

U.S. Department of Labor

Office of Inspector General—Office of Audit

BUREAU OF LABOR STATISTICS



BLS COULD DO MORE TO ENSURE THAT LABOR FORCE STATISTICS PROGRAM FUNDS ARE EXPENDED AND REPORTED IN ACCORDANCE WITH THE LABOR MARKET INFORMATION AGREEMENTS

Date Issued: March 31, 2011
Report Number: 17-11-001-11-001

BRIEFLY...

Highlights of Report Number **17-11-001-11-001**, to the Commissioner of the Bureau of Labor Statistics

WHY READ THE REPORT

BLS is responsible for producing some of the nation's most sensitive and important economic data. BLS is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other federal agencies, state and local governments, and businesses. BLS serves as a statistical resource to DOL by providing data and technical expertise. BLS data must satisfy a number of criteria, including relevance to current social and economic issues, timeliness in reflecting today's rapidly changing economic conditions, accuracy and consistently high statistical quality, and impartiality in both subject matter and presentation.

Since 1917, BLS has used cooperative agreements (Agreement) with states, territories and the District of Columbia (State) to fund the collection and analysis of Labor Market Information (LMI) data that BLS uses in its national statistical programs. In fiscal year 2010, BLS reported that it provided \$83,029,112 in funding to 54 States for the LMI program, specifically \$62,650,903 for personnel services, \$12,507,264 for non-personnel services, and \$7,870,945 for administrative services.

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

Did BLS ensure that funds for the Labor Force Statistics Program were expended and reported in accordance with the LMI Agreements?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/public/reports/oa/2011/17-11-001-11-001.pdf>

March 2011

BLS COULD DO MORE TO ENSURE THAT LABOR FORCE STATISTICS PROGRAM FUNDS ARE EXPENDED AND REPORTED IN ACCORDANCE WITH THE LABOR MARKET INFORMATION AGREEMENTS

WHAT OIG FOUND

While we noted no exceptions in our review of the four States' reported personnel services and administrative services transactions, we found discrepancies in the non-personnel services transactions in two States and noted late reporting of financial information in three States. In two States, we found discrepancies in 118 non-personnel services transactions totaling \$39,273 of the \$106,000 reviewed. Officials of the two States could not provide supporting documentation to demonstrate that transactions were allowable in accordance with Agreement requirements and federal regulations.

We also found three of the four States were late in submitting monthly financial reports to their respective BLS Regional Offices as required by their Agreements.

WHAT OIG RECOMMENDED

We recommended that the Commissioner for BLS (1) improve monitoring of State LMI financial transactions to ensure records are maintained that fully support LMI program expenditures, (2) enforce policies and procedures currently in place to ensure the States' timely submission of monthly financial reports, and (3) recover questioned costs totaling \$39,273 for non-personnel service transactions that the States could not support.

The Commissioner of BLS stated that BLS does extensive financial monitoring of grantees and disagreed with the OIG's first recommendation to improve monitoring of State LMI financial transactions. The Commissioner of BLS generally agreed with the OIG's second and third recommendations and has planned to take actions to address them.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 31, 2011

Assistant Inspector General's Report

Keith Hall
Commissioner
Bureau of Labor Statistics
U.S. Department of Labor
Postal Square Building
2 Massachusetts Avenue, NW
Washington, DC 20212

The Bureau of Labor Statistics (BLS) is responsible for the production of some of the nation's most sensitive and important economic data. Since 1917, BLS has used cooperative agreements (Agreement) with states, territories and the District of Columbia (State) to provide funding for the collection and analysis of Labor Market Information (LMI) data that BLS uses in its national statistical programs. Within BLS, the Office of Field Operations in conjunction with the Division of Financial Planning and Management oversees the Labor Force Statistics Program and is responsible for monitoring LMI Agreements with the States. Each LMI Agreement defines the products to be delivered to BLS, the time frames for delivery, and the performance requirements. Federal funding is provided to the State Workforce Agencies (SWA) within the States and is intended to fully cover the costs to meet the LMI Agreement requirements. In Fiscal Year (FY) 2010, BLS reported that it provided approximately \$83 million in funding to 54 States for the LMI program, specifically \$63 million for personnel services, \$12 million for non-personnel services, and \$8 million for administrative support and technical services (administrative services).

