

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

AUDIT OF WORK FORCE RESTRUCTURING UNDER SECTION 3161
OF THE NATIONAL DEFENSE AUTHORIZATION ACT

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet five to seven days after publication at the following alternative addresses:

Department of Energy Headquarters Gopher
gopher.hr.doe.gov

Department of Energy Headquarters Anonymous FTP
vml.hqadmin.doe.gov

Department of Energy Human Resources and Administration Home
Page
<http://www.hr.doe.gov/refshelf.html>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.

This report can be obtained from the
U.S. Department of Energy
Office of Scientific and Technical Information
P.O. Box 62
Oak Ridge, Tennessee 37831

Report Number: WR-B-97-05 Western Regional Audit Office
Date of Issue: May 6, 1997 Albuquerque, New Mexico 87185

AUDIT OF WORK FORCE RESTRUCTURING UNDER SECTION 3161
OF THE NATIONAL DEFENSE AUTHORIZATION ACT

TABLE OF CONTENTS

Page

SUMMARY.....	1
PART I - APPROACH AND OVERVIEW.....	2
Introduction.....	2
Scope and Methodology.....	2
Background.....	3
Observations and Conclusions.....	3
PART II - FINDING AND RECOMMENDATIONS.....	4
Educational Assistance.....	4
PART III - MANAGEMENT AND AUDITOR COMMENTS.....	8
PART IV - APPENDIX.....	9

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
WESTERN REGIONAL AUDIT OFFICE

AUDIT OF WORK FORCE RESTRUCTURING UNDER SECTION 3161
OF THE NATIONAL DEFENSE AUTHORIZATION ACT

Audit Report Number: WR-B-97-05 May 6, 1997

SUMMARY

As authorized by the National Defense Authorization Act for Fiscal Year 1993, Department of Energy (Department) policy is to provide educational assistance to terminated contractor employees who were impacted by the Department's downsizing. A terminated employee is anyone who voluntarily or involuntarily departs due to a reduction in employment under a Departmental restructuring plan. The objectives of the audit were to determine if the Department provided (1) reasonable means for terminated contractor employees to obtain training to qualify for new employment and (2) reasonable compensation to southern Nevada for any impact the Department's downsizing had on the community.

The audit showed that training records maintained for terminated employees by management and operating (M&O) contractors were not accurate and that, as a result, contractors incurred questionable costs. The questionable costs consisted of duplicate payments, payments greater than the invoiced amount, and payments for classes employees never took or failed to complete. Additionally, other record keeping errors were made in posting individual training activities to employee records. This occurred because only limited controls were established and many of the established controls were not followed. As a result, questionable costs of at least \$130,000 were incurred.

We recommended that the Manager, Nevada Operations Office, instruct the contractors to review all terminated employee training files to reconcile the payment data with the training records, verify the data with the employee, and make appropriate adjustments to the records; recover all erroneous payments; document the administrative practices and procedures used to manage employee assistance; and reconcile the various training records used to track educational assistance on a regular basis.

_____(Signed)_____
Office of Inspector General

PART I

APPROACH AND OVERVIEW

INTRODUCTION

The Nevada Test Site became the nation's Continental Nuclear Weapons Test Site (Test Site) on January 11, 1951. Nuclear testing continued at the Test Site until October 2, 1992, when the President's declared nuclear testing moratorium went into effect. The Presidential decision also stated that the Test Site would maintain a readiness to test within six months through Fiscal Year 1995 and maintain the ability to start testing within two or three years after Fiscal Year 1995. This change in mission, coupled with the Department's downsizing and the consolidation of three M&O contractors into one, required that a reduction in staffing, either voluntary or involuntary, be accomplished. In October 1992, there were approximately 8,000 M&O contractor employees. As of July 1996, this number had been reduced to about 2,900. Therefore, in less than four years, approximately 5,100 employees left the employment of Nevada's M&O contractors.

The purpose of the audit was to determine if the Department provided (1) reasonable means for terminated contractor employees to obtain training to qualify for new employment and (2) reasonable compensation to southern Nevada for any impact the Department's downsizing had on the community.

