

**Review: 4499**  
**Statewide Single Audit**  
**Year Ended June 30, 2018**  
**Department of Commerce and Economic Opportunity**

**FINDINGS/RECOMMENDATIONS – 2**

**Implemented - 2**

- 64. Review procedures for preparing financial reports required for the Workforce Innovation and Opportunity Act (WIOA) Cluster program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the U.S. Department of Labor.**

**Finding:** DCEO does not have an adequate process in place to ensure all financial reports prepared for the Workforce Innovation and Opportunity Act Cluster (WIOA) program are accurate.

On a quarterly basis, DCEO is required to report financial information for each grant award received on the ETA 9130. During testwork of 25 out of 79 ETA 9130 reports submitted for the quarters ended September 30, 2017 and June 30, 2018 for all open WIOA program awards, auditors noted the funding allotment used by DCEO for grant AA-30732-17-55-A-17 was inaccurate and resulted in reporting errors for 8 out of 19 reports submitted for the quarter ended June 30, 2018. As a result of the funding allotment error, the amounts initially calculated and reported by DCEO for 42 required line items were inaccurate. In some instances, line items varied by more than \$500,000.

Auditors noted that while there were errors in the amounts reported for the various required line items, the allotment discrepancies did not change the total spending for award AA-30732-17-55-A-17, rather it only changed the allocation of spending among the various categories to be reported.

Additionally, in considering the reporting process for all required financial reports, auditors noted adequate internal controls have not been established to ensure reports prepared by DCEO personnel are accurate. Specifically, auditors noted the supervisory review performed relative to these reports is not at a level of precision to detect the errors identified in the audit.

In discussing these conditions with DCEO officials, they stated the cause of this finding was inadequate policies and procedures for the preparation and review of the report.

**Response:** The Department accepts the recommendation. The Department will develop policies and procedures for the preparation and review of financial reports required for the WIOA program to adequately prevent future reporting inaccuracies.

**Updated Response:** Implemented.

**65. Implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.**

**Finding:** DCEO did not return refunded retirement costs to the Workforce Innovation and Opportunity Act (WIOA) Cluster program on a timely basis.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees.

DCEO received communication from SERS on April 18, 2018 that a refund in the amount of \$617,999 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated August 8, 2018 was received from the IOC on August 10, 2018 and was deposited by DCEO on August 27, 2018.

DCEO determined its major program was overcharged for retirement contributions as follows:

Catalog of Federal Domestic Assistance Number	Award Number(s)	Retirement Contribution Overcharged	Total Payroll and Fringe Benefit Expenditures	Total Program Expenditures
17.258	AA-30732-17-55-A-17	\$63,562	\$1,230,200	\$38,425,000
17.259	AA-30732-17-55-A-17	26,738	1,326,000	40,989,000
17.278	AA-30732-17-55-A-17	37,510	3,667,100	56,496,000
Total		\$127,810	\$6,223,300	\$135,910,000

Adjustments were not reported to the U.S. Department of Labor or refunded to the WIOA Cluster program by DCEO during the year ended June 30, 2018.

In discussing these conditions with DCEO officials, they stated the pension contribution refund was not promptly returned to the WIOA program because the SERS did not issue the reimbursement to the Department until August 2018. Since the Department's accounting system is cash basis, the Department could not record the refund until the warrant was received.

**Updated Response:** Implemented.