

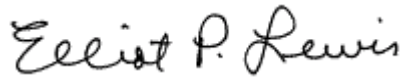
**U.S. DEPARTMENT OF LABOR  
EVALUATION OF GRANT CLOSEOUT  
PRACTICES APPLIED TO  
JOB TRAINING PARTNERSHIP ACT GRANTS**

**GRANTS AWARDED TO THE STATE OF NEW YORK**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**JULY 1, 1997 THROUGH JUNE 30, 2000**

R. Navarro & Associates, Inc. prepared this report under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance it becomes a report of the Office of Inspector General.



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Assistant Inspector General for Audit  
U.S. Department of Labor

Report No.: 04-03-014-03-340  
Date Issued: May 5, 2003

***R. NAVARRO & ASSOCIATES, INC.***

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## *ACRONYMS*

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CFR	Code of Federal Regulations
CWE	Consortium for Workers' Education
DOL	U.S. Department of Labor
EDWAA	Economic Dislocation and Worker Adjustment Assistance Act
ETA	Employment and Training Administration
FSR	Financial Status Report
FY	Fiscal Year
JTPA	Job Training Partnership Act
NOA	Notice of Obligational Authority
NOO	Notice of Obligation
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PY	Program Year
SFY	State Fiscal Year
SDA	Service Delivery Area
SEFA	Schedule of Expenditures of Federal Awards
WIA	Workforce Investment Act

Mr. Elliot P. Lewis  
Assistant Inspector General for Audit  
Office of Inspector General  
U.S. Department of Labor

***INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES***

We have performed the procedures enumerated in the "Procedures and Findings" section of this report. These procedures were agreed to by the U.S. Department of Labor (DOL), Office of Inspector General (OIG). We completed the procedures solely to assist OIG in evaluating the State of New York's closeout practices for Job Training Partnership Act (JTPA) grants awarded by the DOL Employment and Training Administration (ETA) from July 1, 1997 through June 30, 2000.

Management of the State of New York is responsible for closing JTPA grants in accordance with applicable regulations and requirements established by ETA. ETA is responsible for processing and certifying grant closure, and recording final obligation, expenditure and payment information in the DOL's general ledger.

This agreed-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of your office as the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures performed either for the purpose for which this report has been requested or for any other purpose.

The results of our procedures are described in the "Procedures and Findings" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying information obtained from the respective entities. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOL, OIG, and is not intended to be, and should not be used, by anyone other than the specified party.

April 5, 2002

*R. Navano & Associates, Inc.*

## *SUMMARY OF FINDINGS*

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The State of New York (State) submitted its Job Training Partnership Act (JTPA) closeout package to the U.S. Department of Labor (DOL), Employment and Training Administration (ETA) on August 15, 2001, after requesting and receiving an extension through June 30, 2001. We identified the JTPA expenditures reported on the final closeout report, and found that the expenditures reported reconciled to the State's accounting records. In addition, the final expenditures reported were reasonable based on data previously reported to ETA.

The JTPA program was audited as a major program in the State's single audits for State Fiscal Year (SFY) 2000 and SFY 1999. The SFY 2000 single audit report included one finding pertaining to the JTPA program, which was reported as a material weakness. In this finding, the auditors noted that the State used its subrecipients' Office of Management and Budget (OMB), Circular A-133 reports as a component of their monitoring process, and noted that the State did not perform an adequate desk review to ensure that submitted reports were performed in accordance with OMB Circular A-133.

We visited two subrecipients, and found that final expenditures reported to the State reconciled to the subrecipients' accounting records.

### **State of New York's Response**

The State of New York Department of Labor provided a written response to our draft report, dated March 3, 2003, which is included in its entirety at Exhibit I. With a few exceptions, New York concurred with the information presented in this report.

## ***BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY***

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### **Background**

The JTPA was enacted in 1982 to provide job training programs which would afford disadvantaged youth and adults with the training necessary to obtain productive employment. The JTPA program was repealed on June 30, 2000, when ETA implemented a successor program, authorized by the Workforce Investment Act. The closeout of active JTPA grants began in July 1999, with final closeouts due no later than December 31, 2000. Unspent funds from the PY 1998 and PY 1999 JTPA State grants were authorized for transition into the WIA program.

