

Department Response to Draft Report

U.S. Department of Labor

Office of the Assistant Secretary  
for Administration and Management  
Washington, D.C. 20210



AUG 24 2009

MEMORANDUM FOR ELLIOT P. LEWIS  
Assistant Inspector General

FROM: EDWARD C. HUGLIER  
Deputy Assistant Secretary for Operations

SUBJECT: Procedures for Accounting and Reporting Financial Activity  
Under the American Recovery and Reinvestment Act of 2009  
Draft Report (18-09-001-13-001)

As the Department's Senior Accountable Official for implementation of the American Recovery and Reinvestment Act (ARRA) of 2009, this responds to the Office of Inspector General's (OIG) August 13, 2009, draft audit report of the procedures for accounting and reporting financial activity under ARRA.

I appreciate the time and effort the OIG's financial audit team invested in its review – and the acknowledgement that the Recovery Act requires agencies to implement an unprecedented level of transparency and accountability. The Department's implementation to date has been characterized by careful planning, close coordination with affected DOL agencies and the Office of Management and Budget (OMB), and an effective working relationship with the OIG.

Since ARRA was signed into law on February 17, 2009, the Department has managed numerous logistical issues, including the careful review and oversight of our financial management systems while meeting tight deadlines for deliverables associated with comprehensive – and accurate – financial reporting. All involved have risen to these challenges and made critical contributions to the progress we have made to date on our financial reporting and many other demands of Recovery Act administration. I am confident that we will remain equally attentive to these core ARRA responsibilities moving forward.

I do want to bring to your attention one clarification on page eight of the draft regarding Recipient Reporting. The draft report states, "More importantly, [the Employment and Training Administration] has not yet established procedures to review and validate data reported by recipients or sub-recipients of recovery funds." As raised informally with the OIG during our review of the Discussion Draft Report, OMB's M-09-21 *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, states under Section 4, that agencies are to conduct data quality reviews – but does not require validation or certification. For accuracy and conformance with OMB's guidance, I ask that the final audit report reflect this clarification.

The draft report offered no recommendations – and noted that the Department has taken the necessary steps to account for the \$44.9 billion received in Recovery Act funds. The Department agrees with the OIG's assessment of the need to ensure adequate controls over the accounting for and reporting of Recovery Act funds – and, moving forward, the Office of the Chief Financial

Officer has already implemented additional financial controls. In addition, since the issuance of the OIG's draft report, it is worth noting that, on August 14, 2009, ETA issued the Training and Employment Guidance Letter (No. 1-09) on recipient reporting.

We will remain vigilant in all aspects of financial management – and will ensure the OIG's identified concerns on financial reporting and recipient reporting systems are appropriately considered and addressed.

cc: T. Michael Kerr, Assistant Secretary for Administration and Management  
Lisa D. Fiely, Acting Chief Financial Officer  
Jane Oates, Assistant Secretary for Employment and Training