

**Response To
Performance Audit of
South Florida Workforce Board
Welfare-to-Work Formula
Grants PY 1998 and PY 1999
September 30, 1999 to June 30, 2002**

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Finding I

Inadequate Financial Management System Resulted in Mismanagement of WtW Formula Grant Funds

As of June 30, 2002, SFWB officials had drawn approximately \$19.8 million from the grant, but only had approximately \$7.9 million in expenditures recorded in their general ledger. The \$11.9 million difference represented excess cash. In August 2002, SFWB returned \$7.7 million to the state of Florida, however, approximately \$4.2 million was not accounted for, and as a result we question these costs. Additionally, as a result of the excess cash drawn, the US Treasury lost \$162,059 in interest earnings relating to the excess cash not deposited into an interest bearing account. SFWB provided documentation to support that they returned \$4,226,850 to AWI out of WtW grant funds after our fieldwork concluded.

Also, we question contract costs totaling \$2,186,404 resulting from costs that could not be supported as serving WtW participants and SFWB's contracting process not meeting Federal competition requirements. Finally, we identified internal control weaknesses related to the untimely preparation of financial statements, unlocated financial reports, grant monies deposited into the wrong bank account, and inaccurate subsidiary ledger entries. These weaknesses in internal controls contributed to a significant error in financial reporting. The June 30, 2002, expenditure report used to track program costs, contained a \$5.5 million error that resulted from reported expenditures of approximately \$13.5 million compared to general ledger entries of \$8 million.

SFWB Response:

During the August 26, 2004 meeting with USDOL representatives, SFWB produced copies of check numbers 015303 dated May 5, 2001 and 012034 dated October 30, 2003 documenting the return of the questioned \$4.2 million.

Although we agree that interest was not earned on WtW funds prior to December 2002, we believe that there was no net effect to the Federal Treasury. As the audit report points out, due to discrepancies in the way

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indirect costs were allocated to WtW, more WtW cash was drawn than should have been.

However, this meant that other Federal grant programs were under drawn, thereby allowing this cash to remain in the Treasury to earn interest, which should have offset what was lost on WtW funds. We suggest that the OIG consider this compensating factor and eliminate the issue of interest repayment. WtW participants and Welfare Transition ("WT") participants were dually enrolled as allowed by Federal Regulations (20CFR § 645.220). The services allowable under the WT program were also allowable under WtW. Since participants were dually enrolled, the One-Stop system, which had gone through a competitive process for the WT and WIA programs, had the WtW program integrated in the service array for full integration of all programs. In compliance with applicable regulations, WT dollars were utilized first to provide services to the dually enrolled participants. The total amount spent on services for the dually enrolled population exceeded the annual WT allocation SFWB was able to draw upon. As previously stated in our August 13, 2003 response, our records reflect that, except for the Florida Keys, all one-stop locations had active WtW participants. Neither MDCC nor MDCPS were one-stop operators. They functioned as resource centers assisting participants who were in the caseloads of the one-stops and who were receiving training on their campuses. We urge the OIG to reconsider the use of these issues as basis for questioning all WtW costs for the 2001-2002 fiscal year. We do not believe that the weaknesses cited by the OIG rise to the level that justifies such a conclusion.

Prior to the implementation of the Micro Information Products (MIP) accounting system on July 1, 2002, SFWB did not have an effective automated accounting system. The internal control weaknesses that are cited have been addressed. The incorrect financial reporting was addressed during SFWB's annual audit and the accounting records were corrected.

Finding II

Unauthorized and Unsupported In-kind Contributions Resulted in Noncompliance with Florida's Federal Matching Requirement

SFWB's in-kind contribution of \$1,857,217, used to help satisfy the state's Federal matching requirement, was not verifiable. Specifically, \$855,091 does not meet the requirements for in-kind contribution. The remaining \$1,002,126 does not meet the Code of Federal Regulation's verifiable and traceable requirement

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because supporting documents were not retained to substantiate that the match occurred. After our fieldwork ended, the State of Florida has provided documentation that it was able to meet its match requirements without the use of SFWB's contribution.

SFWB Response:

SFWB maintains that it did meet its match requirement through discounted bus passes to eligible WtW participants, reduced tuition at the local community college, supervisory staff time costs to supervise WtW participants who were employed, and the costs associated with processing WtW participant payrolls. SFWB acknowledges that there were record keeping issues that may impact the allowability of these items as match subsequent to their being reported.

As stated in the finding, the Agency for Workforce Innovation documented that the state had ample match expenses to offset any SFWB match shortfall due to poor record keeping.

Finding III

Participant Performance Data Reported to Florida and to ETA Were Unreliable and Inaccurate

SFWB did not comply with mandatory participant reporting requirements. Performance reports submitted to Florida and the United States Department of Labor's, (DOL) Employment and Training Administration, (ETA) were inaccurate and unreliable. Using statistical estimation techniques, we project 1,173 of the program's 1,410 participants were either misreported on the June 30, 2002, report or their status could not be confirmed because the official participant files were missing. One example of misreporting occurred when participants were reported as served by virtue of being enrolled in the program even though they did not receive any WtW services.

Appendix D (Continued)

SFWB Response:

SFWB acknowledges that seven of 82 participant files that were requested from contracted service providers could not be produced. The majority of the missing files were from one service provider, the City of Miami, who received multiple requests from SFWB to produce the files. At the time of the request, the City of Miami was no longer a service provider for SFWB and may not have given the requests sufficient priority. SFWB does not agree that the number of files the City of Miami failed to produce should be extrapolated to the universe because these results are an exception from our normal experience with our service providers.

The 34 participants identified as not having received WtW services were in fact dually enrolled and provided services.

The 21 individuals with no services for over 90 days were purposely not terminated due to our understanding that they could receive support services, placement assistance, etc as they had not achieved economic sufficiency. It was not our interpretation of ETA's suggested guidelines that these participants had to be terminated after 90 days since they were eligible for continued services.

SFWB acknowledges that clerical errors were made in reporting participant data.