All JTPA closeout information is sent to the DOL, ETA, Office of Grant and Contract Management, Division of Resolution and Appeals. According to 20 CFR, Part 627.485, JTPA grants should normally have been closed within 90 days after the time limitation for expenditure of JTPA funds. For PY 1997 grants, the 90-day limitation expired September 30, 2000. However, in certain instances, ETA extended the reporting beyond that specified in the program regulations. According to instructions set forth by ETA in the *JTPA Financial Closeout Technical Assistance Guide*, final JTPA financial reports for PY 1998 and PY 1999 grants should have been submitted no later than December 31, 2000.

### **Objectives, Scope and Methodology**

In general, our procedures were designed to determine if: the State of New York closed its JTPA grants on a timely basis in accordance with ETA instructions; amounts reported in the closeout packages and/or the final cost reports were reasonable and supported by the State's and subrecipients' accounting records; and there were unresolved audit findings pertaining to JTPA awards.

Our agreed-upon procedures include the JTPA funds awarded to the State of New York for PYs 1997, 1998 and 1999, and FYs 1997 and 1998. Procedures were applied to grant activities reported by the State and two subrecipients, Consortium for Workers Education and the City of New York, on final closeout reports.

**PROCEDURES AND FINDINGS**

**1. Identify the State’s JTPA grants to be included in the scope of these procedures, and the obligations and final reported expenditures related to each.**

The JTPA grants awarded to the State and included in the scope of these procedures are as follows:

Year and Title	<u>Per Grantee Closeout</u>			Net Expenditures (Computed)
	Federal Obligations Authority	Total Reported Expenditures	Intertitle Transfers	
FY 97 IIB	\$ 62,275,486	\$ 58,864,819	\$(3,410,667)	\$ 62,275,486
PY97 II & IIIF	169,479,738	171,813,241	3,410,667	168,402,574
PY 97 III EDWAA-D	8,764,687	8,697,233	0	8,697,233
FY 98 IIB	67,934,185	62,446,598	(5,487,587)	67,934,185
PY 98 II & IIIF	204,020,983	195,063,632	5,487,587	189,576,045
PY 98 III& EDWAA-D	625,754	404,954	0	404,954
PY 99 IIA & IIIF	229,242,351	96,130,970	(701,143)	96,832,113
PY 99IIB & IIC	87,182,149	79,586,657	701,143	78,885,514
PY 99II EDWAA-D	<u>1,650,016</u>	<u>1,553,285</u>	<u>0</u>	<u>1,553,285</u>
Total	<u>\$831,175,349</u>	<u>\$674,561,389</u>	<u>\$ 0</u>	<u>\$674,561,389</u>

**2. Determine if the JTPA grants awarded to the State were closed on a timely basis in accordance with ETA instructions.**

The State requested a six-month extension of the closeout period for Program Years 1997, 1998, and 1999. The request was reviewed and approved by ETA, who granted an extension of the closeout period to June 30, 2001. The State was not in compliance with the extension period and did not submit the closeout package until August 15, 2001.

ETA reviewed the closeout package submitted on August 15, 2001 and disallowed \$5,023,129 of expenditures related to certain Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) time distribution adjustments for Project #5528 (EDWAA Reapportioned Department Administration). Because of the disallowed costs, the State will have to revise and resubmit the closeout package to ETA.

As of the exit conference date of March 28, 2002, State officials could not provide us with an estimated date the closeout will be resubmitted. In addition, the original closeout, dated August 15, 2001 did not include required documents, such as:

- Government Property Closeout Inventory Certification
- List of possible Claimants for unclaimed checks canceled or payment stopped, if applicable.
- Refund check(s) with letter of explanation
- Unliquidated advance payments with letter of explanation
- Aggregate of unclaimed wages/other outstanding check with explanation
- Interest earned or owed on Government Funds with explanation
- Other refunds with explanation

Each item listed above is required to be covered, if applicable and must be explained fully if omitted. State officials were aware of their requirement to submit these forms with the final closeout package.

