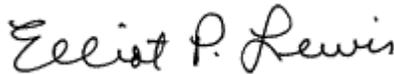


**U.S. DEPARTMENT OF LABOR
EVALUATION OF GRANT CLOSEOUT
PRACTICES APPLIED TO
JOB TRAINING PARTNERSHIP ACT GRANTS
GRANTS AWARDED TO THE STATE OF TEXAS
INDEPENDENT ACCOUNTANTS= REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JULY 1, 1997 THROUGH JUNE 30, 2000

R. Navarro & Associates, Inc. prepared this report under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance it becomes a report of the Office of Inspector General.



Assistant Inspector General for Audit
U.S. Department of Labor

Report No.: 04-03-003-03-340
Date Issued: May 5, 2003

R. NAVARRO & ASSOCIATES, INC.

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ACRONYMS

CFR	Code of Federal Regulations
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FSR	Financial Status Report
FY	Fiscal Year
JTPA	Job Training Partnership Act
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PY	Program Year
SFY	States Fiscal Year
SEFA	Schedule of Expenditures of Federal Awards
TWC	Texas Workforce Commission
WIA	Workforce Investment Act

Mr. Elliot P. Lewis
Assistant Inspector General for Audit
Office of Inspector General
U.S. Department of Labor

***INDEPENDENT ACCOUNTANTS= REPORT
ON APPLYING AGREED-UPON PROCEDURES***

We have performed the procedures enumerated in the “Procedures and Findings” section of this report. The U.S. Department of Labor (DOL), Office of Inspector General (OIG), agreed to these procedures. We completed the procedures solely to assist OIG in evaluating the State of Texas’ closeout practices for Job Training Partnership Act (JTPA) grants awarded by the DOL Employment and Training Administration (ETA) from July 1, 1997 through June 30, 2000.

Management of the State of Texas is responsible for closing JTPA grants in accordance with applicable regulations and requirements established by ETA. ETA is responsible for processing and certifying grant closure, and recording final obligation, expenditure and payment information in the DOL=s general ledger.

This agreed-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of your office as the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures performed either for the purpose for which this report has been requested or for any other purpose.

The results of our procedures are described in the “Procedures and Findings” section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying information obtained from the respective entities. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOL, OIG, and is not intended to be, and should not be used, by anyone other than the specified party.

March 15, 2002

R. Navarro & Associates, Inc.

SUMMARY OF FINDINGS

The State of Texas submitted its Job Training Partnership Act (JTPA) closeout package to the U.S. Department of Labor (DOL), Employment and Training Administration (ETA) on November 2, 2001, after requesting and receiving an extension through October 31, 2001. We obtained the final JTPA expenditures reported on the final closeout report, and found that the expenditures reported reconciled to the State's accounting records. In addition, the final expenditures reported were reasonable based on amounts previously reported on final Financial Status Reports (FSRs).

The JTPA program was audited as a major program in the State's single audits for State Fiscal Year (SFY) 1999 and SFY 2000. The SFY 2000 single audit report included one unresolved (prior year) finding pertaining to the JTPA program. In this finding, the Texas Workforce Commission was reported as unable to find certain equipment purchased with Federal funds by the University of Texas at El Paso, and that other property was not tagged. The auditors indicated that they would follow up on the finding in the subsequent year.

We visited three subrecipients, and found that final expenditures reported to the State reconciled to the subrecipients' accounting records.

State of Texas' Response

The Texas Department of Job and Family Services provided a written response to our draft report, dated February 27, 2003, which is included in its entirety at Exhibit I. Texas agreed with the information presented in the report.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Background

The JTPA was enacted in 1982 to provide job training programs which would afford disadvantaged youth and adults with the training necessary to obtain productive employment. The JTPA program was repealed on June 30, 2000, when ETA implemented a successor program, authorized by the Workforce Investment Act. The closeout of active JTPA grants began in July 1999, with final closeouts due no later than December 31, 2000. Unspent funds from the PY 1998 and PY 1999 JTPA State grants were authorized for transition into the WIA program.