Our audit objective was to answer the following question:

Did BLS ensure that funds for the Labor Force Statistics Program were expended and reported in accordance with the LMI Agreements?

The audit covered the FY 2010 LMI Agreements between BLS and four States — the District of Columbia, New Jersey, Rhode Island, and Vermont. We interviewed representatives from BLS and the States to gain an understanding of the BLS LMI Agreements and their related activities (e.g., spending, modifications, re-obligations, and de-obligations). To assess applicable internal controls at both BLS and the SWAs, we analyzed 100 percent of non-personnel services, and a random sample of personnel services for all four States reviewed. In addition, we analyzed 100 percent of administrative services activities for Rhode Island and Vermont, and reviewed a random

sample of administrative services activities for New Jersey and District of Columbia to ensure they were allowable. We also reviewed the deliverables required by the LMI Agreements to determine if they were submitted in a timely manner.

We conducted this audit in accordance with generally accepted government auditing standards (GAGAS) for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

While we noted no exceptions in our review of the four States' reported personnel services and administrative services transactions, we found discrepancies in the non-personnel services transactions in two States and noted late reporting of financial information in three States.

Our review of personnel services transactions totaling \$305,000 showed actual time worked was allocated correctly and to the appropriate LMI personnel services accounts. Likewise, our review of administrative services transactions totaling \$270,000 showed costs were allocated to the appropriate LMI statistical programs based on the number of hours worked for each program.

However, in Vermont and Rhode Island, we found discrepancies in 118 non-personnel services transactions totaling \$39,273 of the \$106,000 reviewed. This amounted to 37 percent of non-personnel services expenses, but less than 6 percent of total expenses reviewed. Officials of the two States could not provide supporting documentation to demonstrate that transactions were allowable in accordance with Agreement requirements and federal regulations.

While the LMI Agreements state that BLS may conduct periodic on-site reviews to evaluate the SWAs' financial management systems, none were conducted at the four States. Additionally, financial reports required by the LMI agreements did not contain transaction-level detail, only aggregate spending. Without performing periodic on-site reviews, BLS is systemically vulnerable at the non-personnel services transactional level nationwide.

We also found three of the four States were late in submitting monthly financial reports to their respective BLS Regional Offices as required by their Agreements. This includes 6 of 36 reports that were between 30-92 days late. Without timely financial reporting, BLS cannot adequately monitor fund utilization and may be prevented from timely identification of potential anomalies in the overall use of program funds.

We recommend that the Commissioner for BLS (1) improve monitoring of State LMI financial transactions to ensure records are maintained that fully support LMI program expenditures, and (2) enforce policies and procedures currently in place to ensure the States' timely submission of monthly financial reports, and (3) recover questioned costs totaling \$39,273 for non-personnel service transactions that the States could not support.

BLS RESPONSE

BLS stated that it does extensive BLS financial monitoring such as using the grantees' financial reports to monitor how they are using their federal funds. When warranted, BLS requests supporting information from the grantees in order to justify their costs. It considered review of detailed financial records and transaction to be auditing. BLS also cited its reliance on the Single Audit Act requirements to fulfill its audit obligations, believing that additional audits are not required and would be duplicative.

Regarding the enforcement of States' timely submission of monthly financial reports, BLS stated that these reports go above and beyond the OMB Federal requirements of quarterly reporting. BLS said it will continue to work with its regional staff to ensure they are following up with the grantees on delinquent reports. In addition, BLS will reiterate the reporting requirements to the grantees in the transmittal memorandum for the FY 2012 cooperative agreement application package.

Lastly, BLS stated that it will work with the BLS Grant Officer, regional offices and the States to review the details that OIG provides on the questioned non-personnel service costs. The BLS Grant Officer will make a determination as to the costs' allowability under the cooperative agreement.

OIG CONCLUSION

The OIG does not believe that reviewing the LMI financial reports is sufficient to monitor detailed financial activity of the LMI program. The financial reports required by the LMI agreements contain only aggregate spending. Performing periodic on-site reviews of transaction-level details as part of regular assigned duties or developing alternative monitoring processes would allow BLS to better monitor the use of federal funds and identify improper transactions. On-site monitoring to ensure grantees have adequate documentation to substantiate their federal spending does not rise to the level of an audit, but does provide assurance of proper stewardship of federal funds. The BLS Labor Force Statistics Program is not a major program as defined by the Single Audit Act. As such, BLS's reliance on the States' single audit reports would not provide assurance of adequate audit coverage of program expenditures.

