



Jeb Bush
Governor
Susan Pareigis
Director

November 18, 2002

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:

Subject: Report Number 04-03-002-03-340

The enclosed comments are offered in response to the evaluation of Florida's closeout of Job Training Partnership Act (JTPA) grants awarded by the U.S. Department of Labor, Employment and Training Administration. We request that this response be considered prior to finalizing your report. Additionally, we believe that the information presented herein provides detailed clarifications for many of the findings identified in the draft report.

If you have questions or require additional information, please do not hesitate to contact our Inspector General, James F. Mathews at (850) 245-7141. He will provide the necessary coordination to ensure that you receive a timely response.

Sincerely,

Susan Pareigis
Director

SP/jmj

Enclosure

cc: Mr. Curtis Austin
Ms. Barbara Griffin
Mr. James F. Mathews
Mr. Kevin Thompson

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Summary of Findings

The Agency for Workforce Innovation has conducted an extensive review of the expenditures for the Job Training Partnership Act and our associated accounting records. It is our determination that the closeout expenditures reported and the Financial Status Reports (FSRs) submitted were supported by the State accounting records. Our review does not agree with the conclusion reached by the independent accountants, that total expenditures reported on the closeout were \$22.6 million greater than previously reported on our FSRs. Their view may have resulted from information that did not include the totality of financial transactions. Our comparison of FSRs and the final closeout found that the expenditures reported in the closeout exceeded the FSRs by \$2,167,984. Most of this difference (\$1,523,375) relates to payments to USDOL to satisfy two audit settlement agreements, which were made after the final FSR was filed. Another \$415,288 is due to a refund posted in JTPA Title IIIIF revenue rather than expense. We believe the remainder relates to rebates or adjustments, which either occurred subsequent to the closeout or were incorrectly recorded in the State's records. We have reached this conclusion after an exhaustive search and review of all FSRs and related entries into the State's accounting system (Please see **Attachment I** for our summary).

We attempted to determine the methodology and exact information used by Navarro & Associates in this review. From our conversations with them, we were able to determine that they compared the FLAIR general ledger trial balance to the certification of expenditures and the FSR's. However, the Agency used the FLAIR contracts and grants subsidiary schedule of allotment balance reports for FSR preparation. The use of two different source documenters has led to separate and distinct conclusions. We do note that there were transaction-processing issues with certain FLAIR codes that precluded the timely update of both the general ledger and the contracts and grants (C&G) subsidiary ledger. Transactions posted to the C&G subsidiary ledger may not have been posted to the general ledger master file. Therefore, the general ledger does not agree with the contracts and grants subsidiary ledger. Herein lie the different sources used to document the FSR's. Total JTPA expenditures reported on the FLAIR general ledger agrees with the total expenditures reported on the Contract & Grants Subsystem, however, the individual grants on the general ledger may not reflect all necessary adjustments. The Agency is aware of the issue and is eliminating the use of FLAIR transaction processes that would result in one-sided entries. Currently, only transaction codes and processes are used which properly record grant related expenditures to both the Agency's general ledger and subsidiary ledger. The Agency is in the process of reconciling the general ledger to the contracts and grants subsidiary ledger and will adjust the FSRs accordingly.

The *Summary of Findings* also makes other statements to which we address the following comments:

- The \$7,918,469 reported in the closeout as PY 99 JTPA Youth expenditures were initially reported under WIA since the State of Florida was an early

implementation State. However, after discussions with DOL Regional Office in Atlanta, Ga., it was agreed the expenditures for the PY 99 IIB/IIC programs, which were incurred prior to July 1, 1999, should be recorded under the JTPA program and the remainder converted to WIA commencing July 1, 1999. The PY 99 IIB/IIC expenditures were reported on SF-269 rather than the on-line system, (which was having difficulty at the time) at the request of the Regional Office. The draft evaluation report incorrectly identifies these expenditures as being an increase over previously reported expenditures.

