

BRIEFLY...

Highlights of Report Number: 03-04-005-03-315, a report to the Assistant Secretary, Employment and Training Administration. July 16, 2004.

WHY READ THE REPORT

The Kentucky Workforce Development Cabinet, Department for Employment Services (WDC/DES) operates several state and DOL-funded programs, including Unemployment Insurance (UI). It procures its computer mainframe Automatic Data Processing/Information Technology (ADP/IT) services from the Governor's Office of Technology (GOT). Between July 1, 1996 and June 30, 2000, GOT billed a total of more than \$12.4 million in ADP/IT central services to WDC/DES, of which slightly more than \$10 million was charged to DOL grants. As state budgets shrink, the risk grows that DOL and other Federal grant programs may be funding a disproportionate amount of IT cost to the state agencies that do not receive Federal funding.

WHY OIG DID THE AUDIT

The Employment and Training Administration (ETA) asked OIG to audit states, like Kentucky, which use ADP/IT services outside their UI agency. ETA noted that state UI programs that obtained ADP/IT services from outside the UI agency tended to have much higher ADP/IT costs than state UI programs that had their own in-house ADP/IT capabilities. The objective was to determine whether the ADP/IT central services costs charged to grants that USDOL awarded to WDC/DES were reasonable, allowable, and allocable in accordance with Federal cost principles set forth in OMB Circular A-87.

READ THE FULL REPORT

The full report is available at:
<http://www.oig.dol.gov/public/reports/oa/2004/03-04-005-03-315.pdf>

JULY 2004

ADP/IT COSTS WERE PROPERLY CHARGED TO KENTUCKY DOL GRANTS

WHAT OIG FOUND

Kentucky's Statewide Cost Allocation Plan (SWCAP) did not contain documents required by Federal cost principles for billing ADP/IT central services costs to Federal grants.

However, after receiving our draft audit report, officials from the Kentucky Office of the State Controller provided the required documents.

We concluded that these additional documents complied with Federal cost principles requirements for charging ADP/IT central services costs to U.S. Department of Labor (DOL) grants. As a result, we found the State of Kentucky ADP/IT central services costs were reasonable, allowable, and allocable in accordance with OMB circular A-87.

WHAT OIG RECOMMENDED

Our report did not contain any conditions that warranted corrective action. Therefore, we did not make any recommendations.