RESULTS AND FINDINGS

Objective — Did BLS ensure that funds for the Labor Force Statistics Program were expended and reported in accordance with the LMI Agreements?

BLS did not fully ensure that funds were expended and reported for the Labor Force Statistics Program in accordance with the LMI Agreements.

While we noted no exceptions in our review of the four States' reported personnel services and administrative transactions, we found discrepancies in the non-personnel services transactions reviewed in two States and noted late reporting of financial information in three States.

Finding 1 — BLS did not fully ensure that federal funds expended were allowable.

BLS did not fully ensure that funds expended and reported for the Labor Force Statistics Program were in accordance with the LMI Agreements. While we noted no exceptions in our review of the four States' reported personnel and administrative services transactions, officials in two of four States in our sample were not able to demonstrate that \$39,273 of federal funds used for non-personnel services were allowable.

In the four States in our sample, we reviewed 139 personnel services transactions totaling approximately \$306,000 and noted no exceptions. These transactions represent costs for personnel services and personnel benefits for staff directly contributing to the work performed to accomplish Agreement deliverables. Our review of the personnel services transactions was conducted to determine if all timesheets were approved, hourly rates and net pay were documented and correctly calculated, transactions were posted to the appropriate LMI personnel services accounts, and all employees' time charges were for work performed on the LMI projects. Our review determined that the personnel services transactions were accurately and appropriately allocated to personnel related sources as outlined in the LMI Agreements.

We also reviewed 34 months of administrative services transactions totaling approximately \$271,000 and noted no exceptions (see Table 4 in Appendix B). Administrative services transactions include all direct or allocated personnel services and personnel benefits costs for staff who work in an administrative capacity benefiting multiple programs administered by the SWA, including the LMI program. Our review determined that the administrative services transactions were properly allocated based on the number of hours worked on LMI program activities.

However, our review of 1,211 non-personnel service transactions totaling approximately \$106,000 identified \$39,273 of non-personnel services discrepancies in the States of Rhode Island and Vermont. This amounted to 37 percent of non-personnel services expenses, but less than 6 percent of total expenses reviewed. Non-personnel services transactions include the cost of all goods and services other than personnel services

and personnel benefits used by the staff in support of the activities shown in the work statements. These include supplies, communication, travel, equipment, rent and utilities (see Table 1 below for the summary of transaction testing).

	Total Sampled Transactions /Months Tested	Total Amount of Transactions Tested	Total Amount of Exceptions	Percentage
Personnel Services	139 Transactions	\$305,579	\$0	0%
Administrative Services	34 Months	\$270,819	\$0	0%
Non-Personnel Services	1,211 Transactions	\$106,431	\$39,273	37%
		\$682,829	\$39,273	5.75 %

According to the 2010 LMI Agreement for each State:

A State agency will retain records in accordance with 29 CFR 97.42, Retention and access Requirements for Records. A State agency will retain all records pertinent to the Agreement, including financial and statistical records and supporting documentation, for a period of three years after the close of the Agreement period.

According to Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, page 10, to be allowable under federal awards, costs must be adequately documented and authorized under state or local laws, or regulations.

We found the States of Rhode Island and Vermont had no documentation to support that 48 non-personnel services transactions totaling \$14,082 and 70 non-personnel services transactions totaling \$25,191, respectively, were allowable. In the absence of supporting documentation (e.g., requisitions, purchase orders, receiving reports, and payment vouchers), we are questioning \$39,273 in costs that these States reported to BLS through their Agreements (see Table 2 below for the results of our non-personnel service transaction testing).

Table 2: Results of Non-Personnel Services Transaction Testing

State	Total Sampled Transactions	Transactions Not Supported	Total Amount of Transactions Not Supported
Rhode Island	150	48	\$14,082
Vermont	949	70	\$25,191
New Jersey	64	0	0
District of Columbia	48	0	0
Total	1,211	118	\$39,273

While the LMI Agreements state that BLS may conduct periodic on-site reviews to evaluate the SWAs' financial management systems, none were conducted at the four States. Additionally, financial reports required by the LMI agreements did not contain transaction-level detail, only aggregate spending. Performing periodic on-site reviews of transaction level details as part of regular assigned duties or developing alternative monitoring processes would allow BLS to better monitor the use of federal funds and identify improper transactions. Without performing periodic on-site reviews of non-personnel services transactions, BLS is systemically vulnerable nationwide to misuse of federal funds that could potentially affect the formula BLS uses to allocate LMI funds to a State in future years.