**3. Inspect the closeout information reported to ETA, and determine if the information was reasonable based on data previously reported on final FSRs.**

The State of New York submitted final FSRs with the closeout package; consequently, there were no differences between the FSRs and the closeout. As an alternative procedure, we inspected the JTPA reconciliation worksheet prepared by ETA which identified the final cost entries required to be recorded in the DOL's general ledger. This worksheet did not identify significant adjustments to previously recorded grant costs. Accordingly, the amounts reported on the closeout package are considered to be reasonable based on amounts previously reported to ETA.

**4. Determine if amounts reported on final cost reports or on the closeout package were supported by the State's accounting records.**

We compared the JTPA expenditures reported to the DOL on the closeout package to expenditures recorded in the State's accounting records, and found that the amounts reported reconciled to the State's official records.

**5. Select a sample of five final closeout reports submitted by subrecipients to the State, and determine if the subrecipients' final JTPA expenditures were accurately recorded in the State's accounting records.**

We obtained closeout reports submitted to the State by five subrecipients, and compared the final expenditures reflected on the closeout reports to expenditures recorded in the State's accounting records. In all cases, the final subrecipient expenditures were accurately recorded in the State's accounting records.



- 6. Obtain the State's single audit reports submitted for the two most recent fiscal years available, and identify the JTPA expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA). Determine if these funds were tested as a major program, in accordance with single audit requirements.**

We obtained the State's single audit reports for SFY 1999 and SFY 2000, and identified the total JTPA expenditures reported on the SEFA, \$245.4 million and \$258.4 million, respectively. The JTPA program cluster was listed as a major program for both fiscal years.

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

The State's annual single audit report for SFY 2000 (most recent available) included one finding relevant to the JTPA program which was reported as a material weakness and considered unresolved as of the date of that report (November 17, 2000). The finding pertained to the State's responsibility to monitor single audit reports of subrecipients to ensure such audits were properly performed in accordance with OMB Circular A-133 standards, and to identify to the subrecipient Federal award information and applicable compliance requirements.

The auditors found that the State notified subrecipients of Federal award information through the Notice of Obligational Authority (NOA); however, the NOAs did not identify the CFDA numbers of the programs within the JTPA cluster. The auditors also noted that the State used their subrecipients' single audits as a component of their subrecipient monitoring process. They concluded that the State did not perform an adequate desk review of the single audit reports to ensure that submitted reports were performed in accordance with OMB Circular A-133.

- 8. Obtain the final cost reports submitted by two subrecipients and determine if the amounts reported were supported by the subrecipients' accounting records.**

We visited two subrecipients, the Consortium for Workers' Education and the City of New York. For each subrecipient, we compared the final JTPA expenditures reported to the State to expenditures recorded in the subrecipients' accounting systems, and found that the amounts reconciled.

For the City of New York, the JTPA final expenditures reported to the State were supported by the accounting records. However, cash balances reported by the City on the October 1998 Monthly Summary Cash Report did not reconcile to the Monthly Statement of Daily Cash Transactions by \$10,500,000. State officials informed the City that funding would be stopped if the October 1998 reports were not reconciled.

The State's Financial Oversight and Technical Assistance team had been working with the City in the reconciliation process and continued to assist them. Subsequently, the reconciliation process was completed and accepted by the State.

- 9. Obtain the subrecipients' single audit reports and identify the JTPA expenditures reported on the Schedule of Expenditures of Federal Awards. Determine if the amounts agree or were reconciled by the single auditors to the expenditures recorded in the accounting records.**

We obtained the single audit reports for both subrecipients visited and identified the JTPA expenditures reported on the SEFA. We compared the SEFA expenditures to expenditures recorded in the subrecipients' accounting records, and found that the amounts reconciled.

- 10. Inspect the single audit reports submitted for the subrecipients and determine if there were reportable conditions, material weaknesses, report qualifications, or any other audit issues pertaining to JTPA grants that remain unresolved.**

We obtained the single audit reports for both subrecipients visited, and determined that the audit reports did not identify any unresolved reportable conditions, material weakness, report qualifications or other audit issues which pertained to the JTPA program.