- The original certification letter submitted to U.S. Department of Labor (DOL) indicated \$8,506,195 in JTPA funding for PY 1998 II and III funding would be converted to WIA and reported as such. The final closeout letter of June 27, 2002 reduces that amount to \$6,982,953 to account for the offsets allowed by DOL. A corresponding reduction to the PY 1998 WIA obligations and increase in JTPA expenditures for the PY 98 II/III programs was completed.
- All JTPA funds have been accounted for in the closeout and official State accounting records as indicated in the previous responses. There are no official "Transfer" accounts recorded in FLAIR associated either with JTPA or WIA programs.

Procedures and Findings

The following are additional responses to issues discussed in the Procedures and Findings Section which we believe affect any conclusions regarding evaluation of our official records, financial status reports, submitted closeouts and comparisons of same:

1. Some of the information contained in the table, on page 4 of the report, associated with Issue #1, is inaccurate. The FY 97 IIB grant with obligations of \$37,105,802 was included in the table. However, this grant was previously closed out during the PY 1994, PY 1995, and PY 1996 closeout process. The FY 97 IIB grant was actually accounted for in PY 1996. Additionally, the item identified as PY 99 Adult (\$78,980,707) in the table on page 4 was actually a combination of PY 1999 Adult and PY 1999 Dislocated Worker programs.
2. The complete closeout package for the State was not submitted in a timely manner. The final financial reports were submitted within the time requirements; however, the Property Inventory and required certifications (obligations, refunds, rebates, etc.) were not. Those certifications were submitted with the June 26, 2002 closeout package.
3. The following are comments relating to the information presented in Finding #3:

- The expenditures as reported on the closeout are supported by the State's accounting records. The PY 97 II/III expenditures as reported on the closeout are \$805 greater than those recorded in the official state accounting records. The expenditures reported for the PY 1998 closeout were \$110,000 in excess of those recorded in the State's accounting records. Each of these may be the result of rebates or adjustments, which either occurred subsequent to the closeout or were incorrectly recorded in the State's records.
 - The transfers discussed under issue #3, which are presented in the table on page 5 of the report incorrectly identify a transfer between FY 97 IIB and PY 97 II/III. The FY 97 grant was received during PY 96 and the expenditures were recorded for that program year. The actual transfer (\$7,206,695) took place between FY 97 IIB and PY 96 IIC. Therefore, the comparisons made in the table between computed, transfers and net to the closeout are inaccurate.
 - The transfers shown in the table on page 5 between FY 98 IIB and PY 98 II/III (\$4,765,305) are also presented incorrectly. The FY 98 IIB funds were received during PY 97 and the transfer actually took place between FY 98 IIB and PY 97 II/III. Incorrectly correlating the four (4) transfers to the incorrect program years would make it impossible to accurately determine the accuracy of expenditures reported. The \$4,765,305 transfer should be included in the calculations for PY 97 and not PY 98.
 - The \$7,918,469 reported in the closeout as PY 99 JTPA Youth expenditures were initially reported under WIA since the State of Florida was an early implementation State. However, after discussions with the USDOL Regional Office in Atlanta, Ga., it was agreed the expenditures for the PY 99 IIB/IIC programs, which were incurred prior to July 1, 1999, should be recorded under the JTPA program and the remainder converted to WIA commencing July 1, 1999. The PY 99 IIB/IIC expenditures were reported on the SF-269 rather than the on-line system (which was having difficulty at the time) at the request of the Regional Office. The evaluation incorrectly identifies these expenditures as being an increase over previously reported expenditures.
 - The PY 99 IIID grant (\$2,213,062) at the bottom of the table on Page 5, associated with Issue #3, should be excluded from this closeout. This grant, a National Governors Reserve Grant, has its own closeout timetable scheduled for September 2002. Quarterly Financial Status Reports had been submitted routinely until the final report was submitted
4. The following are our comments concerning the issues identified in Finding #4:

