Indiana
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Department of Labor

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<u>Via Facsimile & U.S. Mail</u>
Charles M. Allberry
Regional Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
Chicago Regional Audit Office
230 South Dearborn St., Ste. 744
Chicago, Illinois 60604

Re: OSHA Consultation Grants Audit
Discussion Draft No. 05-04-009-10-105

Dear Mr. Allberry:

Please consider Indiana's response to the discussion draft you forwarded to our attention concerning the above referenced audit. We are pleased that your audit reveals that all expenditures, even those questioned for other reasons, were grant related.

Indiana would first note that the time period at issue in this audit covers the grant start-up phase, the introduction of new accounting software, and also a period of rapid personnel changes at the Indiana Department of Labor. Indeed, during a one year period at the start-up of this grant, the IDOL experienced 3 agency controllers, two consultation program managers, and three changes in one agency accountant position. In addition, an entirely new accounting software package was introduced during the same year (at the start of a state fiscal year and the fourth quarter of a federal fiscal year). These factors no doubt complicated its administration of this grant, particularly in the early phases.

The Indiana Department of Labor would also note that its administration of these grant programs was specifically reviewed by the U.S. Department of Labor at the middle of the period covered by this audit. (See attachment A). Importantly, at that time, the U.S. Department of Labor informed the Indiana Department of Labor's management that the U.S. Department of Labor believed that this grant was "administered properly." This advisement was rendered after a review of the same accounting records provided to the auditors who generated this draft report. Thus, the IDOL continued its practices, as approved by the U.S. Department of Labor, through the remaining half of the period at issue herein. Importantly, these two audits directly conflict on several points for the period covered in the earlier audit.

With regard to the specific findings the IDOL would submit for your consideration the following.

Finding Number 1

These findings amount to accounting errors and are primarily attributable to the personnel and software issues discussed above. We do, however, concur in the specific errors discussed in the draft report.

Finding Number 2

The draft report specifically contradicts the U.S. Department of Labor's earlier examination of this program with regard to the IDOL's compliance with OMB Circular A-87 and A-107. That earlier review specifically stated that "Personnel who work less than 100% on the grant are required to maintain an employee time and attendance report to keep track of the actual hours worked. Our review of these reports for several pay periods disclosed that only the actual hours worked were charged to the grant program." The IDOL did not alter its accounting procedures with respect to allocation of personnel costs after receipt of that report. The IDOL does not believe that it should suffer any consequence for having complied with procedures previously approved by the U.S. Department of Labor absent any prior notification that the U.S. Department of Labor had changed its prospective with regard to those procedures.

With regard to some specific questioned items, the IDOL would additionally submit that:

- Questioned salary of $1,079: The decision to promote this internal hire had been made prior to the paperwork transfer of the occupant. However, that occupant was dispatched to begin work on the grant in order to transition into her new role. The IDOL believes that work performed during this time was grant related.

- Questioned training costs of $2,717: The IDOL believes that these costs are and should be allowable under the grant, though it concedes that such costs would have more accurately been recorded under the fringe benefit line-item. In order to improve employee retention and recruitment, the IDOL implemented a tuition-reimbursement fringe benefit and these questioned costs arise under that benefit program.

Finding Number 3

Again, the IDOL would note that the largest portion of these questioned expenditures were previously reviewed and approved by the U.S. Department of Labor in its previous audit of this program. Those salary, fringe benefit, training, travel, contractual and other costs questioned for the Federal Fiscal Year 2000 – some $34,303 – fall within the U.S. Department of Labor's previous conclusion that only personnel costs were attributed in accordance with the grant. Moreover, the IDOL would note that the questioned expenditures, even if they were not itemized in the grant agreement, were appropriate and were performed on the grant program. In that the IDOL did not overspend the grant and that these expenditures were made for activities otherwise eligible for grant coverage, the

IDOL believes that reimbursement of the U.S. Department of Labor for these amounts is inappropriate.

With regard to the questioned employee travel and training costs for employees not listed in the grant agreement during Federal Fiscal Year 2001, the IDOL would concede that the question training costs of $42.50 was inappropriate. We believe that transaction was a simple book-keeping entry error. With regard to the questioned travel costs for this fiscal year, the IDOL would note that this travel was performed by an intern with the IDOL for a short time and was performed on activities otherwise covered by the grant. Again, the IDOL did not overspend the grant. The IDOL believes that reimbursement of the U.S. Department of Labor for these expenditures is inappropriate.

With regard to the questioned employee costs for Federal Fiscal Year 2002, the IDOL would note that these costs were incurred for work performed related to the grant. Moreover, these costs were associated with information technology services specifically related to this grant. The grant agreement permitted contract expenditures of $10,500 for such purposes during this fiscal year. That amount is nearly double the questioned $5,644. The in-house employee expenditures were in-lieu of contract services. Thus, the U.S. Department of Labor seeking reimbursement for this expenditure merely penalizes the Indiana program for responsible fiscal management of taxpayer resources.

With regard to the questioned equipment costs in Federal Fiscal Year 2002, the IDOL concedes that such equipment was not specifically listed in the grant agreement. These expenditures were made in an effort to reduce costs of travel associated with the consultation program by replacing mileage reimbursement for use of personal vehicles by staff. The purchase of these vehicles was grant-related.

Thank you for considering this response. Should you have questions concerning our response, please contact David Finnegan at (317) 232-2589 for assistance.

Very truly yours,

Nancy J. Guyott
Commissioner