

**Appendix D**

**VETS and Kansas DOC's Responses to Draft Report**

**VETS Response:**

**U.S. Department of Labor**

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



**MAR 31 2011**

Elliot P. Lewis  
Assistant Inspector General for Audit Office of Inspector General  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

Dear Mr. Lewis;

This is our initial response to recommendations regarding the independent audit of the conduct and reporting of the Fiscal Year (FY) 2008 Jobs for Veterans' State Grant (JVSG) by the Kansas Department of Commerce. This audit was conducted through the Office of Audit of the Department of Labor's Office of Inspector General as requested by the Veterans' Employment and Training Service (VETS) and performed through contract with WithumSmith+Brown of Silver Spring, Maryland. This audit was requested since VETS noted frequent lateness in reporting and found errors in FY 2008 financial reports that were received from the Kansas Department of Commerce, Office of Workforce Services.

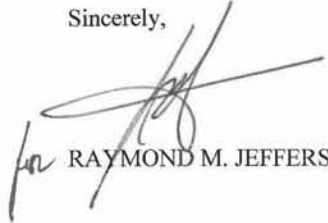
This office concurs that the subject JVSG grantee, the Kansas Department of Commerce, exercised a lack of effective management controls and appropriate supervisory oversight resulting in its ability to ensure expenditures were reported in accordance with required timeframes and reported properly with supporting documentation.

We further acknowledge audit findings that indirect costs were improperly calculated and reported; reported expenditures exceeded VETS obligation authority; that \$152,096 in "Other" expenditures could not be substantiated; and, that the FY 2008 JVSG grant was overcharged by \$14,969 resulting in \$167,065 of questionable costs.

As the Assistant Secretary for Veterans' Employment and Training, I intend to provide the audit findings to the Grant Officer for the JVSG to take the necessary actions to consider recovering the questioned unsupported "other" costs of \$152,096 and indirect costs of \$14,969, and require the Kansas Department of Commerce to take and report their remedial efforts to develop sufficient internal control policies and procedures to improve program management and to ensure that JVSG funds are properly recorded and reported accurately and in a timely manner. VETS believes that sufficient internal controls can be reasonably implemented within sixty days from notification and will request another audit of the program be conducted in the future as coordinated with the Office of the Inspector General.

I appreciate the efforts of all those who participated in the discussion, investigation and preparation of these audit findings and recommendations.

Sincerely,



RAYMOND M. JEFFERSON

**Kansas DOC Response:**

1000 S.W. Jackson St., Suite 100  
Topeka, KS 66612-1354



Phone: (785) 296-3481  
Fax: (785) 296-5055 TTY: 711  
admin@kansasccommerce.com  
KansasCommerce.com

Pat George, Secretary

Department of Commerce

Sam Brownback, Governor

March 31, 2011

Michael Yarborough  
CPA, Audit Director

RE: Draft Report #04-11-002-02-201 – Kansas Controls Over Jobs for Veteran State Grant Contract Reporting and Monitoring

Dear Mr. Yarborough:

This letter will serve as an “informal response” to your proposed statement of facts and audit recommendations pertaining to certain fiscal practices of the Kansas Department of Commerce (Commerce). With respect to the Jobs for Veterans State Grants Program (JVSG), Commerce is appreciative of the auditor’s efforts and believes the review will lead to better practices. However, Commerce has not had adequate time to fully respond for the reasons set forth below. We are actively seeking additional support to better respond to the findings. If provided additional time, it appears many of the questioned costs could be supported.

On March 4, 2011, the auditors provided Commerce with a proposed statement of facts concerning the audit. In the email that accompanied the letter, it was acknowledged that “Commerce was still working on providing supporting documentation for some of the issues noted. That documentation can be provided as part of your informal response and will be considered when drafting the audit report.”

Due to a lack of adequate time, the agency is still in the process of preparing the documentation the auditors acknowledged is necessary to determine the appropriate findings in this review. Commerce believes it will be able to adequately account for most, if not all, of the \$152,096.00 that is referenced as “unsupported” and the \$14,969.00 of “indirect costs.” We have informed OIG of our desire to provide the documentation within the next few weeks but were unable to get additional time. Contributing to our need for more time to locate supporting documents for these costs are the facts that, since the fiscal year in question, we have a relatively new Chief Fiscal Officer, new fiscal staff with responsibility for this program, a new financial reporting system, and different leadership over our veterans’ programs. All of these factors have made more difficult the process of locating the supporting documentation for many of the questioned transactions.

The second recommendation is that Commerce be directed “to develop and implement internal control policies and procedures to improve program management and to ensure that JVSG funds are properly recorded and reported.”

As noted above, Commerce has already implemented a new financial reporting system and is in agreement their policies and procedures needed to be improved. Given that over two years have elapsed since FY 2008, many of those improvements have already been implemented. We have acknowledged that certain practices may have been inadequate and lead to confusion surrounding the “questionable” expenses. Could the recommendation inform the JVSG that significant reforms have been implemented to correct those past practices? These reforms include documenting and implementing procedures to assure accurate and complete reporting to DOL VETS. Expenditures are now tracked regularly using a standardized process and template. In addition, procedures are being documented and followed for the indirect charges to the VETS grant as well as documenting the methodology used in the allocation of “Other” charges. Lastly, Commerce has developed a process to ensure that cumulative grant obligations do not exceed the VETS NOA. These processes are monitored frequently to ensure timeliness and accuracy.

In order for the audit findings to be comprehensive and have the appropriate context, a complete statement of facts supported by proper documentation should be included. All parties involved appear to agree the report is incomplete in that it does not have documentation that we are actively working to provide as soon as practicable. Commerce has already implemented substantive and systemic reforms designed to improve our fiscal reporting processes. We sincerely hope the U.S. Department of Labor will give full consideration to our acknowledgment of certain opportunities to improve and our continuing efforts to improve our internal controls and fiscal practices.

Thank you for your consideration of our request to supplement this response prior to the issuance of any findings by the USDOL.

Sincerely,



Traci Herrick  
Chief Fiscal Officer

cc: Maureen Wagner