- As previously discussed in this response, transfers in PY 97, FY 97, PY 98 and FY 98 were intermingled in error. FY 97 IIB should have been associated with PY 96 II/III; FY 98 IIB should have been associated with PY 97 II/III.
- FLAIR records for the PY 96 IIA/IIC and FY 97 IIB grants show a difference of \$3,048 over the closeout reported previously (PY 96/FY 97). This difference may be due to accounting entry corrections, refunds, or expenditure transfers from one PY to another to ensure first – in, first –out use of funding.
- The PY 97/FY 98 closeout expenditures reported were within \$805 of those expenditures recorded in FLAIR. As previously explained, the underlying reason for the disparity between our findings and what is cited in the auditors' report relate to the incorrect application of inter-title transfers in the evaluation. In addition, there were five (5) state accounting grants, which may have been overlooked by the review team: (A8397, A8329, A8319, A8399 and A8309).
- The PY 98 JTPA expenditures per FLAIR were \$110,000 less than those reported in the closeout package. As stated above, this may be due to adjusting entries or refunds posted to the incorrect grant. This may result in an increase to the JTPA converted to WIA funding and a corresponding decrease in closeout expenditures. Once again, the major disparity in the Evaluation figures and those reported by the State involve the application of transfers from IIB to IIC programs.
- The \$7,918,469 reported as (over) closeout was reported to the USDOL on SF-269 and represents the expenditures recorded during the April 1, 1999 through June 30, 1999 period. These expenditures were originally reported as converted to WIA, however, subsequent discussions with the Regional Office indicated they should have been reported under the JTPA program. The appropriate corrections were made to the WIA Financial Summary Report and the expenditures for the PY 99 Youth JTPA program were submitted by SF-269 as directed.
- The \$29,899,107 in expenditures reported for PY97 IIB on the FSR does not include those reported under the PY 96 IIC grant to which the transfer of \$7,206,695 occurred. The additional expenditures reported under that grant bring total expenditures to \$89,385,675 as reported on the PY 1994, 1995 and 1996 closeout certification.
- The expenditures reported on the FSRs for PY 97/FY 98 are \$126,275,102 or \$53,214 more than the \$126,221,888 recorded in the State's official accounting records. This is significantly less than the \$2,609,875 reported in the evaluation. This discrepancy may be due to the review of incorrect FLAIR records. Revised FSRs may be submitted to account for the differences to ensure first-in, first-out use of the funding available.

- The FSR expenditures reported for PY98 were \$76,315,514 rather than the \$71,914,629 reported in the evaluation. The adjustment for the \$1,523,375 settlement adjustments do not appear to be reflected in those FSRs, nor does a Title IIF refund of \$415,288.
 - The PY 99 IID expenditures reported in the evaluation should not be part of this closeout. As stated previously, this is a National Reserve Grant and has its own closeout, which was submitted September 10, 2002. The grant remained active until June 30, 2002. Quarterly Financial Summary Reports were submitted for this grant until the final report was submitted.
 - FLAIR records support the \$22,080,227 reported under the WIA program. The expenditures for these programs were recorded in the original JTPA state grant rather than independent grants.
 - The expenditures for the PY 99 WIA grant are supported by FLAIR. This grant closed June 30, 2002 and the appropriate accounting adjustments were made during the closing. At the time of the review, this grant had several months remaining.
5. We have contacted most of the Regional Workforce Boards that existed during the transition from JTPA to WIA and requested copies of their closeout reports. To date we have received a number of the Regional Workforce Board JTPA closeouts and they are available for review.
6. The Financial Reports were prepared from the Financial Management Tracking System (FMTS) in order to comply with the Federal Mandate that these reports be completed on an accrual basis.
7. The Agency is in the process of reconciling the general ledger to the contracts and grants subsidiary ledger. In addition, changes have been made to eliminate the likelihood of one-sided entries, which will avoid incomplete information. These actions address the issues raised in this finding.

8. Responses to Audit Report Findings

Please see **Attachment II** for a summary status for each of the six prior findings referenced by the auditors.

