology, and agency response, is available on the Internet at:

http://www.oig.dol.gov/public/reports/oa/2004/22-04-003-13-001.pdf

DECEMBER 2003

DOL COMPLIED WITH FEDERAL FINANCIAL STANDARDS EXCEPT MANAGERIAL COST ACCOUNTING

WHAT OIG FOUND

The IPA found that DOL's FY 2003 financial statements were fairly presented, and that DOL substantially complied with FFMIA, except for applicable Federal managerial cost accounting standards. These standards require agencies to use systems that provide timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. Other findings included:

Job Corps Real Property. ETA did not establish sufficient controls to ensure that Job Corps real property was safeguarded and accurately reported in DOL's property tracking system.

FECA Continuing Eligibility. Many Federal Employees Compensation Act cases did not have current medical evidence in the case file as required. The Office of Workers' Compensation Programs does not have effective controls to ensure current medical evidence is requested and received timely.

Accounting for Grants. ETA is taking steps to address prior audit findings and ongoing problems related to accounting errors for ETA's grants and contracts. This action has resulted in ETA obtaining over $20 million in missing cost reports.

Capitalized Assets. During inventories, some DOL agencies were merely removing missing assets from the tracking system, rather than determining their actual disposition. Additionally, dispositions were recorded only after items were identified as missing in the inventory process.

OIG concluded that the Department will not be in substantial compliance with FFMIA until the managerial cost accounting system is fully implemented. In its Fiscal Year 2003 Report on Performance and Accountability, DOL reported that it has developed a plan of action to complete managerial cost accounting implementation by July 2004.