



Gray Davis, Governor  
Michael Bernick, Director

78:169

March 10, 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:

Below is the California Employment Development Department's (EDD) response to the Department of Labor, Office of Inspector General, draft report for the Evaluation of Grant Closeout Practices Applied to Job Training Partnership Act (JTPA) Grants. We are only responding to the procedures and findings where a weakness was noted.

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

The single audit report for State Fiscal Year 2000 contained two findings that were not fully resolved:

Finding 2000-12-1: Because of limitations in its automated accounting systems, the State has not complied with the provision of Office of Management and Budget Circular A-133 requiring a schedule showing total expenditures for each federal program. As a result, the schedule beginning on page 119 (Schedule of Federal Assistance) shows total receipts, rather than expenditures, by program.

**EDD's Response:**

This is a statewide issue that the auditors discussed with the Department of Finance, which will address this issue in future system enhancements.



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Finding 2000-2-2: The EDD lacked documentation supporting some of its payroll and operating costs allocated to federal programs.

The finding goes on to state that allocations to federal programs were:

...based on estimates of the time staff spend administering the various federal programs instead of using actual time worked...Furthermore, EDD could not demonstrate that it revised the percentages quarterly to reflect more current circumstances, nor could it show it adjusted charges to federal programs to reflect actual activity.

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EDD's Response:

The EDD considers the costs charged to allocation codes to be direct charges and, therefore, are actual. All costs are reviewed and, if the costs charged do not reflect actual, an adjustment is made. The allocation code percentages are reviewed and revised when a business process change necessitates it. No adjustments were necessary to the JTPA costs reported on the closeout.

If you have any questions regarding this response, please contact Mr. Dennis Lloyd, Chief, Audit and Evaluation Division, at (916) 654-7000.

Sincerely,



MICHAEL S. BERNICK  
Director

cc: Stephen J. Smith, LWDA, C-50