9. As explained above, a comparison of the State's accounting records with the closeout expenditures disclosed few variances. The total difference for the PY 97 funding year was \$805 and for the PY 98 funding year, \$110,000. These issues will still require the necessary accounting record and reporting adjustments, but are significantly less than the \$22.6 million in variances reported in the JTPA Evaluation Report.

There were some differences between final FSRs and the closeout expenditures representing \$2,167,984. Most of the differences relate to audit settlement agreements and refunds made after the final FSRs.

There are no official "Transfer" accounts associated with either the JTPA or WIA programs.

10. No response required.

11. No response required.

12. No response required.

As Reported on JTPA Closeout Evaluation Prepared by Navarro & Associates

Funding Period	Program	Expenditures per FLAIR	Expenditures per FSRs	Expenditures per Closeout	Closeout (Over) Under FSRs	Closeout (Over) Under FLAIR	FSRs (Over) Under FLAIR
PY 97	JTPA	37,303,245	29,899,107	37,105,802	(7,206,895)	197,443	7,404,138
PY 97/FY 98	JTPA	123,885,227	126,275,102	126,841,631	566,529	(3,178,404)	(2,808,875)
PY 98	JTPA	77,698,303	71,914,829	78,862,760	(6,948,121)	(1,164,447)	5,783,674
PY 99 (IIB / IIC)	JTPA	0	0	7,918,489	(7,918,489)	(7,918,489)	0
Subtotal		238,886,775	228,088,838	250,728,652	22,639,814	(12,061,877)	10,977,937
PY 99 (IID)	JTPA	2,090,728	2,213,062	0	0	0	(122,334)
Total JTPA		240,977,503	230,301,900	250,728,652	22,639,814	(12,061,877)	10,455,603

Actual as Prepared by the Agency for Workforce Innovation

Funding Period	Program	Expenditures per FLAIR	Expenditures per FSRs	Expenditures per Closeout	Closeout (Over) Under FSRs	Closeout (Over) Under FLAIR	FSRs (Over) Under FLAIR
PY 96	JTPA	This grant should not have been part of the JTPA closeout					
PY 97/FY 98	JTPA	126,221,888	126,275,102	126,222,693	52,409	(805)	(53,214)
PY 98	JTPA	78,425,680	76,315,514	78,535,907	(2,220,393)	(110,227)	2,110,166
PY 99 (IIB / IIC)	JTPA	7,918,489	7,918,489	7,918,489	0	0	0
Subtotal		212,566,057	210,509,085	212,677,089	(2,167,984)	(111,032)	2,056,952
PY 99 (IID)	JTPA	2,281,203	2,281,203	2,281,203	0	0	0
Total JTPA		214,847,260	212,790,288	214,958,292	(2,167,984)	(111,032)	2,056,952
Total FSR vs Closeout				(2,167,984)			
Less Settlement agreements				1,623,375			
Less refund posted as revenue rather than expense				415,288			
Actual Closeout over expenditures				(229,321)			

