

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



Memorandum

December 14, 2016

To: Board

From: David Berry
Inspector General

A handwritten signature in black ink, appearing to read "D. Berry", is written over the printed name "David Berry".

Subject: Management Implication Report 2017-01 – Electronic Backpay Disbursements

This memorandum reports the result of our investigative review of the Agency's backpay disbursements that were made during Fiscal Year (FY) 2016 by electronic funds transfer. The purpose of our review was to identify potentially fraudulent backpay disbursements and, if any were identified, determine if the disbursement was apparently proper or if it was appropriate to initiate an investigation.

Using the National Labor Relations Board's (NLRB) Backpay system, we first reviewed the disbursements of backpay funds during FY 2016 to determine which disbursements were made by electronic funds transfer. We then conducted nine analytical tests that we developed to identify potentially fraudulent electronic disbursements of backpay. The tests are based on situations that we believe would be unlikely to occur in the absence of fraud. For example, we tested for multiple disbursements to a single bank account for more than one individual and multiple disbursements to a single bank account for multiple cases. For any disbursement that was identified by one or more of the analytical tests, we reviewed the information in the NLRB's case file to determine if the disbursement was apparently proper.

During FY 2016, \$1,037,084.46 was disbursed in 1,049 electronic disbursements. As a result of our testing, we identified 326 potentially fraudulent electronic disbursements. For those transactions, we observed that 278 potentially fraudulent electronic disbursements were actually data entry formatting errors. We then reviewed information in the case files for the remaining 48 potentially fraudulent electronic disbursements. After doing so, we determined that each of the 48 potentially fraudulent disbursements was apparently proper.

The purpose of this review was not to test the accuracy of the information in the Backpay system, nor was it to test the NLRB's internal controls over the electronic disbursement of backpay funds. As such, we express no opinion on the accuracy of the backpay data or the adequacy of the internal control environment. Nevertheless, in our audit work, we identified a weakness in the NLRB's internal controls over the integrity of the backpay data. That weakness could limit the effectiveness of our investigative review. It is our understanding that the weakness was addressed.

This report is not an audit and was not completed in accordance with Government Auditing Standards. The report should not be relied upon as an audit. This Management Implication Report is provided under the authority of 5 U.S.C. Appx § 2(3). The purpose of a Management Implication Report is to keep the head of the Agency fully and currently informed about problems and deficiencies relating to the administration of the programs and the operations of the Agency and the necessity for and progress of corrective action. In accordance with paragraph 3.40 of the Government Auditing Standards, a Management Implication Report does not impair the OIG's independence.

cc: General Counsel