All JTPA closeout information is sent to the DOL, ETA, Office of Grant and Contract Management, Division of Resolution and Appeals. According to 20 CFR, Part 627.485, JTPA grants should normally have been closed within 90 days after the time limitation for expenditure of JTPA funds. For PY 1997 grants, the 90-day limitation expired September 30, 2000. However, in certain instances, ETA extended the reporting beyond that specified in the program regulations. According to instructions set forth by ETA in the *JTPA Financial Closeout Technical Assistance Guide*, final JTPA financial reports for PY 1998 and PY 1999 grants should have been submitted no later than December 31, 2000.

Objectives, Scope and Methodology

In general, our procedures were designed to determine if: the State of Texas closed its JTPA grants on a timely basis in accordance with ETA instructions; amounts reported in the closeout packages and/or the final cost reports were reasonable and supported by the State's and subrecipients' accounting records; and there were unresolved audit findings pertaining to JTPA awards.

Our agreed-upon procedures include the JTPA funds awarded to the State of Texas for PYs 1997, 1998 and 1999, and FYs 1997 and 1998. Procedures were initially applied to grant activities reported by the State and two subrecipients, Alamo Workforce Development, Inc. and Upper Rio Grande Workforce Development Board, on final closeout reports.

PROCEDURES AND FINDINGS

- 1. Identify the State’s JTPA grants to be included in the scope of these procedures, and the obligations and final reported expenditures related to each.**

The JTPA grants awarded to the State of Texas and included in the scope of these procedures are as follows (expenditure numbers based on amounts reported on final closeout package):

Year and Title	Federal Obligations Authority	Per Grantee Closeout		Net Expenditures (Computed)
		Total Reported Expenditures	Inter-title Transfers	
FY 97 II B	\$ 71,921,100	\$ 71,921,100	\$(4,926,977)	\$ 66,994,123
PY 97 II & III	165,725,204	167,340,987	(6,318,134)	161,022,853
FY 98 II B	72,501,450	66,173,671	6,318,134	72,491,805
PY 98 II & III	169,847,254	139,929,819	0	139,929,819
PY 99 Adult	152,286,440	7,713,116	(1,000,000)	6,713,116
PY 99 Youth	<u>84,115,891</u>	<u>58,858,107</u>	<u>1,000,000</u>	<u>59,858,107</u>
Total	<u>\$716,397,339</u>	<u>\$511,936,800</u>	<u>\$(4,926,977)</u>	<u>\$507,009,823</u>

- 2. Determine if the JTPA grants awarded to the State were closed on a timely basis in accordance with ETA instructions.**

The Texas Workforce Commission (TWC) submitted a request for extension of its closeout package through October 31, 2001, which was verbally approved by ETA. According to State officials, the request was necessary due to outstanding issues regarding reconciliation of cash position, and collection of obligation, expenditure and property information by the TWC and its subrecipients. The closeout was dated October 31, 2001 and submitted to ETA on November 2, 2001.

- 3. Inspect the closeout information reported to ETA, and determine if the information was reasonable based on data previously reported on final FSRs.**

We compared the expenditure information reported on the closeout to that reflected on previously submitted final FSRs, and noted only minor changes as follows:

Year and Title	Expenditures Per Final FSRs	Expenditures Per Closeout	Increase (Decrease)
PY 97 IIB	\$ 70,866,494	\$ 71,921,100	\$1,054,606
PY 97 II & III	167,342,853	167,340,987	(1,866)
FY 98 IIB	66,126,399	66,173,671	47,272
PY 98 II & III	139,951,844	139,929,819	(22,025)
PY 99 II & III	7,582,660	7,713,116	130,456
PY 99 Youth	<u>58,830,917</u>	<u>58,858,107</u>	<u>27,190</u>
Total	<u>\$510,701,167</u>	<u>\$511,936,800</u>	<u>\$1,235,633</u>

Accordingly, the amounts reported on the closeout package are considered to be reasonable in comparison to amounts previously reported on final FSRs.

4. Determine if amounts reported on final cost reports or on the closeout package were supported by the State’s accounting records.

We compared the JTPA expenditures reported to the DOL on the closeout package to expenditures recorded in the State’s accounting records, and found that the amounts reported reconciled to the State’s official records.

5. Select a sample of eight final closeout reports submitted by subrecipients to the State, and determine if the subrecipients’ final JTPA expenditures were accurately recorded in the State’s accounting records.

We obtained closeout reports submitted to the State by eight subrecipients, and compared the final expenditures reflected on the closeout reports to expenditures recorded in the State’s accounting records. In all cases, the final subrecipient expenditures were accurately recorded in the State’s accounting records.

