

Appendix E

Independent Public Accountant Comments on the Draft Report



Certified Public Accountants

November 11, 2008

Mr. Robert J. Coyle  
U.S. Department of Labor  
Office of Inspector General  
Public Ledger Building, Suite 1072  
150 S. Independence Mall West  
Philadelphia, PA 19106

Dear Mr. Coyle:

Pursuant to our meeting on November 3, 2008, resulting from our September 8, 2008 response to your reissued Draft Report dated August 28, 2008, we are working with Consortium for Worker Education to produce an acceptable audit.

Upon completion, we will notify you so you can complete your review.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott Gildea".

Scott Gildea

500 Fifth Avenue  
New York, NY 10110  
212-869-5700  
212-869-9556 fax



Certified Public Accountants

September 8, 2008

Mr. Elliot P. Lewis  
Assistant Inspector General for Audit  
U.S. Department of Labor  
Office of Inspector General  
Washington, DC 20210

500 Fifth Avenue  
New York, NY 10110  
212-869-5700  
212-869-9556 fax  
www.gi-cpas.com

Dear Mr. Lewis:

We have received your reissued Draft Report (Report Number 24-08-005-03-001) dated August 28, 2008 and respond as set forth below. As a preliminary matter, I would call to your attention, that we have never received a response to the June 20, 2006 letter sent to your office, a copy of which is enclosed for your convenience.

A careful reading of your August 28, 2008 Reissued Draft Report demonstrates that none of the findings or comments have changed from your original draft report. We can only guess that our prior response on this matter has been ignored. Nevertheless, we consider the Draft Report to be in error both factually and in its conclusions as to our adherence to auditing standards.

The following are our specific responses to the proposed findings in the Draft Report and encourage you to revisit the matter taking our responses into consideration:

1. Quality Control

Your finding is inaccurate. Based upon the timing of our retention, the date when fieldwork started, and the date of the audit opinion, our audit of Consortium for Worker Education ("CWE") was not required to be nor was it subjected to our firm's peer review for 2002. As a result of your draft comment in June 2006, and to verify that our acts were within the standards of our profession, we sought the advice of the American Institute of Certified Public Accountants and our peer reviewer and delayed the start of our 2005 peer review until a date in 2006 so the CWE audit would be included. A copy of our peer review report (which was previously offered to your office) is enclosed.

Since CWE was not required to be part of our 2002 review, and since we altered the timing of future reviews to prevent a possible reoccurrence, we believe that it is easily determinable that your finding is incorrect.

2. Planning

Your review asserted that we did not document in our workpapers the universes to determine that the sample selected supported a low level of control risk for the assertions relevant to the compliance requirements for each major program and to the testing of internal controls.

To the contrary, our workpapers very clearly indicate the universe as 100% of the “draw-down worksheets” for the major Federal programs. All of the worksheets were reviewed and every transaction had an equal chance of selection, as is also indicated in the workpapers. A sample of 30 was drawn from each program. Because each program contained a large number of invoices that had charges to multiple programs, average sample sizes for each program approximated 100. In addition, because we had become aware of a theft by certain high-level employees of CWE, we expanded our selection process by applying judgment to certain vendors to determine no major Federal program had been affected.

Testing did not reveal any event of non-compliance. Coupling that with the fact that our samples were clearly representative of the population, we don’t understand how your review team did not recognize this, even after an explanation was furnished. Accordingly, we disagree with this finding.

3. Determination and testing of major programs

Your letter of August 28, 2008 alleges incorrect determinations and inadequate testing. That is wrong as all requirements were met, and, accordingly, we disagree with your finding.

CWE had two major Federal programs and the compliance requirements of each were in fact met. Our sample sizes were adequate and representative of the population. During our meetings throughout the week of February 27, 2006, it was discussed with representatives from your office that each of the requirements in the Compliance Supplement had been met because they were included in the audit program steps. It appears from the Draft Report that the only thing lacking in this regard is the documentation of the decision making process to include all steps of the Compliance Supplement within the general steps of the audit program. However, this does not in any way demonstrate that all requirements were not met, which they were.

Your review asserts that internal control testing for both major Federal programs was inadequate. We differ.

Due to the delay in the timing of the start of the audit, and the size of the accounting staff responsible for compliance with controls relative to major Federal programs, during planning it was deemed more efficient to perform dual purpose testing in accordance with AICPA Professional Standards AU350.44.

The sample size selected for these tests were larger than otherwise would have been designed for two separate purposes, as explained above.