SCOPE AND METHODOLOGY

The audit was performed from June 1996 through September 1996 at the Department's Nevada Operations Office (Nevada), Wackenhut Services, Inc. (Wackenhut), and at Bechtel Nevada Corporation (Bechtel) in Las Vegas, Nevada. The period of the audit covered October 1, 1992 through July 31, 1996. Our audit work included a review of applicable Federal laws and regulations related to work force restructuring. In addition, we reviewed related training files, accounting records, and contacted employees to verify the training they had taken.

To accomplish the audit, we selected a random statistical sample from the 729 employees that used educational assistance. We used a statistical sampling program to select our random statistical sample. The computer program calculated that 86 employees' training files had to be reviewed in order to project the results with a 95 percent confidence level. We also reviewed the community redevelopment program established to assist communities impacted by Nevada's downsizing.

The audit was performed according to generally accepted Government Auditing Standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objectives. Because the review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We did not rely extensively on computer-processed data and, therefore, did not fully examine the reliability of that data. On December 19, 1996, we discussed the audit results with the Deputy Assistant Manager for

Business and Financial Services.

BACKGROUND

In October 1992, Public Law 102-484, National Defense Authorization Act for Fiscal Year 1993, was passed. Section 3161, Department of Energy Defense Nuclear Facilities Work Force Restructuring Plan, authorized the Department to give incentives that would reduce employment at all nuclear weapons sites. Nevada, through its work force restructuring plans for 1993 through 1995, offered up to \$10,000 in educational assistance to employees. Employees could use this assistance to obtain necessary training to obtain private sector employment.

Through December 31, 1995, over 2,700 contractor employees had accepted voluntary or involuntary separation and, as of July 1996, 729 of the separated employees had applied for and taken advantage of the educational assistance. The 729 employees had taken training valued at \$2.5 million through July 1996. In January 1996, Bechtel became the M&O contractor and is now responsible for administering the educational assistance for terminated employees of the previous contractors.

OBSERVATIONS AND CONCLUSIONS

Part II of this report discusses problems associated with Nevada's educational assistance program. We also noted that southern Nevada's Community Reuse Organization (CRO), a group of business and civic leaders, had requested a \$20 million grant to lessen the financial impact of the test site downsizing. Redevelopment programs are authorized, under section 3161, for local communities impacted by Department downsizing. In 1996, CRO requested, and was awarded, a \$5 million grant to implement various programs to stimulate economic growth. The request also stated that CRO needed \$5 million per year for the next 3 years. We questioned the reasonableness of grants totaling \$20 million when the economy of southern Nevada is among the fastest growing in the nation -- new housing permits increased from 17,500 in 1991 to 30,600 in 1996; unemployment dropped from 7.2 percent in 1993 to the current level of 5.5 percent; population increased from 800,000 in 1991 to over 1.1 million in 1996; and the work force has increased from 400,000 in 1991 to about 500,000 in 1996. We expressed our concerns to the Director, Office of Worker and Community Transition, in Washington, DC. The Director responded that the Department did not intend to fund the additional \$15 million; therefore, further audit work in this area was curtailed.

PART II

FINDING AND RECOMMENDATIONS

Educational Assistance

FINDING

It is Federal, Department, and Nevada policy to provide educational assistance, generally in the form of classroom training, to any employee who voluntarily or involuntarily departs the work force due to restructuring. The audit disclosed, however, that contractors paid for training classes that employees had not requested, made duplicate payments to vendors, overpaid vendors, and paid for courses that employees did not complete. Additionally, the contractors made other record keeping errors including posting transactions to the wrong employee accounts and not posting refunds properly. This occurred because an inadequate set of internal controls had been established and those that were in place were not followed. As a result, Department contractors erroneously paid at least \$130,000 for employee educational assistance.