Finding 2 — Monthly financial reporting deliverables in three of four States were not always submitted timely.

We found that three of the four States in our sample did not always submit monthly financial reports to their respective BLS Regional Offices within 30 days of the reporting period, as required by their Agreements. Only the State of Rhode Island submitted its financial reports on time.

The administrative requirements of the 2010 LMI Cooperative Agreement states, "Monthly financial reports must be submitted to the BLS Regional Office within 30 days of the end of the reporting period."

In addition, the Agreements require that State agencies must report monthly for each regular ongoing program, showing total accrued expenditures, total obligation, and the total cash received for the month and cumulatively for the current fiscal year. We reviewed 36 monthly financial reports submitted to the respective BLS Regional Offices and identified 18 of the reports were submitted late. Six of the 18 reports were at least 30 days late and one report was more than 90 days late (see Table 3 below for analysis of late submittal of monthly financial reports and Exhibit).

Table 3: Analysis of Monthly Financial Report Timeliness

State	Total Reports Reviewed	Total Reports Late	Percent Late	Number of Reports At Least 30 Days Late
Rhode Island	12	0	0%	0
Vermont	12	8	66.6%	2
New Jersey	6	4	66.6%	0
District of Columbia	6	6	100.00%	4
Total	36	18	50%	6

BLS officials stated that numerous State personnel turnovers resulted in untimely submission of monthly reports. Without timely financial reports, BLS cannot adequately monitor fund utilization and may be prevented from timely identifying potential anomalies in the overall use of program funds.

In addition, over the last 2 years, the States of Michigan and Ohio received an approved variance not to submit monthly financial reports because each of the State's accounting systems did not have monthly reporting capability. While each State submitted quarterly reports, the approved variance affected the timeliness of the financial data submitted from those States and prevents BLS from having timely financial reports available to review.

RECOMMENDATIONS

We recommend the Commissioner for the Bureau of Labor Statistics take steps to:

1. Improve monitoring of State LMI financial transactions to ensure records are maintained that fully support LMI program expenditures.
2. Enforce policies and procedures currently in place to ensure the States' timely submission of monthly financial reports.
3. Recover questioned costs totaling \$39,273 for non-personnel service transactions that the States could not support.

We appreciate the cooperation and courtesies that BLS and State LMI personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibit

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Exhibit**Untimely Financial Reports**

- Vermont - Eight of twelve monthly reports were submitted untimely to the BLS Regional Office.

Vermont Late Monthly Reports			
Monthly Report	Date Submitted	Required Submission Date	Number of Days Late
October 2009	December 8, 2009	November 30, 2009	8 Days
November 2009	January 12, 2010	December 30, 2009	13 Days
December 2009	February 4, 2010	February 1, 2010	3 Days
January 2010	May 13, 2010	March 2, 2010	72 Days
February 2010	May 13, 2010	March 30, 2010	44 Days
March 2010	May 13, 2010	April 30, 2010	13 Days
April 2010	June 7, 2010	May 30, 2010	8 Days
May 2010	July 6, 2010	June 30, 2010	6 Days

- New Jersey - Four of six reports were submitted untimely to BLS Regional Office.

New Jersey Late Monthly Reports			
Monthly Report	Date Submitted	Required Submission Date	Number of Days Late
October 2009	December 9, 2009	November 30, 2009	9 Days
November 2009	January 11, 2010	December 30, 2009	12 Days
January 2010	March 4, 2010	March 2, 2010	2 Days
February 2010	April 19, 2010	March 30, 2010	20 Days

- District of Columbia - Six of six reports were submitted untimely to the BLS Regional Office.

