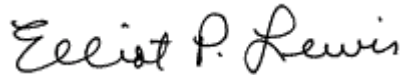


**U.S. DEPARTMENT OF LABOR
EVALUATION OF GRANT CLOSEOUT
PRACTICES APPLIED TO
JOB TRAINING PARTNERSHIP ACT GRANTS
GRANTS AWARDED TO THE COMMONWEALTH
OF PENNSYLVANIA
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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.: 04-03-013-03-340
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
FAETC	Franklin-Adams Employment and Training Consortium
FSR	Financial Status Report
FY	Fiscal Year
JTPA	Job Training Partnership Act
L&I	Labor and Industry Federal Accounting Division
OIG	Office of the Inspector General
ICS	Integrated Centralized System
PY	Program Year
SFY	States Fiscal Year
SEFA	Schedule of Expenditures of Federal Awards
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 Commonwealth of Pennsylvania's 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 Commonwealth of Pennsylvania 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 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.

May 2, 2002

R. Navano & Associates, Inc.

SUMMARY OF FINDINGS

The Commonwealth of Pennsylvania (Commonwealth) submitted its Job Training Partnership Act (JTPA) closeout package to the U.S. Department of Labor (DOL), Employment and Training Administration (ETA) on December 28, 2000. We identified the final JTPA expenditures reported on the final closeout report, and found that the expenditures reported reconciled to the Commonwealth's accounting records. In addition, the final expenditures reported were reasonable based on amounts previously reported to ETA.

The JTPA program was audited as a major program in the Commonwealth's single audits for State Fiscal Year (SFY) 1999, SFY 2000 and SFY 2001. The SFY 2001 single audit report included one unresolved finding pertaining to the JTPA program. The finding indicated that the Labor and Industry Federal Accounting Division (L&I) did not adhere to its remedial plan to ensure the subrecipients received annual single audits, as required by Office of Management and Budget (OMB) Circular A-133; and subrecipient monitoring was not adequate to ensure that high-risk subrecipients not submitting audit reports were administering JTPA programs in compliance with federal regulations.

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

Commonwealth of Pennsylvania's Response

The Pennsylvania Department of Labor and Industry, Bureau of Workforce Investment provided a written response to our draft report, dated March 12, 2003, which is included in its entirety at Exhibit I. For the most part, Pennsylvania agreed with the information presented in the report. However, certain comments were provided regarding the open single audit finding presented in this report. First, Pennsylvania clarified that the responsible agency was the Bureau of Workforce Investment, Department of Labor and Industry. Second, Pennsylvania asserted that their remediation plan for ensuring subrecipients receive single audits was never implemented because "all subrecipients have either been audited, had an extension from the Bureau of Audits, or their audit was already in progress."

Independent Accountants' Comments

Our procedures were limited to presenting findings reported in the single audit reports that the single auditors consider to be unresolved. We understand that management's perspective for these findings may differ from that of the single auditors.

We have amended the name of the agency responsible for the single audit finding.

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 Commonwealth of Pennsylvania 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 Commonwealth'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 Commonwealth of Pennsylvania for PYs 1997, 1998 and 1999, and FYs 1997 and 1998. Procedures were applied to grant activities reported by the State and two subrecipients, Franklin-Adams Employment and Training Consortium and the County of York, on final closeout reports.

PROCEDURES AND FINDINGS

1. Identify the Commonwealth'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 Commonwealth and included in the scope of these procedures are as follows:

Year and Title	Federal Obligations Authority	Total Expenditures (Computed)	Inter-title Transfers Per FSRs	Net Expenditures Per FSRs	Expenditures Per Closeout	Difference
FY 97 IIB	\$ 36,804,007	\$ 36,804,007	\$(4,204,299)	\$ 32,599,708	\$ 32,599,708	\$ 0
PY 97 II & III F	92,905,090	92,901,348	4,204,299	97,105,647	92,901,348	4,204,299
PY 97 III EDWAA	6,871,623	6,379,563	0	6,379,563	6,379,563	0
FY 98 IIB	33,123,606	33,123,606	(3,529,808)	29,593,798	29,593,798	0
PY 98 II & III-F	88,225,308	79,748,686	3,529,808	83,278,494	83,278,494	0
PY 99 IIB & IIC	38,129,075	26,134,766	60,000	26,194,766	26,194,766	0
PY 99 IIA & IIIF	<u>74,798,233</u>	<u>23,066,585</u>	<u>(60,000)</u>	<u>23,006,585</u>	<u>23,006,585</u>	<u>0</u>
Total	<u>\$370,856,942</u>	<u>\$298,158,561</u>	<u>\$ 0</u>	<u>\$298,158,561</u>	<u>\$293,954,262</u>	<u>\$4,204,299</u>

The difference of \$4,204,299 represents a transfer inadvertently netted by the Commonwealth in preparing the final closeout. The FSRs reflected the correct net expenditures of \$298,158,561. This amount was also presented properly in the JTPA Financial Reconciliation Worksheet prepared by ETA.

