

**Review: 4319**  
**Statewide Single Audit**  
**Year Ended June 30, 2008**  
**Department of Commerce and Economic Opportunity**

**FINDINGS/RECOMMENDATIONS – 3**  
**Repeated – 1**

**08-75. The auditors recommend DCEO review the process and procedures in place to prepare the Performance and Evaluation Report to ensure amounts are reported correctly and are reconciled to the general ledger and supporting schedules. (Repeated-2007)**

**Findings:** DCEO did not accurately report financial information in the Performance and Evaluation Report for the Community Development Block Grant (CDBG) Program.

During testwork of the Performance and Evaluation Report for the year ended December 31, 2007, auditors noted amounts included in the report did not agree (reconcile) to the general ledger and supporting schedules.

In discussing these conditions with DCEO officials, they stated although a corrective action plan was implemented as a result of the prior year audit, the plan was deficient in that it only required a review of financial elements provided from the DCEO Accounting system and did not address programmatic information. The review process has since been redesigned to include a full verification of the report by Accounting staff prior to filing by program staff.

**DCEO Response:** Implemented. The department has redesigned the review process to include all elements of the report by Accounting staff prior to official filing by program staff.

**08-76. The auditors recommend DCEO implement procedures to ensure waiver forms are properly issued and evaluated every 30 days. Additionally, the auditors recommend DCEO implement procedures to ensure job search allowances are properly calculated.**

**Findings:** DCEO did not properly issue and evaluate training waivers and did not properly calculate the job search allowance for the Trade Adjustment Assistance (TAA) Program.

During the period June 16-23, 2008, the U.S. Department of Labor – Employment and Training Administration conducted a review of the Trade Adjustment Assistance (TAA), Alternative Trade Adjustment Assistance (ATAA), and Trade Readjustment Assistance (TRA) Programs. The reviewers examined 61 participant files, interviewed State office staff, and analyzed documents related to performance, policies, types of services provided,

training contracts, and expenditures. The reviewers also matched the participant files to documents and files supporting the eligibility determinations and payments. The final audit report indicated the following:

- In four cases the waiver effective dates did not match the waiver issue dates. This indicated waiver forms were being signed without actually evaluating the claimant's current circumstances, and then were issued at a later date.
- In two cases, the waiver date in the system did not match the waiver date on the paper form.
- In one case, the waiver was effective for 12 months.
- In three cases, the files did not indicate that a review of the conditions upon which the waiver was granted had taken place every 30 days.
- In two cases, the job search allowance was calculated incorrectly. In one case, the cost of gas was reimbursed rather than using a mileage rate. In another case, the claimant was paid 90% of the cost of gas to travel to the location of the interview, rather than being paid at the appropriate mileage rate.

In discussing these conditions with DCEO officials, they reaffirmed that these issues were identified previously in the audit period during a federal review of the program. The deficiencies were caused by grantee(s) not adhering to established procedures and program requirements regarding client assistance.

**Updated Response:** Implemented. The Department held several training sessions for local workforce investment areas on the Trade Adjustment Assistance Program in August and September 2009. The Department's training covered procedures for properly issuing waivers and calculating job search allowances. In regards to the U.S. Department of Labor (USDOL) review, the Department provided technical assistance to the local workforce investment areas and the issues have been resolved. No disallowed costs were identified by the USDOL review and the Department has communicated the corrective action to the USDOL.

**08-77. The auditors recommend DCEO adequately document supervisory reviews and communicate findings and management recommendations for on-site reviews on a timely basis.**

**Findings:** DCEO did not adequately document supervisory reviews of on-site monitoring procedures and did not communicate the resulting findings on a timely basis for the Workforce Investment Act Cluster (WIA) program.

DCEO passes through federal funding to 55 formula and discretionary grantees (subrecipients) throughout the State. Each of these agencies works with DCEO to develop an annual area plan detailing how funds will be used to meet the goals and objectives of the WIA program. DCEO has established policies and procedures for monitoring its subrecipients, which includes: performing fiscal and programmatic on-site reviews,

reviewing periodic financial, programmatic, and single audit reports, and providing training and guidance to subrecipients as necessary.

During testwork of 14 subrecipients of the WIA program with total expenditures of \$83,000,000, auditors noted:

- Supervisory reviews of monitoring procedures were not documented for three fiscal and three programmatic on-site reviews.
- The findings and management recommendations for four fiscal and two programmatic on-site monitoring reviews were not communicated to the subrecipients as of the date of our testwork.
- The findings and management recommendations for three fiscal and two programmatic on-site monitoring reviews were not communicated to the subrecipients in a timely manner. The number of days elapsed between the exit conference and the communication of the findings ranged from 126 to 347 days.

Total awards passed through to subrecipients of the WIA program were approximately \$134,309,000 during the year-ended June 30, 2008.

In discussing these conditions with DCEO officials, they stated that the untimely communication of on-site monitoring findings was attributed to program staff vacancies during a critical period of time with increased program activity, funding and training participant levels. Monitoring staff witnessed an increased activity level as a result of the overall downturn in the national and state economy as they attended more Rapid Response events (plant closings) during this period. In addition monitoring resources were also assigned to the program's annual DOL data validation efforts which required review of approximately 1,500 participant files during this time period. The implementation of the program's new automated monitoring system during this time period also impacted the timeliness of the monitoring and staff completing new procedures for data entry into the system for validation of supervisory review.

**DCEO Response:** The department agrees with the recommendation and will review existing procedures and implement necessary changes to ensure program staff adequately documents supervisory reviews and communicates findings and management recommendations for on-site reviews on a timely basis. The department has also developed a plan to hire additional program staff to meet the requirements of the program and the additional funding provided by the American Recovery and Reinvestment Act of 2009.

**Updated Response:** The Department has reviewed existing procedures and is in the process of revising them to ensure program staff adequately documents supervisory reviews and communicates findings and management recommendations for on-site reviews in a timely manner.