**STATE OF NEW YORK'S RESPONSE AND  
INDEPENDENT ACCOUNTANTS' COMMENTS**

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**State of New York's Response**

The New York Department of Labor provided a written response to our draft report, dated March 3, 2003, which is included in its entirety at Exhibit I. The key points provided by the State pertain to procedures 2 and 7 of this report, as follows:

1. The State contended that the submission of their initial closeout on August 15, 2001 was not late, but was within the 45-day allowance period for the quarter ended June 2001.
2. The State disputed the single audit finding presented at procedure 7 of this report, stating that their single auditors incorrectly concluded that the State's subrecipient monitoring was inadequate, and that the finding was dropped in the subsequent year's audit.
3. The State clarified that the JTPA expenditures disallowed by ETA was \$5,023,129.

With their response, New York provided a revised closeout package that reduced total JTPA expenditures from \$674.5 million to \$669.9 million.

**Independent Accountants' Comments**

The deadline established by ETA for submitting final JTPA expenditures was December 31, 2000. New York requested and was granted an extension through June 30, 2001. The 45-day quarterly reporting guidelines did not apply to the closeout process.

The single audit findings presented in this report represent those findings included in the most recent single audit report that the single auditors considered unresolved. We understand that management's perspective for these findings may differ from that of the single auditors.

As to the revised closeout package, the State appropriately omitted \$5,023,129 of disallowed costs, and included other adjustments of \$407,260 to total JTPA expenditures. The revised closeout package included all of the previously omitted schedules listed at procedure 2 of this report.

**EXHIBIT I**

**THE COMPLETE TEXT OF  
NEW YORK'S RESPONSE TO THE DRAFT  
AGREED-UPON PROCEDURES REPORT**

Following this title page is the complete text of New York's response to our agreed-upon procedures report, issued to them on February 12, 2003.



**STATE OF NEW YORK  
DEPARTMENT OF LABOR**  
Administrative Finance Bureau  
Building 12, Room 465  
Governor W. Averell Harriman State Office Building Campus  
Albany, New York 12240

March 03, 2003

Mr. Robert Wallace  
Regional Inspector General for Audit  
U. S. Department of Labor  
Office of the Inspector General  
61 Forsyth Street SW  
Atlanta, Georgia 30303-3104

Dear Mr. Wallace:

We received your letter dated February 12, 2003 which included draft report 04-03-014-03-340 regarding the closeout of the Job Training Partnership Act grants awarded by the U.S. Department of Labor. The following are written comments on items two and seven of your report that we would like included in the appropriate sections of the final report.

**Procedures and Findings**

**2. Determine if the JTPA grants awarded to the State were closed on a timely basis in accordance with ETA instructions.**

**OIG ISSUE:**

The State requested and received a six-month extension until June 30, 2001 for the closeout of PY 1997, 1998 and 1999 JTPA grants. The State did not submit the closeout package until August 15, 2001.

**NYS DOL RESPONSE:**

**The State submitted the closeout package on August 15, 2001 using June 2001 financial reports. This time period coincides with the normal submission of June reports. These reports are due 45 days after the quarter-end which is within the allotted timeframe.**

**OIG ISSUE:**

ETA reviewed the closeout package and disallowed Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) time distribution adjustments and expenditures on Project No 5528 (EDWAA Reapportioned Department Administration), decreasing the allowable costs by \$45,023,129. Because of the adjustments, the State will have to revise the closeout package and resubmit it to ETA.

