


ETA Response to Draft Report

U.S. Department of Labor	Assistant Secretary for Employment and Training Washington, D.C. 20210	
MAR 25 2013		
MEMORANDUM FOR:	ELLIOT P. LEWIS Assistant Inspector General Office of Audits	
FROM:	JANE OATES <i>Jane Oates</i> Assistant Secretary Employment and Training Administration	
SUBJECT:	Response to the Office of Inspector General's Audit, <i>District of Columbia Department of Employment Services did not have Adequate Controls for the Financial Management of Funds for Grants Awarded by ETA</i> , Audit Report 03-13-001-03-315	
<p>The Employment and Training Administration (ETA) appreciates the opportunity to provide a response to the Office of the Inspector General's (OIG) audit report on the District of Columbia's Department of Employment Services (DC DOES) financial management of ETA grants. The audit report verifies ETA's concerns identified during our last financial monitoring review of DC DOES, which led to ETA's request that the OIG conduct an audit of DC DOES' financial management of ETA grants.</p>		
<p>Recommendation 1: Comply with established policies and procedures for allocating non-personnel services fixed costs based on FARS actual labor distributions, including monthly adjustments to actual amounts when estimates are used.</p>		
<p>Recommendation 2: Improve established policies and procedures to ensure they sufficiently describe the process for adjusting allocated non-personnel services fixed costs from budget to actual using the FARS data and the detailed documentation to be maintained for the journal vouchers used to record the adjustments in the SOAR general ledger.</p>		
<p>ETA Response to Recommendations 1 and 2: ETA concurs with these recommendations. ETA will work with DC DOES to ensure that it has policies and procedures in place that adequately address the process for adjusting fixed costs for non-personnel services from budget to actual using current and real monthly labor distribution data. ETA will also assist DC DOES in the development of improved policies that address the maintenance of proper documentation for journal vouchers used to record adjustments.</p>		
<p>Recommendation 3: Comply with established policies and procedures requiring adequate documentation be maintained with journal vouchers that provide a basis for the transactions.</p>		
<p>ETA Response: ETA concurs with this recommendation. ETA will verify that DC DOES' current system is maintaining adequate documentation to support journal vouchers.</p>		

Recommendation 4: Develop and implement policies and procedures requiring employees to charge their time based on actual hours worked or ensure they adjusted their time to actual when estimates were used.

Recommendation 5: Develop and implement policies and procedures to ensure administrative, support, and technical costs charged to ETA grants are based on actual time charges.

ETA Response to Recommendations 4 and 5: ETA concurs with these recommendations. ETA will work with both DC DOES and DC OCFO to assist with the development of policies and procedures that adequately document the process for how DC personnel, both DOES and OCFO, charge time to activities based on actual hours worked. ETA will also verify that DC DOES and DC OCFO implement the developed policies and procedures.

Recommendation 6: Calculate the proper administrative, support, and technical costs for DC OFCO staff that should have been charged to ETA grants for FYs 2009 and 2010, and recover any overcharges.

ETA Response: ETA concurs with this recommendation. ETA will require DC DOES to review past records and documentation to determine the actual time spent by DC OCFO on ETA grants for FYs 2009 and 2010. ETA will require DC DOES to provide all support that confirms their determinations and ETA will recover any expenses that were incorrectly charged to ETA's grants.

Recommendation 7: Develop and implement policies and procedures requiring that adequate support be maintained that provides a basis for splitting costs for purchase orders for services that benefit multiple grants.

ETA Response: ETA concurs with this recommendation. ETA will work with DC DOES to assist with their development of policies and procedures requiring that adequate support is maintained for purchased orders that split costs between multiple grants.

Recommendation 8: Determine and recover any overcharges relating to the \$5,055,841 of indirect non-personnel services costs questioned that should have been charged to ETA grants based on FARS actual labor distributions; recover \$2,833,589 representing the net increase to ETA grants for the journal vouchers that DC DOES could not support; recover \$957,661 in personnel services expenses charged to ETA grants for the 15 employees whose hours were based on estimates; and recover \$6,729 charged to ETA grants for invoices split among multiple grants that DC DOES could not support.

ETA Response:

ETA will work with DC DOES to determine and recover any expenses that were incorrectly charged to ETA's grants.

DC DOES Response to Draft Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Employment Services

VINCENT C. GRAY
MAYOR



LISA M. MALLORY
DIRECTOR

March 21, 2013

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

RE: District of Columbia Department of Employment Services Discussion Draft Report No.: 03-13-001-03-315, Audit of Federal Funds: Audit Period; October 2008 through December 2012, Agency Response

Dear Mr. Lewis:

The District of Columbia Office of the Chief Financial Officer (OCFO) and Department of Employment Services (DOES) have reviewed the Discussion Draft issued on February 21, 2013 concerning the US Department of Labor (DOL), Office of the Inspector General (IG), audit of federal funds received from the DOL Employment and Training Administration (ETA).