District of Columbia Late Monthly Reports			
Monthly Report	Date Submitted	Required Submission Date	Number of Days Late
October 2009	March 2, 2010	November 30, 2009	92 Days
November 2009	March 8, 2010	December 30, 2009	68 Days
December 2009	April 1, 2010	January 30, 2009	61 Days
January 2010	April 1, 2010	March 2, 2010	30 Days
February 2010	April 20, 2010	March 30, 2010	21 Days
March 2010	May 5, 2010	April 30, 2010	5 Days

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Appendices

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Appendix A**Background**

BLS is responsible for the production of some of the nation's most sensitive and important economic data. BLS is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other federal agencies, state and local governments, and businesses. BLS also serves as a statistical resource to the DOL by providing data and technical expertise. BLS data must satisfy a number of criteria, including relevance to current social and economic issues, timeliness in reflecting today's rapidly changing economic conditions, accuracy and consistently high statistical quality, and impartiality in both subject matter and presentation.

Since 1917, BLS has used agreement with States to fund the collection and analysis of LMI data that BLS uses in its national statistical programs. Within BLS, the Office of Field Operations in conjunction with the Division of Financial Planning and Management is responsible for monitoring LMI Agreements with the States. Each LMI Agreement defines the products to be delivered, time frames for delivery, and performance requirements. Federal funding is provided to the SWAs within the States and is intended to fully cover the costs to meet the LMI Agreement requirements.

Section 14 of the Wagner Peyser Act authorizes the Secretary of Labor to reimburse the States to provide data for national statistical programs. In FY 2010, BLS reported that it provided \$83,029,112 in funding to 54 States for the LMI program, specifically \$62,650,903 for personnel services, \$12,507,264 for non-personnel services and \$7,870,945 for administrative services.

The LMI programs are expected to provide comprehensive and timely information on the labor force, employment, unemployment, and related labor market characteristics at the national level; industrial and occupational employment at the state and local levels; and labor force and unemployment at state and local levels. In addition, these programs develop projections of the labor force, economic growth, industrial output, and employment by industry and occupation for 10 years into the future for the Nation as a whole. This performance indicator is composed of the underlying performance measures of output, timeliness, accuracy, and long-term improvement for the Labor Force Statistics programs. BLS demonstrates continuous improvement by setting more ambitious targets on its overall indicator, as well as the individual measures that underlie the indicator.

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Appendix B**Objective, Scope, Methodology, and Criteria**

Objective

Our audit objective was to answer the following question:

Did BLS ensure that funds for the Labor Force Statistics Program were expended and reported in accordance with the LMI Agreements?

Scope

The audit covered the FY 2010 LMI Agreements between BLS and the District of Columbia, New Jersey, Rhode Island, and Vermont. The audit team reviewed personnel services, non-personnel services and administrative services funds expended and reported for the 1st and 2nd quarters of FY 2010 for the District of Columbia and New Jersey, and all four quarters of FY 2010 for Rhode Island and Vermont. Initial testing performed in the District of Columbia and New Jersey produced limited results; therefore, the scope was expanded to encompass the entire year for testing in Rhode Island and Vermont. Through interviews with BLS Philadelphia Regional Office officials we also learned that the majority of LMI funds are expended during the last two quarters of the fiscal year. In addition, we obtained information regarding reporting variances that BLS had approved for the States of Michigan and Ohio.

Fieldwork was conducted at the BLS National Office in Washington, D.C.; the BLS Philadelphia and Boston Regional Offices; including SWAs in the District of Columbia, New Jersey, Rhode Island, and Vermont.

We conducted this audit in accordance with GAGAS for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Methodology

In planning and performing the audit, we reviewed the LMI Agreements, OMB regulations, and BLS policies and procedures to determine the federal and State requirements for the LMI program. To gain further understanding of BLS policies and procedures and the LMI program requirements we interviewed BLS and SWA officials and their staffs.

We reviewed each State's cost allocation policy and budget for the LMI program, including the salaries expended to operate the program. We interviewed financial managers at both BLS and the SWAs. In addition, we tested the accuracy of salaries

and hourly rates charged to the LMI program as well as financial reporting requirements under the LMI Agreement.

We reviewed personnel services transactions to determine if all timesheets were approved, hourly rates and net pay were documented and correctly calculated, transactions were posted to the appropriate LMI personnel services accounts, and all employees' time charges were for work performed on the LMI projects. We reviewed administrative services transactions to determine if they were properly allocated based on the number of hours worked on LMI program activities. We reviewed purchasing documents such as requisitions, purchase orders, receiving reports, and payment vouchers related to non-personnel services to determine if they were allowable. We also reviewed monthly and quarterly financial reports submitted by the SWAs to their respective BLS Regional Office to determine if the reports were submitted timely.