RECOMMENDATIONS

We recommend that the Manager, Nevada Operations Office, instruct the General Managers, Bechtel Nevada Corporation and Wackenhut Services, Inc. to:

1. review all terminated employees' training files to reconcile the payment data with the training records, verify the data with the employee, and make appropriate adjustments;
2. recover all erroneous payments;
3. document the administrative practices and procedures used to manage employee assistance; and,
4. reconcile the various training records used to track educational assistance on a regular basis.

MANAGEMENT REACTION

Management concurred with all the recommendations. Management's comments are detailed in Part III.

DETAILS OF FINDING

It is Federal and Department policy to provide educational assistance to displaced employees. Public Law 102-484, National Defense Authorization Act for Fiscal Year 1993, specifically section 3161, Department of Energy Defense Nuclear Facilities Work Force Restructuring Plan, requires the Department to assist employees to obtain training, education, and re-employment opportunities. Department Order 3309.1A, Reductions in Contractor Employment, requires M&O contractors to provide training opportunities for employees impacted by work force reductions. Further, the Department's "Interim Planning Guidance for Contractor Work Force Restructuring" establishes that educational assistance be considered for employees who are voluntarily or involuntarily separated from contractor employment. The guidance recommends that tuition assistance and

other reasonable and necessary education expenses, such as books, be limited to not more than \$10,000 per employee.

To implement the requirements, Nevada's M&O contractors established their own guidelines. These guidelines were to ensure that educational assistance money was spent appropriately on training and that payments were for courses actually attended and completed by the employees.

TRAINING PAYMENTS AND RECORDS

The contractors, however, did not ensure that employee training money was spent appropriately or that the training records were maintained accurately. A statistical sample of 86 employees' files disclosed that 32 contained errors. In 18 instances, courses were paid for that employees had either not taken or completed; duplicate payments were made for courses; or other errors occurred (see Appendix). Finally, in 14 instances the files contained record keeping errors, such as double posting of training courses and posting training courses to the wrong employee records.

Payments Made For Courses Not Taken Or Completed

The audit showed that the M&O contractors made payments for five courses in which employees had not enrolled. For example, one employee visited a school to inquire about the different types of training and the cost of the training. The school billed and Bechtel subsequently paid approximately \$8,000 for a series of classes for this individual. The employee told us, however, that she did not sign a contract or any other documents to enroll in any classes offered by the school and that she told the Bechtel training coordinator she was not taking any classes. However, Bechtel's training coordinator approved the school's invoice for payment. We were unable to locate a signed contract with the school or a signed training request form in the training file to support the \$8,000 payment.

In another instance, employees did not complete the training courses they began. For example, a Wackenhut employee signed up for an eleven-class course, but only completed two of the classes because he decided the course would not meet his career objectives. The school billed Wackenhut approximately \$9,900 for the series of classes, and the contractor followed the school's payment policy and submitted the full payment before the first class began. The employee sent completion notices to the training coordinator, as required, for the first two classes but never notified the contractor that he dropped the remaining nine classes, even though he was required to, until he received our letter (September 10, 1996) requesting confirmation of the training taken.

Duplicate Payments

The contractors also made duplicate payments in at least three instances. For example, the training coordinator completed a request for payment based upon an employee's application for training and sent the request to accounts payable for processing.

The accounts payable section did not process the request immediately. In the meantime, the school submitted an invoice for \$695 requesting payment for the course. The training coordinator submitted a second request for payment based on the school's invoice. Both requests for payment were processed and paid. We contacted the employee to determine if he had taken the course only one time. The employee stated that he had only taken the course one time.

Administrative Records

Fourteen files contained record keeping errors that could impact the future educational assistance of the employees. During the audit, we found examples of double posting of training courses to employee records, posting of payments to incorrect employee accounts, and incorrect posting of refunds to employee accounts. Any of these errors could have impacted how much additional training would be available to employees. When we brought these errors to the attention of the M&O contractor, appropriate corrections were made.

INTERNAL CONTROLS

These problems occurred because only limited internal controls had been established over the educational assistance program, and those that were in place were not always followed. For instance, files were not well maintained; responsibilities were unclear; and communications between training coordinators and employees were not well documented.

