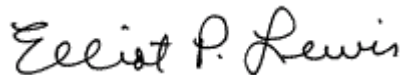


**U.S. DEPARTMENT OF LABOR  
EVALUATION OF GRANT CLOSEOUT  
PRACTICES APPLIED TO  
JOB TRAINING PARTNERSHIP ACT GRANTS  
GRANTS AWARDED TO THE STATE OF HAWAII  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**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.



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

Report No.: 04-03-016-03-340  
Date Issued: May 5, 2003

***R. NAVARRO & ASSOCIATES, INC.***

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## *ACRONYMS*

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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
NOO	Notice of Obligation
OIG	Office of the Inspector General
PY	Program Year
SFY	State 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 State of Hawaii'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 State of Hawaii 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.

May 16, 2002

*R. Navano & Associates, Inc.*

## ***SUMMARY OF FINDINGS***

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The State of Hawaii submitted its Job Training Partnership Act (JTPA) closeout package to the U.S. Department of Labor (DOL), Employment and Training Administration (ETA), on December 29, 2000. We identified the final JTPA expenditures reported on the 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 to ETA.

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 did not have any findings related to the JTPA program.

We visited one subrecipient, and found that final expenditures reported to the State reconciled to the subrecipient's accounting records.

### **State of Hawaii's Response**

Hawaii's Department of Labor and Industrial Relations did not have any written comments to our draft report. Hawaii's response is included in its entirety at Exhibit I.

## ***BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY***

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### **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 Hawaii 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 Hawaii for PYs 1997, 1998 and 1999, and FYs 1997 and 1998. Procedures were applied to grant activities reported by the State and one subrecipient, City and County of Honolulu, 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 Hawaii and included in the scope of these procedures are as follows:

Year and Title	Federal Obligations Authority	Per Grantee Close-out		Net Expenditures (Computed)
		Total Reported Expenditures	Inter-title Transfers	
FY 97 IIB	\$ 3,714,505	\$ 3,099,505	\$ (615,000)	\$ 3,714,505
PY 97 II & IIIF	10,036,389	10,634,561	615,000	10,019,561
FY 98 IIB	4,262,082	3,397,082	(865,000)	4,262,082
PY 98 II & IIIF	12,798,537	13,305,242	865,000	12,440,242
PY 99 IIB & IIC	5,422,065	5,112,869	98,318	5,014,551
PY 99 IIA& IIIF	<u>14,671,139</u>	<u>10,115,661</u>	<u>(98,318)</u>	<u>10,213,979</u>
Total	<u>\$50,904,717</u>	<u>\$45,664,920</u>	<u>\$ 0</u>	<u>\$45,664,920</u>

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

The State of Hawaii submitted the final JTPA closeout on December 29, 2000, which was within the time frame established by ETA.

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

The State of Hawaii submitted final FSRs with the closeout package; consequently, there were no differences between the FSRs and the closeout. As an alternative procedure, we inspected 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 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 four 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 four 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 (SEFA). 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, \$18.3 million and \$17.1 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 Single Audit Report for FY 2000 (most recent available) did not identify any unresolved reportable conditions, material weaknesses, report qualifications or other audit issues related to the JTPA program.

- 8. Obtain the final cost reports submitted by one subrecipient and determine if the amounts reported were supported by the subrecipient's accounting records.**

We visited one subrecipient, the City and County of Honolulu, representing 53 percent of the JTPA final closeout expenditures reported by the State of Hawaii. For the subrecipient, we compared the final JTPA expenditures reported to the State to expenditures recorded in the subrecipient's accounting system, and found that the amounts reconciled.



- 9. Obtain the subrecipient's single audit reports (most recent available) 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 2000 and FY 1999 single audit reports for the subrecipient visited (most recent available) and identified the JTPA expenditures reported on the SEFA. We compared JTPA expenditures reported on the SEFA to those recorded in the subrecipient's accounting records, and found no significant differences.

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

We obtained the single audit reports for the subrecipient visited, and determined that the reports did not identify any unresolved reportable conditions, instances of noncompliance, report qualifications or other audit issues which pertained to the JTPA program.

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

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

LINDA LINGLE  
GOVERNOR



NELSON B. BEFITEL  
DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
830 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813

February 20, 2003

Mr. 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:

In accordance with your letter dated February 11, 2003, the State of Hawaii Department of Labor and Industrial Relations does not have any written comments for inclusion in the draft report completed by R. Navarro and Associates, Inc. for the closeout of Hawaii's Job Training Partnership Act grants awarded by the U.S. Department of Labor, Employment and Training Administration.

Please extend our appreciation to the members of the R. Navarro and Associates review team for conducting the evaluation in a very professional manner. If you have any questions, please call me or Patrick Fukuki, our Business Management Officer, at (808) 586-8888.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson B. Befitel".

NELSON B. BEFITEL