We designed a two-stage stratified cluster sample to select LMI transactions for audit testing. The first stage of the sample design randomly selected BLS regions and States to be included in the audit scope. The second stage of the sample design selected individual transactions to be tested at the State level. For the second stage of the sample design, we used a stratified random sample to select individual transactions from the following three areas: (1) personnel services, (2) non-personnel services, and (3) administrative services. These are the areas in which the States report costs to BLS as part of their work on LMI programs. Based on the final sampling plan the audit results cannot be projected and are limited to the four States included in the audit.

While the States responded that they could provide the total number of LMI personnel services transactions, not all States could provide the same information for non-personnel and administrative services. Some States responded that their cost accounting system could only provide the total amount charged per month for non-personnel and administrative services. We analyzed 100 percent of non-personnel services, and a random sample of personnel services for all four States. In addition, we analyzed 100 percent of administrative services activities for Rhode Island and Vermont, and reviewed a random sample of administrative services activities for New Jersey and District of Columbia. In each State we reviewed the following number of transactions:

Table 4: Sample Population of Personnel, Non-Personnel and Administrative Services

State	Personnel Service Transactions	Non-Personnel Services Transactions	Administrative Services
District of Columbia	20	48	5 Months (Random sample excluded February)
New Jersey	20	64	5 Months (Random sample excluded January)
Vermont	55	949	All 12 Months
Rhode Island	44	150	All 12 Months
Total	139	1,211	34

The universe provided by the four States was as follows: 794 personnel service transactions totaling \$1,512,000; 1,211 non-personnel services transactions totaling \$106,431; and 36 months for administrative services totaling \$290,639.

For administrative services, we reviewed 5 months of transactions, excluding February for the District of Columbia; 5 months of transactions, excluding January for New Jersey; and all 12 months of transactions for Vermont and Rhode Island.

We reviewed 139 personnel service transactions totaling \$305,579.15; 1,211 transactions for non-personnel services totaling \$106,431; and 34 out of 36 months for administrative services totaling \$270,819.

We reviewed 100 percent of the monthly and quarterly financial reports submitted to BLS from the SWAs. For two States — the District of Columbia and New Jersey — we reviewed six monthly financial reports and two quarterly financial reports. For the States of Rhode Island and Vermont, we reviewed 12 monthly financial reports and four quarterly financial reports.

In performing the audit, BLS provided us with their expenditures reports for the States. We performed a data reliability assessment to ensure we had complete and accurate LMI data. To determine whether the data was reliable to select our sample, we compared the LMI financial data reports BLS provided us with a report from the Health and Human Service's Payment Management System—financial system and LMI financial information received from the 54 States. We did note a few differences, but the differences were not material for the purpose of selecting a sample of State LMI transactions to review. We concluded the data to be sufficiently reliable for our audit purposes.

We evaluated internal controls used by BLS and SWAs for reasonable assurance that the SWAs complied with appropriate laws and regulations in expending and reporting LMI funds. Our consideration of internal controls related to the expending and reporting

LMI funds would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, or losses, noncompliance may nevertheless occur and not be detected.

Criteria

- LMI Agreements for selected States
- OMB Circular A-87, Cost Principles for State and Local and Indian Tribal Governments
- OMB Circular A-123 – Management’s Responsibility for Internal Control
- OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations
- Title 29, Parts 93, 96, 97, 98 and 99 of the Code of Federal Regulations
- Workforce Investment Act of 1998, as amended

Appendix C

Acronyms and Abbreviations

Administrative Services		Administrative Support and Technical Services
Agreement	C	ooperative Agreement
BLS	Bureau	of Labor Statistics
DOL	Department	of Labor
FY		Fiscal Year
GAGAS		Generally Accepted Government Auditing Standards
LMI	Labor	Market Information
OIG	Office	of Inspector General
OMB		Office of Management and Budget
State	States,	Territories and the District of Columbia
SWA	State	Workforce Agency

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BLS Response to Draft Report