Since we were well within the guidelines in the performance of dual testing and did perform internal control testing, we disagree with your finding.

Further, your review asserts testing of Compliance Requirements for the two major programs was inadequate. Here again, we differ.

As discussed above, the sample sizes were adequate and representative of the population. Also as explained above, the sample sizes were greater than would otherwise have been required. As a result of our complying with all appropriate steps, we have accomplished adequate testing to reach a proper conclusion.

Simply put, we did in fact meet all of the requirements. Accordingly, the Draft Report is in error.

While your August 28, 2008 letter refers to workpapers for 2002 being unavailable, the review was for 2003 and 2004, and copies of 2002 workpapers were never requested by your representatives. Therefore, your comment concerning 2002 seems inapposite.

Similarly, the 2003 workpapers were not mentioned in your June 6, 2006 letter. Those workpapers were discussed with your representatives when they were in our office. They were specifically asked if it would be necessary to conduct the time-consuming, burdensome and expensive search of thousands of files in our offsite storage facility to locate them, and we were told it would not be necessary. We cannot understand why this is now an issue when it wasn't in June 2006.

#### 4. Reporting

Your review discusses our failure to mention a separate management letter in the CWE 2004 single audit report and asserts that your review team, having seen only an unsigned copy of such letter, could not determine if the management letter was issued. We cannot understand the logic that would increase their comfort level if there had been a signed copy in our files. When they raised the issue with us, we explained that this was a file copy and offered to provide a signed one. They declined and said it wouldn't be necessary.

Since it was determined through the testing (documented in the workpapers) that the theft mentioned in the management letter did not affect any Federal programs, no material violation occurred relative to Federal programs. Accordingly, discussion of the management letter concerning Federal programs would not have been appropriate to those circumstances. Moreover, it is disturbing that there is a disconnect between what the review team told us when they were on our premises

and what is included in your comment. In either event, we believe your finding is in error.

The representatives from your office left our premises on March 3, 2006 after five days. At that time, I met with Ms. Zaunder Saucer, Acting Director, National Audit and Evaluations Office, and was told there were no major issues. More than three months passed before I received her letter telling me otherwise. We responded immediately and are still willing to do whatever is necessary to help your office reach a satisfactory conclusion to your work.

You have recommended that CWE work with us to correct the deficiencies and we would be happy to comply with your request. However, the alleged deficiencies you delineate in your report lack specificity and, therefore, any collaborative effort would need your assistance to be accomplished.

Accordingly, we respectfully request that you identify the specific procedures the application of which would alleviate whatever shortcomings, if any, that are in fact determined to exist. We would appreciate it if you please have an appropriate representative from your office contact me at your earliest convenience to arrange a meeting to discuss these issues.

I look forward to hearing from you in the near future.

Sincerely,



Scott Gildea

Encl.



**SCOTT GILDEA & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

500 Fifth Avenue, New York, New York 10110  
Telephone: (212) 869-5700 Fax: (212) 869-9556

June 20, 2006

Ms. Zaunder Saucer  
Acting Director  
National Audit and Evaluations Office  
U.S. Department of Labor  
Office of Inspector General  
Washington, DC 20210

Dear Ms. Saucer:

We have received your Draft Report No. 21-06-530-50-598 dated June 6, 2006 concerning our audit of the Consortium of Worker Education (“CWE”). Our response to your findings is as follows:

1. Deficiency No. QCR 2004-1

Your review indicated we did not document in our workpapers the universes to determine that the sample selected supported a low level of control risk for the assertions relevant to the compliance requirements for each major program and to the testing of internal controls.

Our workpapers very clearly indicate the universe as 100% of the “draw-down worksheets” for the major Federal programs. All of the worksheets were reviewed and every transaction had an equal chance of selection, also indicated in the workpapers. A sample of 30 was drawn from each program. Since each program contained a large number of invoices that had charges to multiple programs, average sample sizes for each program approximated 100. In addition, since we had become aware of a theft by certain high-level employees of CWE, we expanded our selection process by applying judgment to certain vendors to determine no major Federal program had been affected.

Our testing did not reveal any event of non-compliance and, since our samples were clearly representative of the population, we disagree with your finding.

2. Deficiency No. QCR 2004-2

Your review indicated we demonstrated insufficient knowledge of the OMB Circular A-133 and the Compliance Supplement.

CWE had two major Federal programs and each of the compliance requirements were in fact met and our sample sizes were adequate and representative of the population. During our meeting, it was discussed with you that each of the requirements in the Compliance Supplement were also met because they were included in the audit program steps. It appears that the only thing lacking in this regard is the documentation of the decision making process to include all steps of the Compliance Supplement within the general steps of the audit program. However, all requirements were met.