Both OCFO and DOES accept the five (5) audit findings included in the audit report.

1. DOES did not charge actual indirect NPS fixed costs to ETA grants,
2. DOES could not provide adequate support for 49 journal vouchers,
3. DOES employees working on multiple grants used estimated time to charge ETA grants,
4. Administrative, Support and Technical (AS&T) costs for OCFO Staff charged to ETA grants were not accurate, and
5. Invoices for non-personnel services (NPS) expenditures did not have support on how costs were split among multiple grants.

Further, it was recognized that lack of adequate supporting documentation was a recurrent theme throughout the Audit report. This combined with staff turnover and the resultant loss of institutional memory, resulted in a diminished capacity to reconstruct previous actions. These factors played a critical role in our acceptance of these findings.

To this end, the OCFO Government Operations Cluster (GOC) (who assumed oversight of DOES on October 1, 2012) has worked collaboratively with DOES to develop and implement targeted corrective actions that address each finding in its entirety and has detailed these corrective actions in the attached "Official Response to DOL Audit Findings and Corrective Action Plan" document.

GOC has additionally implemented several strategic reforms that are designed to ensure long-term compliance with OMB and DOL requirements and regulations. These reforms include:

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- Restructuring the DOES financial staff to ensure that the organization is adequately resourced and costs are charged to federal funds appropriately.
- The addition of a Program Manager, who is dedicated to ensuring fiscal compliance with OMB Circular A-87, DOL ETA grants regulations and the revision of internal policies and procedures for grants management.
- The development and submission of a comprehensive Cost Allocation Plan (CAP) that details the allocation methodology of central services fixed costs and the processes for managing program and administrative costs charged to federal funds.
- The restructuring of the DOES budget in the District System of Accounting and Reporting (SOAR) general ledger to match the structure of ETA grants to improve the budgeting, accounting and reporting of federal funds.

These measures, in addition to the corrective actions detailed in the attached, ensure that an adequate level of resources are assigned to the on-going management of federal funds and mitigates the risks of future financial findings concerning DOES grants management.

We are confident that all deficiencies in the financial management of ETA funds have been addressed going forward and that through the corrective actions and reformative measures, DOES will be in full compliance with the federal costs principles and related DOL regulations concerning DOES grants. We also intend to internally monitor compliance and review the effectiveness of the corrective actions and reformative measures, as necessary. We look forward to the ETA Regional Office's review of the final audit report and the actions required to remediate the associated findings.

Sincerely,



Lisa M. Mallory
Director

Enclosure

cc: Mohamed A. Mohamed, District of Columbia, Office of the Chief Financial Officer
Lenita Jacobs-Simmons, U.S. Department of Labor

**GOVERNMENT OPERATIONS CLUSTER
DEPARTMENT OF EMPLOYMENT SERVICES FINANCE
US DEPARTMENT OF LABOR, INSPECTOR GENERAL AUDIT**

OFFICIAL RESPONSE TO DOL AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

1. DOES did not charge actual indirect NPS fixed costs to ETA grants.

Nature: This is an OCFO finding where fixed costs budgeted allocations to grants were not consistently adjusted to the actual allocation as required by OMB Circular A-87

DOL Recommendation: (1) Comply and improve upon policies and procedures for fixed costs allocations and adjustment to actual including documentation of adjustments. (2) From FY09 through FY11, determine actual amounts that should have been charged based on an allocation true-up to what was charged and recover any overcharges.

Response to DOL recommendation

1. Comprehensive review was conducted and revised as per Corrective Actions noted below.
2. Lack of availability of adequate supporting documentation and institutional memory (a recurrent theme in the Audit Findings)

Potential Fiscal Impact: \$5.1M

*** DOES Program staff and OCFO Finance staff accept this finding.**

Corrective Actions:

At beginning of FY 2013, GOC conducted a comprehensive review of existing policies and procedures. Among the changes related to this finding include the following:

1. The AS&T allocation has been revised and the allocation based on direct charged time and effort is being allocated back to all funding streams on a quarterly basis.
2. Fixed Costs are no longer automatically expensed to Federal Funding. They are pooled to a Fund Detail Level and then charged to Federal Funds based on actual expense incurred. This eliminates the need for adjustments.
3. DOES Finance now requires source documents in order to validate fixed cost expenditures. On a monthly basis, a dedicated Finance Manager is now responsible for reviewing and ensuring the accuracy of individual line items billed by the Central office.

2. DOES could not provide adequate support for 49 journal vouchers.

GOVERNMENT OPERATIONS – DEPARTMENT OF EMPLOYMENT SERVICES
 REVIEW OF FINDINGS AND CORRECTIVE ACTIONS

Nature: This is an OCFO finding where adjustments made to the grants were not properly supported. This will be addressed by providing the appropriate documentation prior to the issuance of the final report.

Recommendation: (1) Recover \$2.8M in unsupported charges to the grants. (2) Comply with policies and procedures requiring adequate documentation of journal vouchers that provide basis for transactions charged to the grants.