**NYS DOL RESPONSE:**

**A revised closeout package was submitted on December 12, 2002. This closeout package included an expenditure adjustment for Project 5528 in the amount of \$5,023,129. This figure represents the amount of disallowed costs based on the ETA review. The amount stated above, \$45,023,129, appears to be a typographical error.**

Telephone (518) 457-3624

Fax (518) 485-8581

**OIG ISSUE:**

At our exit conference on March 28, 2002, State officials could not provide an estimated date the closeout will be resubmitted. In additions, the original closeout dated August 15, 2001 did not include the required documents such as:

- Government Property Closeout Inventory Certification
- List of possible Claimants for unclaimed checks canceled or payment stopped, if applicable.
- Refund checks(s) with letter of explanation
- Aggregate of unclaimed wages/other outstanding check with explanation
- Interest earned or owed on Government funds with explanation
- Other refunds with explanation

Each item listed above is required to be covered, if applicable and must be explained fully if omitted. State officials were aware of the requirement to submit these forms with the final closeout package.

**NYS DOL RESPONSE:**

**A final revised closeout package was submitted on December 12, 2002. This package included those documents listed above that were applicable to the Department. We have attached a copy of the closeout package for your reference.**

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

**OIG ISSUE:**

The State's annual single audit report for SFY 2000 (most recent available) included on finding relevant to the JTPA program which was reported as a material weakness and considered unresolved as of November 17, 2000. The auditors found that the State notified subrecipients of Federal award information through the Notice of Obligational Authority (NOA); however, the NOAs did not identify the CFDA numbers of the programs within the JTPA cluster. The auditors also noted that the State used their subrecipients' OMB Circular A-133 audits as a component of their subrecipient monitoring process. They concluded that the state did not perform an adequate desk review of the OMB circular A-133 reports to ensure that submitted reports were performed in accordance with OMB Circular A-133.

**NYS DOL RESPONSE:**

**The following response was submitted to the auditors who conducted the NYS Single Audit and the finding was dropped from the Single Audit report the following year.**

**With regard to identifying the CFDA numbers of the programs within the JTPA cluster, the Department provides Federal award information by issuing SDA Bulletins and Technical Advisories to the SDAs. Bulletins and Advisories have been issued in the hundreds over the life of the JTPA program. Further informal communication through phone calls and meetings has provided information to the SDAs.**

**The Department provided the individual Title II CFDA #17.250 and the Title III CFDA #17.246 under the JTPA program cluster. However, on some "Schedule of Expenditures of Federal Awards" the SDAs failed to list the Title III CFDA #17.246 while listing only the Title II CFDA #17.250. While the JTPA program has been replaced by the current WIA program, the Department has issued a new Technical Advisory notifying our sub-recipients of all CFDA numbers and that this information must be included on the "Schedule of Federal Expenditures".**

**With regard to the Department not performing an adequate desk review of the A-133 reports to ensure that submitted reports were performed in accordance with OMB Circular A-133, the auditors fail to and have refused to include a critical component of the finding, the condition found. As such, no specific information has been provided as to exactly what is inadequate or deficient with the Department's procedures for ensuring that our sub-recipients have met the audit requirements of A-133. Moreover, the Department's procedures, which have not changed during**

**this current audit period, have always been found acceptable in past single audits. It should be noted that the Department shared this finding with OMB and they concurred with our position.**


**In addition, the auditors are not entirely correct when stating that the Department uses sub-recipient OMB Circular A-133 reports as a component of our sub-recipient monitoring process. The Department uses an A-133 audit report as part of our sub-recipient monitoring process when that report contains a finding relative to our Federal award program. However, under the recently amended OMB Circular A-133, a sub-recipient is not required to submit an audit report to a pass-through entity when the schedule of findings and questioned costs disclosed no audit findings relating to the Federal award that the pass-through entity provided. In this situation, a sub-recipient may provide written notification to the pass-through entity that an audit of the sub-recipient was conducted in accordance with A-133.**

**The files reviewed by the auditors contained no finding relative to Federal awards that the Department provided and therefore, as no report submission was required, it follows that a report review was not required by the Department. Therefore, not only have the auditors failed to inform the Department what is inadequate or deficient with the Department's procedures, the auditors are basing this judgment on a procedure that the Department was not even required to perform under the circumstances.**

**Based on the above, it is the Department's position that we are in compliance with the pass-through entity's responsibilities as stated under Section 400(d) of OMB Circular A-133.**

Please let me know if you need any additional information.

Sincerely,

  
Lewis D. Stein  
Director of Finance

Attachments