

BRIEFLY...

Highlights of Report Number: 06-05-002-03-390, to the Employment and Training Administration regarding Workforce Investment Act (WIA) funds granted to the State of Arkansas.

WHY READ THE REPORT

The Arkansas Employment Security Department (AESD) receives Workforce Investment Act (WIA) funds and Federal Unemployment Insurance (UI) and Wagner-Peyser grants from the Department of Labor's Employment and Training Administration (ETA) to support a range of statewide and local workforce development programs. Under section 134 of WIA, statewide activities may include providing funds to employers to upgrade the skills of current employees. Such incumbent worker training programs provide a critical tool for states and local communities in their efforts to retain business and industry by keeping the workforce competitive.

WHY OIG DID THE AUDIT

At the request of the Arkansas Division of Legislative Audit (ADLA), the Office of Inspector General (OIG) evaluated a complaint that Arkansas misused over \$1.2 million in DOL funds. We audited two allegations contained in a complaint received by the ADLA. The first allegation concerned the questionable use of WIA incumbent worker funds as an incentive for the Nestle Corporation to locate a new plant in Jonesboro, Arkansas. The second allegation charged that AESD used Wagner Peyser and UI grants to pay for vacant office space in a building when AESD relocated its Rapid Response unit.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://oig.dol.gov/public/reports/oa/2005/06-05-002-03-390.pdf>

March 2005

AUDIT OF ALLEGATIONS REGARDING ETA FUNDS GRANTED TO ARKANSAS

WHAT OIG FOUND

The OIG found that the Arkansas Workforce Investment Board (AWIB) used \$859,904 in WIA funds to reimburse the Nestle Corporation for economic development rather than allowable incumbent worker training activities. We found that AWIB promised the funds to Nestle before it built the plant or hired workers. Because Nestle used the funds to cover its start-up training costs, we questioned whether the funds met the legislative intent of the incumbent worker program

We also concluded the Arkansas Employment Security Department (AESD) was leasing a building that was 67 percent vacant and was incurring significant monthly space costs. To be an allowable cost to Federal Unemployment Insurance (UI) grants, OMB Circular A-87, section C1a, requires a cost to be reasonable and necessary for the proper and efficient administration of Federal awards. We believe that \$347,586 of space costs charged to UI grants from April 2003 through October 2004 is questionable since the costs were neither proper nor efficient.

WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary for Employment and Training disallow and recover the \$859,904 that the State paid to Nestle and disallow the \$347,586 of UI costs incurred for vacant office space through October 31, 2004, and any other charges for vacant space since October 2004.

In its response to the draft report, the State said that AWIB intended for the Nestle project to "be an extension of the Incumbent Worker Training Program." With regard to the use of UI grant funds to pay for vacant space in a building leased by AESD, the State explained that the vacancies occurred because a lack of funding resulted in the termination or lack of renewal of subleases. Also, some of the space was vacated when the AESD moved its Rapid Response unit to another building due to the discovery of mold in the space occupied by the Rapid Response unit in the leased building.

Our findings and recommendations remain unchanged.