



*The Commonwealth of Massachusetts*  
**Department of Labor and Workforce Development**  
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March 20, 2002

Mr. Michael T. Hill, Regional Inspector General  
For Audit  
Office of Inspector General  
The Wanamaker Building  
100 Penn Square East, Suite 602-B  
Philadelphia, PA 19107

**RE: Draft Audit Report No: 03-02-001-03-315**

Dear Mr. Hill:

As you are aware, on behalf of the U.S. Department of Labor (USDOL), Office of Inspector General, Tichenor Associates, LLP recently conducted a limited scope audit of indirect costs charged to USDOL grants by the Department of Labor and Workforce Development (DLWD). The purpose of the audit was to review indirect costs charged to USDOL grants by DLWD. The audit questions a total of \$1.34 million of the direct and indirect costs claimed and recovered by DLWD on DOL grants for SFYs 1999, 2000, and 2001. I believe that these costs were "reasonable" and my staff and I will be working closely with USDOL's Regional Director and his staff to confirm with them that these costs were "reasonable". The findings were based on the following conclusions made by the auditors:

**Auditor's Finding #1**

1. Certain personnel within the DLWD Executive Office, who worked on both direct and indirect cost objectives, failed to maintain personnel activity reports showing the actual time spent on each of the cost objectives. Based on available data, we determined that about \$944,430 in unsupported salaries and "directly-associated" non-salary costs were included in DLWD's indirect cost pools for SFYs 1999, 2000, 2001, or which \$755,544 (or 80 percent) were allocated to DOL grants administered by DLWD's DET and DOS.



**Auditor's Finding #2**

2. In addition, a total of \$585,000 in unsupported salaries of the above DLWD Executive Office personnel, plus "directly-associated" non-salary costs, was also charged as direct costs to the DOL JTPA/WIA grants administered by the Commonwealth Corporation (a quasi-public corporation) which is under the general supervision of DLWD.

**DLWD's Response to Findings #1 and #2**

DLWD concedes that actual personnel activity reports showing the actual time spent on JTPA/WIA activities are not available. Prior to this audit, DLWD was unaware that personnel activity reports are required under the federal regulations for employees that are paid from multiple sources. However, we do maintain a weekly schedule (updated daily) that includes all WIA meetings, events etc. that are attended by DLWD staff. We also can produce fiscal reports indicating the number of fiscal transactions that have been executed by DLWD fiscal staff. In addition, DLWD staff plays an intricate part in the production of the WIA Annual Report, WIA Policy and Informational Issuances; WIA contract negotiations and the State plan that is required under the grant.

DLWD agrees to develop for use from this point forward a time distribution system for Executive Office personnel who are involved in charging direct and indirect costs to USDOL grants. DLWD also agrees to develop internal control policies and procedures to ensure that all direct and indirect costs charged to USDOL grants comply with OMB Circular A-87.

I am committed to ensuring that DLWD continues to follow all rules and regulations governing the receipt of federal funds. I am equally committed to doing our best to avoid further erosion of our already limited resources to assist employers and employees across the Commonwealth of Massachusetts.

If you have any questions, or need any additional information, please contact Janice Tatarka, Chief of Staff or Joan Lenihan, Chief Financial Officer at 617-727-6573.

Sincerely,

  
Angelo Buonopane

cc: Janice Tatarka  
Joan Lenihan