Response to DOL recommendation

1. Lack of availability of adequate supporting documentation and institutional memory (a recurrent theme in the Audit Findings)
2. Compliance has been achieved as per Corrective Actions outlined below.

Potential Fiscal Impact: \$2.8M

*** DOES Program staff and OCFO Finance staff accept this finding.**

Corrective Actions:

Consistent with the GOC policies for approving and maintaining journal entries, the new Controller for DOES now ensures that policies related to the adequacy of supporting documentation are strictly followed. These include journal entries related to:

1. Reclassification of and adjustments to federal expenditures
2. Payment entries
3. Cash expenditures
4. Accrued expenditures
5. Non-Personnel Services (NPS) expenditures.

Further, supporting documentation must be reviewed and approved before entry into the District's financial system. DOES has taken active steps to ensure the proper retention and easy availability of all source documents. DOES Program staff and OCFO Finance staff have created an electronic filing system to scan all documents in a shared folder. Unemployment Insurance documents are stored separately in this system to ensure alignment with the Resource Justification Model (RJM).

3. DOES employees working on multiple grants used estimated time to charge ETA grants.

Nature: This is a programmatic finding where DOES FTE were charging time according to a pre-determined allocation to grants instead of the actual hours worked grants.

DOL Recommendation: (1) Recover \$856K in PS charges charged to grants where 15 employees estimated hours. (2) Develop policies & procedures requiring employees to charge time based on actual hours worked and/or ensure that time is adjusted to actual time worked when an allocation is used.

Response to DOL recommendation

GOVERNMENT OPERATIONS – DEPARTMENT OF EMPLOYMENT SERVICES
REVIEW OF FINDINGS AND CORRECTIVE ACTIONS

1. Lack of availability of adequate supporting documentation and institutional memory (a recurrent theme in the Audit Findings)
2. Compliance has been achieved as per corrective actions outlined below.

Potential Fiscal Impact: \$856K

*** DOES Program staff and OCFO Finance staff accept this finding.**

Corrective Actions:

Effective October 1 2012, the OCFO transitioned from FARS to PeopleSoft as its time and labor distribution system.

Finance initiated training sessions to ensure that all staff understood how to enter time based on time distribution and PeopleSoft Combination Codes. The majority of DOES Program staff and OCFO Finance staff are currently entering their time according to this PeopleSoft Combination Code system. Additionally, OCFO Finance staff will conduct quarterly refresher training on the use of the system beginning in April 2013. Finally, the OCFO Finance staff will sample PeopleSoft Combination Code payroll information both before and after posting to analyze compliance.

The training was also aimed at ensuring that the correct codes would be chosen and that DOES employees understood the importance of accurately recording their time. The OCFO team plans to establish periodic refreshers to ensure that time is being entered appropriately. Also, OCFO is establishing measures to consistently review approved time to check for any inconsistencies.

4. AS&T costs for OCFO Staff charged to ETA grants were not accurate.

Nature: This is an OCFO finding related to Shared Services FTE being charged to DOES but not 100% dedicated to DOES finance.

DOL Recommendation: (1) Calculate the proper AS&T charges for OCFO employees that should have charged time to ETA grants and recover overcharges.

Response to DOL recommendation

1. Lack of availability of adequate supporting documentation and institutional memory (a recurrent theme in the Audit Findings)

Potential Fiscal Impact: \$(43K)

*** DOES Program staff and OCFO Finance staff accept this finding.**

Corrective Actions:

As a result of the transition of DOES Finance Staff from the EDRC Cluster to the GOC the shared services model used by EDRC was discontinued.

This situation is now fully rectified. All finance staff paid for by DOES are onsite and 100% dedicated to DOES.

GOVERNMENT OPERATIONS – DEPARTMENT OF EMPLOYMENT SERVICES
REVIEW OF FINDINGS AND CORRECTIVE ACTIONS

5. Invoices for NPS expenditures did not have support on how costs were split among multiple grants.

Nature: This is an OCFO and Program finding where the percentage allocation of procurements is not consistently documented in communications from program to OCFO before funding a requisition.

Recommendation: (1) Recover \$6,729 in charges for split funded PO's that could not be supported by DOES. (2) Develop policies and procedures requiring adequate documentation serving as basis to split costs of purchase orders charged to the grants.

Response to DOL recommendation

1. Lack of availability of adequate supporting documentation and institutional memory (a recurrent theme in the Audit Findings)
2. Compliance has been achieved as per Corrective actions outlined below.

Potential Fiscal Impact: \$7K

*** DOES Program staff and OCFO Finance staff concur with this finding.**

Corrective Actions:

DOES Finance has decided to implement procedures whereby specific and relevant forms must be completed for all split funded obligations. The design of these forms will require the individual making the request to justify the percentage of costs that must be allocated to each funding stream and signed by the requestor and the manager. It is also a requirement to attach the signed forms to all purchase requisitions in the District Procurement system – PASS.