6. Obtain the State’s single audit reports submitted for the two most recent fiscal years available, and identify the JTPA expenditures reported on the Schedule of Expenditures of Federal Awards. Determine if these funds were tested as a major program, in accordance with single audit requirements.

We obtained the State’s single audit reports for SFY 1999 and SFY 2000, and identified the total JTPA expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA), \$237.9 million and \$32.7 million, respectively. The JTPA program cluster was listed as a major program for both fiscal years.

7. Determine if the single audit reports identified reportable conditions, material weaknesses, report qualifications, or any other audit issues pertaining to JTPA grants that remain unresolved.

The State's annual single audit report for SFY 2000 (most recent available) included only one prior year reportable condition relevant to the JTPA program which was considered unresolved as of the date of that report (April 2001). In this finding, the single auditors found that certain equipment purchased with Federal funds by the University of Texas at El Paso, including funds for the Dislocated Workers Program, could not be located, and that other property was not tagged. The Auditors indicated that they would follow up on the finding in the subsequent fiscal year.

8. Obtain the final cost reports submitted by two subrecipients and determine if the amounts reported were supported by the subrecipients' accounting records.

We visited two subrecipients, the Alamo Workforce Development, Inc. and the Upper Rio Grande Workforce Development Board. For each subrecipient, we compared the final JTPA expenditures reported to the State to expenditures recorded in the subrecipients' accounting systems, and found that the amounts reconciled.

9. Obtain the subrecipients' single audit reports and identify the JTPA expenditures reported on the Schedule of Expenditures of Federal Awards. Determine if the amounts agree or were reconciled by the single auditors to the expenditures recorded in the accounting records.

We obtained the single audit reports for the two subrecipients selected and identified the JTPA expenditures reported on the SEFA. We compared JTPA expenditures reported on the SEFA to those recorded in the subrecipients' accounting records, and found that the amounts reconciled.

10. Inspect the single audit reports submitted for the subrecipients and determine if there were reportable conditions, material weaknesses, report qualifications, or any other audit issues pertaining to JTPA grants that remain unresolved.

We obtained the single audit reports for the two subrecipients selected. The reports did not identify any unresolved reportable conditions, instances of noncompliance, report qualifications or other audit issues that pertained to the JTPA program.

EXHIBIT I

**THE COMPLETE TEXT OF
TEXAS' RESPONSE TO THE DRAFT
AGREED-UPON PROCEDURES REPORT**

Following this title page is the complete text of Texas' response to our agreed-upon procedures report, issued to them on February 13, 2003.

Texas Workforce Commission

Member of the Texas Workforce Network

Diane D. Rath, Chair
Commissioner Representing
the Public

T. P. O'Mahoney
Commissioner Representing
Labor

Ron Lehman
Commissioner Representing
Employers

Cassie Carlson Reed
Executive Director

February 27, 2003

Robert R. Wallace
Regional Inspector General for Audit
U.S. Department of Labor – OIG
61 Forsyth Street, S.W., Room 6T20
Atlanta, Georgia 30303-3104

Dear Mr. Wallace:

We appreciate the opportunity to respond to the draft report, which discusses the evaluation of Texas' closeout of the Job Training Partnership Act grants. These grants were awarded during the period of July 1, 1997, through June 30, 2000. The auditors performing the evaluation were very professional in ensuring the JTPA program expenditures reconciled from the subrecipient level up to the final closeout submitted to the Department of Labor.

The Texas Workforce Commission appreciates such a positive report. The work performed in verifying the accuracy of expenditures reported adds more credibility to our accounting and reporting systems in place. We strive to continue such accurate reporting and continue to ensure closeout processes are completed within the required timeframe for all grants.

It was a pleasure working with the audit team. Should you have any questions, please feel free to call my office.

Sincerely,



Cassie Carlson Reed
Executive Director

cc: Diane D. Rath, Chair and Commissioner Representing the Public
T.P. O'Mahoney, Commissioner Representing Labor
Ron Lehman, Commissioner Representing Employers
Gene Crump, Administrative Support
Luis Macias, Workforce Development
Randy Townsend, Chief Financial Officer
Fran Carr, CPA Internal Audit
George Cato, General Counsel