

BRIEFLY...

Highlights of Report Number: 03-03-001-03-315, a report to the Assistant Secretary, Employment and Training Administration. October 17, 2002.

WHY READ THE REPORT

The State of Wisconsin's Department of Workforce Development (DWD) provides job services, training, and employment assistance to people looking for work. The Division of Unemployment Insurance (DUI) and Division of Workforce Excellence (DWE) administer nearly 97 percent of the U.S. Department of Labor (DOL) funds that Wisconsin receives. Because DWD receives several DOL grants, they charge indirect costs to the grant to pay for administrative expenses that benefit more than one program—for example, preparing payroll. The Office of Management and Budget (OMB) provides written guidance (Circular 87 – *Cost Principles for States, Local and Indian Tribal Governments*) on how to charge indirect costs.

State budget cuts increase the risk that state agencies may overcharge indirect costs to Federal grants. Federal oversight ensures that states use DOL funds primarily for programs and services that directly benefit jobseekers.

WHY OIG CONDUCTED THE AUDIT

We audited the direct and indirect costs charged to the UI grant award to DWD for the period July 1, 1999, through June 30, 2000 (SFY 2000), to determine whether such costs were allowable. Based on our findings, we expanded the scope of the audit to include SFYs 1998 and 1999, and to cover other DOL grants administered by DWD.

READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2003/03-03-001-03-315.pdf>

To view the report, including the scope, methodology, and full agency response, click on the link above.

OCTOBER 2002

OIG QUESTIONS \$3.8 MILLION THAT WISCONSIN OVERCHARGED TO DOL GRANTS

WHAT OIG FOUND

We questioned a total of \$3.8 million in indirect costs charged by DWD to DOL grants administered by DUI and DWE.

Our audit found that:

- DWD's General Administration pool costs improperly charged \$459,460 in legal costs to DOL grants administered by DUI and DWE.
- DWD failed to periodically adjust the General Administration pool costs charged to DOL grants once the actual costs became known, resulting in overcharges of \$2.1 million.
- DUI and DWE improperly charged 100 percent of indirect costs on selected DWD software to DOL grants, resulting in overcharges of more than \$933,000.
- Improperly shifted manual vouchers totaling \$159,000 from a non-DOL program to DOL grants because the State project had reached its budget.

WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary for Employment and Training direct DWD to:

- Refund more than \$3.8 million in indirect costs that it overcharged to DOL grants.
- Adjust its billings to DOL for SFYs 2001 and 2002 to prevent further overcharging.
- Develop written internal control procedures for charging indirect costs, in accordance with OMB Circular A-87.