Management had not identified what must be included in an employee's training file. As a result, some files contained duplicate copies of training documentation while other files had no or limited documentation to support the training taken. Telephone conversations between the employee and the training coordinator were not always documented in the file. This was crucial because we identified four cases in which employees had informed the training coordinator that training was not going to be taken, yet the courses were paid for.

Additionally, neither the M&O's training office nor its finance office had one individual responsible for the employee training records. Initially, the M&O contractor divided the responsibility of training coordinator between two employees; however, each person approached the assignment differently and documented their files differently. In July 1996, the contractor assigned the training coordinator's responsibility to one individual. This individual has taken action to correct the problems found during the audit. This scenario was mirrored in the finance office, and the current individual in charge is working to correct additional problems identified in the audit report.

Finally, although the contractor's procedures required that the employee submit a signed application for training, we found that contractors were allowing telephone conversations between the employee and the training coordinator to serve as application

for training and did not require the employee to follow up on the call with a signed application. This permitted the training coordinators to submit requests for payments with only their signature on the document. The lack of an employee signature on the document provides no assurance that the employee had requested the training or had any intention of taking the training.

QUESTIONED COSTS

As a result of inadequate internal controls, Bechtel and its predecessor contractors erroneously paid approximately \$38,000 for educational assistance. Based on our statistical sample, we are 95 percent confident that Department contractors erroneously paid at least \$130,000 for employee educational assistance. In addition, other administrative errors can result in employees not receiving their entitled training.

PART III

MANAGEMENT AND AUDITOR COMMENTS

The Assistant Manager for Business and Financial Services, Nevada Operations Office concurred with the finding and recommendations. Management's response to each recommendation and corrective action plan are addressed below.

Recommendations

Management Comments. Management concurred with recommendation 1 and directed the contractors to reconcile all terminated employee training files to the payment data, verify the information with the employee, and make appropriate adjustments.

Auditor Comments. Management's action is responsive to the recommendation.

Management Comments. Management concurred with recommendation 2 and directed the contractors to recover all erroneous payments.

Auditor Comments. Management's action is responsive to the recommendation.

Management Comments. Management concurred with recommendation 3 and directed Bechtel Nevada Corporation to document the administrative practices and procedures used to manage employee assistance. Wackenhut Services Nevada's procedures were not in question.

Auditor Comments. Management's action is responsive to the recommendation.

Management Comments. Management concurred with recommendation 4 and directed the contractors to reconcile the various training records used to track educational assistance on a

regular basis.

Auditor Comments. Management's action is responsive to the recommendation.

PART IV

APPENDIX

Sample Items With Erroneous Payments or Charges to the
3161 Account

SAMPLE NUMBER	TOTAL ERRONEOUS PAYMENTS	COMMENTS
2	\$ 60	Overpayment
6	150	Matriculation fee billed incorrectly
10	285	Duplicate billing and payment
19	15	Regular training
22	695	Duplicate payment
24	900	Training not taken; institute billed and was paid for the course
25	265	Student did not complete course
28	8,305	Training not taken; institute billed and was paid for the course
31	7,955	Student did not complete course
33	3,365	Discount offered but not given; training institute refunded \$2,100
*	250	Duplicate billing and payment
*	280	Regular training
35	370	Regular training
37	55	Regular training
39	7,540	Training not taken; institute billed and was paid for the course
43	145	Regular training
50	630	Student enrolled but never took the class
55	1,980	Cost of software that the student was to sell
60	495	Student did not complete
76	4,595	Training not taken; institute billed and was paid for the course
TOTALS	\$38,335	

All figures are rounded to the nearest \$5.

*Employee File Number 33 contained three different types of errors. The errors are listed separately but are counted as one.

Report No. WR-B-97-05

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and therefore ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in this report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

Telephone _____ Organization _____

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
U.S. Department of Energy
Washington, D.C. 20585
ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Wilma Slaughter at (202) 586-1924.