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

The JTPA grants awarded to the Commonwealth were closed timely. The Commonwealth signed the Certification on December 28, 2000.

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

The Commonwealth submitted final FSRs with the closeout package; consequently, there were no differences between the FSRs and the closeout. As an alternative procedure, we inspected the JTPA reconciliation worksheet prepared by ETA which identified the final cost entries required to be recorded in the DOL's general ledger. This worksheet did not identify significant adjustments to previously recorded grant costs. Accordingly, the amounts reported on the closeout package are considered to be reasonable based on amounts previously reported to ETA.

- 4. Determine if amounts reported on final cost reports or on the closeout package were supported by the Commonwealth's accounting records.**

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

- 5. Select a sample of two final closeout reports submitted by subrecipients to the Commonwealth, and determine if the subrecipients' final JTPA expenditures were accurately recorded in the Commonwealth's accounting records.**

We obtained closeout reports submitted to the Commonwealth by two subrecipients, and compared the final expenditures reflected on the closeout reports to expenditures recorded in the Commonwealth's accounting records. In both cases, the final subrecipient expenditures were accurately recorded in the Commonwealth's accounting records.

- 6. Obtain the Commonwealth'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 (SEFA). Determine if these funds were tested as a major program, in accordance with single audit requirements.**

We obtained the Commonwealth's single audit reports for SFY 2001 and SFY 2000, and identified the total JTPA expenditures reported on the Schedule of Expenditures of Federal Awards, \$9.2 million and \$101.0 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 June 30, 2001 single audit report identified one unresolved reportable condition (finding 01-19) in which the auditors indicated that the Department of Labor and Industry

(L&I) did not adhere to its remedial action plan to ensure subrecipients received annual single audits required by OMB Circular A-133, and that subrecipient audit reports were not timely submitted to the Commonwealth. L&I's remedial action plan called for L&I officials to take action in 1998, including notifying the subrecipient that the audit was due immediately, and in the case of continued noncompliance, declaring the subrecipient to be in default with the possibility of terminating the entity from its programs.

In addition, the single auditors reported that L&I subrecipient monitoring procedures were not adequate to ensure that high-risk subrecipients not submitting audit reports were administering JTPA/ WIA programs in compliance with federal regulations.

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

We visited two subrecipients, the County of York and Franklin-Adams Employment and Training Consortium. For each subrecipient, we compared the final JTPA expenditures reported to the Commonwealth to expenditures recorded in the subrecipients' accounting systems, and found that the amounts reconciled.

9. Obtain the subrecipients' single audit reports for two fiscal years 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 FY 1998 and FY 1999 single audit reports for both subrecipients visited, and identified the JTPA expenditures reported on the SEFA. We compared the SEFA expenditures to expenditures 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.

- A. The June 30, 1999 single audit report for Franklin-Adams Employment and Training Consortium (FAETC) had one reportable condition (finding 99-1) relating to cash management. However, based on certain corrective actions, the auditors' final conclusion was that no further action was required by the FAETC.
- B. The June 30, 1999 single audit report for the County of York had one reportable condition (finding 99-1). The auditors stated that the County's newly acquired accounting system did not provide the necessary financial information to account for or manage federal expenditures on a program basis. While the accounting system had the capability to provide detailed expenditure information by program, many agencies continued to maintain separate, off-ledger accounting records.

EXHIBIT I

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

Following this title page is the complete text of Pennsylvania's response to our agreed-upon procedures report, issued to them on February 11, 2003.



DEPARTMENT OF
LABOR & INDUSTRY
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March 12, 2003

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

Dear Mr. Wallace:

Thank you for the opportunity to comment on the draft report on the JTPA Closeout procedures.

Our only comment is on Item 7 on the Procedures and Findings, regarding the Single Audit Reports not being submitted in a timely manner. This is a responsibility of the Bureau of Workforce Investment, Department of Labor & Industry, not the Labor & Industry Federal Accounting Division. The Bureau of Workforce Investment receives quarterly reports from the Bureau of Audits that documents which subrecipients are due to submit their Single Audit. The Bureau also has the subrecipients submit their audit plans to us on a yearly basis. These audit plans list the time period being audited, audit firm performing the Single Audit, the start and end date of the Single Audit period, and the expected date of submission of the Single Audit to the Bureau of Audits. The Bureau is in communication with those subrecipients to ensure that their audits are submitted in a timely manner. The remedial action plan was not implemented since all subrecipients have either been audited, had an extension from the Bureau of Audits, or their audit was already in progress.

Under the Summary of Findings the JTPA closeout package was submitted by the Commonwealth of Pennsylvania to ETA on December 28, 2000 not December 2, as indicated in the draft report.

Thank you again for this opportunity to comment on the report.

Sincerely,


John C. Vogel
Director