

BRIEFLY...

Highlights of Report Number: 03-04-003-03-315, a report to the Assistant Secretary, Employment and Training Administration. June 21, 2004.

WHY READ THE REPORT

The New Jersey Department of Labor (NJDOL) operates several State and DOL-funded programs, including Unemployment Insurance (UI). It contracts with the New Jersey Office of Information Technology (NJOIT) to provide Automatic Data Processing/Information Technology (ADP/IT) services. Between July 1, 1996 and June 30, 1997, NJOIT billed State agencies almost \$250 million for ADP/IT services; about \$34 million was charged to USDOL grant programs. Shrinking state budgets pose a risk that Federal grant programs may be funding a disproportionate amount of IT cost to the benefit of the non-State Employment Service Agency (SESA) agencies.

WHY OIG CONDUCTED THE AUDIT

The Employment and Training Administration (ETA) asked OIG to audit states, like New Jersey, which use ADP/IT services outside their UI agency. ETA thought that such states' requests for supplemental funds were extraordinarily high compared to states with their own in-house ADP/IT capabilities. The objective was to determine whether the ADP/IT central services costs charged to DOL grants (except Job Corps) awarded to NJDOL followed Federal cost principles (OMB Circular A-87), and the terms of the grants. A 2002 OIG report found that NJDOL improperly calculated some indirect costs.

READ THE FULL REPORT

To view the report and full agency response, go to:
<http://www.oig.dol.gov/public/reports/oa/2004/03-04-003-03-315.pdf>

JUNE 2004

STRONGER OVERSIGHT NEEDED FOR ADP/IT COSTS CHARGED TO NEW JERSEY DOL GRANTS

WHAT OIG FOUND

Our auditors found that NJOIT:

1. overcharged USDOL grant programs \$475,149 for ADP/IT services; and
2. miscalculated some building interest and depreciation costs and overbilled NJDOL.

The auditors also found that USDOL needs to closely monitor the use and costs of ADP/IT central services charged to grants awarded to NJDOL.

WHAT OIG RECOMMENDED

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

- make the necessary adjustments to USDOL grant awards for overcharges totaling \$475,149 (Finding 1); and
- implement internal control procedures to ensure that costs (including depreciation) charged to USDOL grants comply with OMB principles (Findings 1 and 2).

We also recommended that ETA:

- evaluate and monitor New Jersey's initiative to modernize UI operations to ensure that the ADP/IT costs charged to USDOL grants will be reasonable and necessary (Finding 3); and
- ensure that USDOL grant awards are not absorbing any excess costs attributable to decisions made by the State (Finding 3).

NJDOL generally agreed with our findings. ETA's Grant Officer will resolve the recommendations related to Findings 1, 2, and 3.