

SEP 18 2000

MEMORANDUM FOR: RAYMOND L. BRAMUCCI
Assistant Secretary for
Employment and Training

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FROM: JOHN J. GETEK
Assistant Inspector General
for Audit

SUBJECT: Puerto Rico Department of Labor and Human Resources Single Audit
Recommendations Requiring Resolution and Closure
Final Letter Report No. 02-00-218-03-325

This letter report completes the second stage of a two-stage effort to assist the Employment and Training Administration resolve and close findings contained in seven Puerto Rico Department of Labor and Human Resources (DLHR) single audit reports covering the years ending June 30, 1986 through June 30, 1994. The first stage addressed the most critical recurring financial weaknesses identified by single audits and the results were reported in Audit Report No. 02-00-203-03-325, issued on December 8, 1999. This report addresses the remaining findings requiring resolution and closure.

There were 208 open findings, many of which were repeated in several reports, with some appearing in each of the seven reports. Audit Report No. 02-00-203-03-325 focused on material financial issues, representing 45 of 208 open findings. Of the remaining 163 findings, there are 6 findings with questioned costs of \$287,065 which should be resolved. These findings contain either reportable conditions, material weaknesses¹ or questioned costs in excess of \$10,000. (See Schedule A for details.)

¹ Reportable conditions involve matters coming to our attention that represent significant deficiencies in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Accordingly, we are tracking only the findings of Report No. 02-0-203-03-325 and the nine findings of this report. All other findings related to the DLHR single audits were removed from the OIG Audit Resolution and Closure Tracking System.

We recommend that the Assistant Secretary for Employment and Training recover questioned costs of \$287,065. We also recommend that the Assistant Secretary ensure that in the future DLHR submits and implements corrective action plans in accordance with OMB Circular A-133.

We have attached copies of applicable single audit reports for your use. If you have any questions concerning this report, please contact Richard H. Brooks, Regional Inspector General for Audit at (212) 337-2566.

Attachments

cc: Honorable Aura L. Gonzalez Rios
Mr. Charles N. Jeffress, OSHA
Ms. Marilyn K. Shea, ETA Region II

SCHEDULE A

**PUERTO RICO DEPARTMENT
OF LABOR AND HUMAN RESOURCES
OPEN AUDIT FINDINGS
FOR THE PERIOD JULY 1, 1985 TO JUNE 30, 1994**

<u>Finding</u>	<u>Fiscal Year</u>	<u>Single Audit</u>		<u>Program</u>	<u>Reason</u>	<u>Questioned Cost</u>
		<u>Page Number</u>	<u>Finding Number¹</u>			
1	1988 & 1989	43	12	ES	Questioned Cost	\$244,103
2	1988 & 1989	44	13	ES	Questioned Cost	15,960
3	1988 & 1989	45	15	ES	Questioned Cost	27,002
4	1988 & 1989	41	9	Various	Reportable Condition	0
5	1994	14,44,45	(*)	Various	Material Weakness	0
6	1994	45	(*)	UI	Material Weakness	0
Total						<u>\$287,065</u>

(*) Single Audit Report did not identify finding by number.

Findings as Excerpted from Individual Single Audit Reports

1. *During the year ended June 30, 1989 the Department spent \$1,104,551 in the acquisition of computer equipment to provide an on-line system between Job Service offices. Although it was an allowable cost, such expenditures were not included as part of the Job Service Plan for that year. The 10% limitation of the total approved budget was \$860,448 and the Department's personnel could not provide evidence of Grantor's approval.*

2. *One case was filed against the Department by . . . for political discrimination which was decided against it [sic]. The case involved an unjustified transfer of the plaintiff from one position to another which, although similar in responsibilities and compensation, was not welcome by the plaintiff since it was not as stable as her previous position. In her place, the Department placed an employee, . . . reportedly known as being an active member of the political party in office at the moment. The court resolved that . . . should be given her position.*

3. *We found two payrolls from the Job Training Partnership Act (JTPA) program which were charged to Employment Services Program since JTPA did not have sufficient funds to cover them.*
4. *The Department is obligated under a capital lease since February 1, 1980 for the building where the central administration offices are located. As of June 30, 1989, interest incurred in this capital lease amounted to \$9,518,406.57. The Department has made an allocation of a portion of such interest expense to the federal programs. Authorization from the federal grantor agency for such allocation remains to be obtained.*
5. *The management of the Department was unable to estimate the accrued compensated absences as of June 30, 1994. The balance recorded in the general long-term debt account group corresponds to the accrued compensated absences as of June 30, 1992. No adjustment was made to accrue in the accompanying financial statements compensated absences as of and for the year ended June 30, 1994. However, management believes that the adjustment would not be significant.*

. . . The accounting for compensated absences is not maintained in accordance with records of actual time taken and earned by the employees. The balance recorded in the general long-term debt account group corresponds to the accrued compensated absences as of June 30, 1992. No adjustment was made to accrue in the accompanying financial statements as of and for the year ended June 30, 1994.
6. *During the work performed in the Expendable Trust Fund, we noted that certain material adjustments and entries were made without any supporting documents or authorized approval. As for example, in the case of the adjustment made in the cash account of the Unemployment Trust Fund for \$23,388,537 and a balance of due from unemployment in the Driver Trust Fund for \$2,851,300 [sic].*

We recommend that all adjustments and entries made in the official accounting records of the Department be properly supported and approved by an authorize [sic] officer.

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The audit was performed in accordance with the Government Auditing Standards. The audit was limited to single audit findings and recommendations covering the period July 1, 1985 through June 30, 1994. We examined the OIG Audit Resolution and Closure Tracking System, single audits reports, and the audit work performed in the first stage reported in Audit Report No. 02-00-203-03-325.