

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



SEP 23 2004

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: Despite Assurances to the Contrary, DOL Has Not
Maintained Accountability Over Equity in Real
Property Held by States
Draft Audit Report No. 06-04-002-03-325
State Workforce Agencies' Workforce Investment
Act Grant Programs Are Accruing Federal Equity
In Real Properties
Draft Management Letter No. 06-04-003-03-325

Thank you for the opportunity to review and comment on your Draft Audit Report No. 06-04-002-03-325 and the related Draft Management Letter No. 06-04-003-03-325 related to real property issues.

We are in general agreement with the overall thrust of the audit report that maintaining an up-to-date accurate inventory and valuation of State Workforce Agency (SWA) real property and managing the use and disposition of SWA real property continue to present challenges to states and the Employment and Training Administration (ETA). Every two years, ETA sends a letter to the SWA Administrators asking them to review and update the information in our property records. While ETA has updated its records with any information provided by states since 1999, we acknowledge that these records are not all current. In our soon-to-be issued Training and Employment Guidance Letter (TEGL) on real property we are requiring that states report any changes/updates to their real property data by November 30, 2004. In addition, we plan to issue a Field Memorandum to our Regional Administrators requiring them to follow up and assure that all states update their real property inventory records.

The primary concern of the management letter focuses on ETA's failure to issue a revised directive on real property issues as agreed to in our response to the OIG 2001 report on real property. We acknowledge that we have experienced delay in completing work on the directive. However, the delay is not related to the Workforce Investment Act (WIA) reauthorization efforts as stated in your letter. The TEGL, which is now in the final clearance process, addresses a wide variety of issues related to real property and is not limited to the issues that were raised in the prior OIG audit.

The WIA reauthorization language contained in the Senate Bill would transfer existing equity to the states and provides that at time of disposition, any proceeds are to be used to carry out programs under Title III of the Social Security Act or the Wagner-Peyser Act. In addition, the proposed language would prohibit all future amortization of real property costs using grant funds. Thus, the allowable charges to Federal grants would be restricted to depreciation or use allowance, interest, and operations and maintenance costs as provided under the OMB cost principles. Since it does not appear that WIA reauthorization will be enacted in the near future, we are pursuing other possible options for addressing the Federal equity issue.

Any questions may be directed to Mr. Edward Donahue at extension 33157.