ATTACHMENT II

**Florida Agency for Workforce Innovation
Summary of Prior Audit Findings Affecting JTPA**

Report Finding	Status	Comment
<p>A. Single Audits for 1998-99 and 1999-00</p> <p>Paragraphs 99-102 through 99-105 from the 1998-99 report indicated that the Florida Department of Labor and Employment Security did not always report 1995 and 1996 expenditure data to the USDOL that agreed with the State's accounting system (called FLAIR). Similarly, finding 00-18 from the 1999-00 report noted that this condition still persisted. The auditors recommended that the State ensure that the amounts reported to the USDOL be reconciled to FLAIR.</p>	<p>Corrective Action in Progress</p>	<p>External auditors compared the FLAIR (the State's official accounting system) general ledger trial balance the FSR's. However, the Florida Department of Labor and Employment Security used the FLAIR contracts and grants subsidiary schedule of allotment balance reports for FSR preparation. The use of two different source documenters has led to separate and distinct conclusion. We do note that there were transaction-processing issue with certain FLAIR codes that precluded the timely update of both the general ledger and the contracts and grants(C&G) subsidiary ledger. Transactions posted to the C&G subsidiary ledger may not have been posted to the general ledger master file. Therefore, the general ledger did not agree with the contracts and grants subsidiary ledger. Herein lie the different sources used to document the FSR's. Total JTPA expenditures reported on the FLAIR general ledger agrees with the total expenditures reported on the Contract & Grants Subsystem, however, the individual grants on the general ledger may not reflect all necessary adjustments. The Agency is aware of the issue and is eliminating the use of FLAIR transaction processes that would result in one-sided entries. Currently, only transaction codes and processes are used which properly record grant related expenditures to both the Agency's general ledger and subsidiary ledger. The Agency is in the process of reconciling the general ledger to the contracts and grant subsidiary ledger and will adjust the FSRs accordingly.</p>
<p>B. Single Audit for 1999-00</p> <p>Finding 00-07 cites the Florida Department of Labor and Employment Security for deficient grant accounting procedures, especially in regards to the Employment Services grant cluster. These deficiencies</p>	<p>Corrective Action in Progress</p>	<p>Reconciliations are continuing in an effort to identify and recover funds to the extent necessary and possible. Updated analyses of any variances have been performed at several points. At this time, another review as of the end of FY01-02 is required to determine final status. Financial Management staff will work with the Grants Manager to reach a final conclusion and make recommendations to management on resolution options.</p>

ATTACHMENT II

**Florida Agency for Workforce Innovation
Summary of Prior Audit Findings Affecting JTPA**

<p>involved inadequate assurances that funds were used to benefit the appropriate program and that expenditures reported to the USDOL agreed with FLAIR, the official accounting record.</p>		<p>This will be completed by March 31, 2003.</p> <p>Steps have been taken by AWI to prevent such a situation in the future. Cash management practices have been improved, and the grant analysis function now assigns appropriate focus to monitoring and reconciling revenue, expenditures and cash position.</p>
<p>C. Single Audit for 1996-97</p> <p>Paragraphs 17-19 reported that the Florida Department of Labor and Employment Security did not materially comply with cash management provisions.</p>	<p>Corrective Action in Progress</p>	<p>AWI continues to move towards maximum control of the cash draw process, with a goal of total identification of cash needs by grant on a daily basis. Procedures are being implemented for direct-charging and/or immediate allocation of distributed costs to the appropriate grants.</p>
<p>D. Single Audit for 1996-97</p> <p>Paragraphs 25-30 noted that \$6.6 million of equipment and computer system development costs were charged to JTPA and none of the cost had been allocated to or reimbursed by any other programs that may have benefited from its use.</p>	<p>Corrective Action Taken</p>	<p>The only costs identified as specifically benefiting other programs or cost entities was \$330,400 spent on computers for the DLES Office of the Secretary and Administrative Services. DLES subsequently reimbursed JTPA for these costs from non-Federal funds.</p>
<p>E. Single Audit for 1998-99</p> <p>Paragraphs 50-55 cited the Department of Labor and Employment Security for not always allocating salary and benefit costs based on actual effort or in accordance with an approved plan.</p>	<p>Corrective Action Taken</p>	<p>AWI has adopted an automated time and attendance system (called Time Direct) as the method of reporting time and effort to the activity level. Employees report monthly into Time Direct the hours actually spent on the various activities, which correlate directly to grants.</p>

ATTACHMENT II

**Florida Agency for Workforce Innovation
Summary of Prior Audit Findings Affecting JTPA**

F. Single Audit for 1999-00 The Department of Labor and Employment Security did not prepare the Indirect Cost Rate Proposals for the fiscal years ended June 30, 1999 and June 30, 2000.	Corrective Action Taken	These cost rate proposals were prepared and submitted. Approvals have been received from our Federal Cost Negotiator and final adjusting entries have been made.
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