Since all requirements were met, we disagree with your finding.

Separately, you commented on an interview you had with a member of our professional staff. His explanation of his response differs in that he was employing a poor attempt at levity during a stressful time. His response during your interview was taken out of context.

3. Deficiency No. QCR 2004-3

Your review indicated internal control testing for both major Federal programs was inadequate.

Due to the delay in the timing of the start of the audit and the small size of the accounting staff responsible for compliance with controls relative to major Federal programs, during planning it was deemed more efficient to perform dual purpose testing in accordance with AICPA Professional Standards AU350.44. The sample size selected for these tests were larger than otherwise would have been designed for two separate purposes, as explained in number 1, above.

Since we were well within the guidelines in the performance of dual testing and did perform internal control testing, we disagree with your finding.

4. Deficiency No. QCR 2004-4

Your review indicated testing of Compliance Requirements for the two major programs was inadequate.

As discussed in numbers 1, 2 and 3 above, the sample sizes were adequate and representative of the population. Also as explained above, the sample sizes were greater than would otherwise have been required, and as a result of complying with all steps, we have accomplished adequate testing to reach a proper conclusion.

Since we did meet all of the requirements, we disagree with your finding.

5. Deficiency No. QCR 2004-5

Your review indicated we deliberately excluded the CWE report from our most recent peer review.

Apparently there was a misunderstanding of our explanation. CWE was not a client at the time and was not required to be a part of our most recent peer review and was therefore excluded from such review. We are currently going through a peer review and CWE is part of it. If you desire, we will be happy to furnish you with a copy of that report when it is received.

Since CWE was not required to be part of our most recent review, we disagree with your finding.

6. Deficiency No. QCR 2004-6

Your review indicated our lack of mention in the CWE 2004 single audit report of a separate management letter.

Since it was determined through testing (documented in the workpapers) that the theft mentioned in the management letter did not affect any Federal programs, no material violation occurred relative to Federal programs. Therefore we disagree with your finding.

Based upon our planning and executing the procedures indicated within our workpapers, we believe the audit work performed is acceptable and has met the requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133.

Please feel free to contact us and arrange another visit to review the areas in question. We would welcome the opportunity to have a responsible individual to review such areas with one of your representatives to clear up any discrepancies.

We look forward to your response.

Sincerely,



Scott Gildea





3 Park Avenue, New York, NY 10016-5991  
212.719.8300 • fax 212.719.3364  
www.nysscpa.org

**AICPA Peer Review Program**

*Administrators in New York State*

May 3, 2007

Scott Gildea, CPA  
Scott Gildea & Company, LLP  
Suite 810  
500 Fifth Ave  
New York, NY 10110

Dear Mr. Gildea:

It is my pleasure to notify you that on March 20, 2007 the Peer Review Committee accepted the report on the most recent peer review of your firm, the related letter of comments, and your firm's response thereto. The due date for your next review is June 30, 2010. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the reviewer's opinion was unmodified. The Committee asked me to convey its congratulations to the firm.

Sincerely,



David Moynihan, CPA  
Chairman, Peer Review Committee

cc: Anthony J Mancuso, CPA

Firm Number: 10145567

Review Number: 235400

**ANTHONY J. MANCUSO** Certified Public Accountant  
3 Midland Gardens  
Bronxville, New York 10708  
Telephone - (914) 779-0325

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December 1, 2006

To Scott Gildea & Company, LLP

I have reviewed the system of quality control for the accounting and auditing practice of Scott Gildea & Company, LLP (the "firm") in effect for the year ended December 31, 2005. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements of Quality Control Standards issued by the American Institute of CPA's (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on my review.

My review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During my review I read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on my assessment, I selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, a Single Audit Act (A-133) engagement performed under Government Auditing Standards. Prior to concluding the review, I reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of my review. I believe that the procedures I performed provide a reasonable basis for my opinion.

In performing my review, I obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, I tested compliance with the firm's quality control policies and procedures to the extent I considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. My review was based on selective tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of lack of compliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

**ANTHONY J. MANCUSO** Certified Public Accountant

Scott Gildea & Company, LLP  
December 1, 2006  
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In my opinion, the system of quality control for the accounting and auditing practice of Scott Gildea & Company, LLP in effect for the year ended December 31, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards.

As is customary in a system review, I have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.



Anthony J. Mancuso, CPA