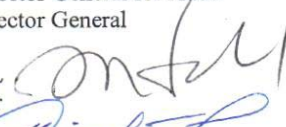
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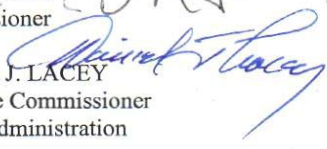
Commissioner
Bureau of Labor Statistics
Washington, D.C. 20212



MAR 31 2011

MEMORANDUM FOR: ELLIOTT P. LEWIS
Assistant Inspector General for Audit
Office of Inspector General

FROM : KEITH HALL 
Commissioner

DANIEL J. LACEY 
Associate Commissioner
for Administration

SUBJECT : BLS Response to the Office of Inspector General BLS Oversight
of Labor Force Statistics Program Funds Report Number 17-11-
001-11-001

Thank you for providing the Office of Inspector General draft report on the Audit of BLS Labor Market Information Cooperative Agreements.

To address the draft recommendations related to report number 17-11-001-11-001, the BLS is providing the following responses:

Recommendation 1: Improve monitoring of State LMI financial transactions to ensure records are maintained that fully support LMI program expenditures.

BLS Response: The BLS does extensive financial monitoring of its grantees. The BLS financial monitoring responsibilities involve monitoring charges against planned spending. The BLS uses the financial reports submitted by the grantees to monitor how they are using their Federal funds. When the situation warrants, the BLS will request details of expenditures from the grantees in order to justify the costs. In these cases, the grantees would provide supporting information based on the accounting records in their systems. In general, the BLS would not review the detailed financial records and transactions unless there is a significant concern that would necessitate it, as the BLS considers this type of monitoring to be auditing.

Current audit requirements for LMI State grantees stem from the Single Audit Act (SAA) Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The LMI cooperative agreement includes an assurance that grantees will comply with required financial and compliance audits in accordance with the SAA and Circular A-133. The grantees are required to submit their Single Audit paperwork to the Federal Audit Clearinghouse (FAC) website. The BLS uses the FAC to determine if the grantees have properly included BLS programs in the annual audits. Any omissions are reported to the appropriate regional office, who will then follow-up with the State in question. The BLS relies on the Single

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Audits to fulfill its audit obligations and, therefore, believes that additional audits are not required and would be duplicative.

Although the BLS reserves the right to conduct on-site monitoring of its grantees when warranted, this in no way should be considered an ongoing audit program of the grantees. The BLS does not have an audit function or the resources to supplement the mandated SAA requirements.

Recommendation 2: Enforce policies and procedures currently in place to ensure the States' timely submission of monthly financial reports.

BLS Response: The BLS reporting requirements comply with 29 CFR § 97, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, which requires the submission of quarterly OMB-required financial reports. The grantees are submitting the quarterly reports in a timely fashion. The monthly reports requested by the BLS go above and beyond the OMB Federal requirements. BLS financial reporting requirements were developed in the early 1980s. At that time, State systems were capable of producing the requested reports. Since then, OMB standardized financial reporting and State financial systems have changed. In some cases, when new systems were developed, the ability to produce data at the detailed level BLS requested was not programmed. In addition, as new systems are implemented the States often are delayed in reporting due to problems with implementation. The BLS will continue to work with its regional staff to ensure they are following up with the grantees on delinquent reports. In addition, the BLS will reiterate the reporting requirements to the grantees in the transmittal memorandum for the FY 2012 cooperative agreement application package.

Recommendation 3: Recover questioned costs totaling \$39,273 for non-personnel service transactions that the States could not support.

BLS Response: The BLS requested details on the questioned non-personnel service costs from the OIG. Once this information is received, the BLS will work with the regional office and the States to review the materials. The BLS Grant Officer will then make a determination as to whether or not the costs are allowable under the cooperative agreement.

If you have any questions, please contact Tod Sirois in the Division of Management Systems on (202) 691-6757.

Attachment

Appendix E

Acknowledgements

Key contributors to this report were Tracy Katz, Zaunder Saucer, Tinuke Aruwayo, Grover Fowler, Jr., Barry Weiss, Deborah Jarmon, Lawrence Alli, Jr., Steven Johnson, Adams Kondeh, and Christine Allen.

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U.S. Department of Labor
200 Constitution Avenue, N.W.
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