

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



QUALITY CONTROL REVIEW SINGLE AUDIT OF THE PUERTO RICO LABOR DEVELOPMENT ADMINISTRATION FOR THE YEAR ENDED JUNE 30, 2013

Date Issued: September 28, 2015
Report Number: 24-15-001-03-390

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 28, 2015

INSPECTOR GENERAL'S REPORT

Lopez-Vega, CPA, PSC
A. Alfredo Lopez Vega, President
1686 Parana Street
El Cerezal, San Juan, PR 00926-3144

Dear Mr. Lopez-Vega:

The U.S. Department of Labor (DOL), Office of Inspector General (OIG) conducted a Quality Control Review (QCR) of the Single Audit of the Puerto Rico Labor Development Administration (PRLDA) for the year ended June 30, 2013. The single audit was completed by Lopez-Vega, CPA, PSC, (Firm), under the Federal Single Audit Act and Office of Management and Budget Circular A-133 (A-133).

A QCR is performed to provide evidence of the reliability of single audits to the auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act, those responsible for the programs, and others. For the year ended June 30, 2013, PRLDA reported expenditures of \$69,070,398 (\$69,052,566 DOL funds; \$17,832 non-DOL funds). This QCR covered \$68,367,821 for the segments of the PRLDA Single Audit for the DOL Workforce Investment Act (WIA) program cluster¹ (\$58,866,266) and WIA National Emergency Grants (NEG) program (\$9,501,555).

Our objectives were to determine if: (1) the audit was conducted in accordance with applicable standards, including Generally Accepted Government Auditing Standards (GAGAS) and Generally Accepted Auditing Standards (GAAS), and met the requirements of A-133; (2) there were any issues that may require management's attention; and (3) any follow-up work is needed to support the opinions contained in the audit report.

While we found the audit was conducted in accordance with applicable standards, we noted it was technically deficient for one aspect of Single Audit Act reporting requirements; therefore follow-up work is needed. Specifically, we found the Firm did not report questioned costs totaling \$16,800 related to unallowable stipends paid to WIA NEG participants in Fiscal Year (FY) 2013. The unallowable nature of these stipends

¹ A cluster is a grouping of closely related programs that have similar compliance requirements. Clusters are treated as a single program for the purpose of meeting the audit requirements of A-133, Section 105.

was reported as a finding by the Firm, and its report should have identified the related questioned costs.

Since the audit was technically deficient, we recommend the Firm reissue the single audit report, including the questioned costs for the unallowable stipends, and work with PRLDA to resubmit the report to the Federal Audit Clearinghouse (FAC).

A-133, Section .510(a), requires the auditor to report known questioned costs greater than \$10,000 (or the amount of known questioned costs when the amount of likely questioned costs are greater than \$10,000) that could have a direct effect on compliance with the requirements of each major program. A-133, Section .510(b)(4), requires the identification of questioned costs and how they were computed.

The Uniform QCR Guide refers to the *Codification of Statements on Auditing Standards* (AU) and states:

When the overall evaluation is “technically deficient” or “unacceptable” and additional audit work is necessary to support the opinions contained in the audit, auditors should be advised to follow AU 390 and AU 801.43 with respect to reissuance of the audit report.

Details on the results of our review are provided in the Enclosure.

Sincerely,



Elliot P. Lewis
Assistant Inspector General
for Audit

Enclosure

cc: Stephen Daniels, Director of Policy, Review, and Resolution, ETA

Diane Easterling, Audit Liaison, ETA

Lisa Lahrman, Acting Administrator, Office of Management and Administrative Services, ETA

Juan Rivera, Finance Director, PRLDA

Enclosure

**Quality Control Review
Single Audit of the Puerto Rico Labor Development Administration
for the Year Ended June 30, 2013
(24-15-001-03-390)**

The Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, established single audit financial and compliance requirements for states, local and Indian tribal governments, and non-profit organizations that expend federal funds equal to or greater than \$500,000 in any fiscal year.

On January 21, 2014, the Firm issued a single audit report of PRLDA's financial statements, Schedule of Expenditures of Federal Awards (SEFA), and reports required by GAGAS and A-133 for the year ended June 30, 2013.

Our review included the following DOL major programs:

DOL Major Programs Reviewed		
Major Program	Catalog of Federal Domestic Assistance Number	DOL Major Funds Reported as Expended
	17.258	
WIA Cluster	17.259	
	17.278	\$ 58,866,266
WIA NEGs	17.277	9,501,555
Total DOL Major Funds Reported as Expended		\$ 68,367,821

Finding — The Firm did not indicate the amount of questioned costs PRLDA paid to WIA NEG participants.

During eligibility testing, the Firm noted stipends were paid to WIA NEG participants who received prevocational training from three service providers contracted by PRLDA. The stipend amounts paid by the service providers to the program participants were \$600 to some participants and \$900 to others.

The Firm drew a random sample to test 60 participants, of which it found 23 were paid \$16,800 in unallowable stipends. Ten participants were paid stipends of \$900 (totaling \$9,000), and thirteen participants were paid stipends of \$600 (totaling \$7,800). While the Firm reported the payment of stipends was improper, it did not report the value of

the payments as questioned costs. Instead, the Firm reported it could not determine the amount of questioned costs despite having calculated the amount during its audit. We concluded the Firm should have reported the \$16,800 as questioned costs.

A-133, Section .510(a), requires the auditor to report known questioned costs greater than \$10,000 (or the amount of known questioned costs when the amount of likely questioned costs are greater than \$10,000) that could have a direct effect on compliance with the requirements of each major program. A-133, Section .510(b)(4) requires the identification of questioned costs and how they were computed.

The Uniform QCR Guide refers to the *Codification of Statements on Auditing Standards* (AU) and states:

When the overall evaluation is “technically deficient” or “unacceptable” and additional audit work is necessary to support the opinions contained in the audit, auditors should be advised to follow AU 390 and AU 801.43 with respect to reissuance of the audit report.

Recommendation

We recommend the Firm reissue the single audit report, including the questioned costs for the unallowable stipends, and work with PRLDA to resubmit the report to the Federal Audit Clearinghouse.

Firm’s and PRLDA’s Responses

Both the Firm and PRLDA agreed with the recommendation and provided their plans to address it. The Firm stated it will reissue to FAC the single audit report of PRLDA for the year ended June 30, 2013. The reissued report will include questioned costs of \$16,800. See Appendices B and C for the Firm’s and PRLDA’s complete responses to our report.

Appendices

Appendix A

Objectives, Scope, Methodology, and Criteria

Objectives

Our objectives were to determine if: (1) the audit was conducted in accordance with applicable standards, including GAGAS and GAAS, and met the requirements of A-133; (2) there were any issues that may require management's attention; and (3) any follow-up work is needed to support the opinions contained in the audit report.

Scope

We performed a QCR of the Firm's single audit of PRLDA's financial statements, SEFA, and reports required by GAGAS and A-133 for the year ended June 30, 2013. We performed our work at the offices of the Firm at 1686 Parana Street, El Cerezal, San Juan, PR, 00926-3144.

Methodology

We reviewed the audit report using the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide for Desk Reviews of A-133 Audit Reports (Desk Guide). The Desk Guide was developed to ensure compliance with the requirements of the Single Audit Act, Single Audit Act Amendments of 1996, and A-133. We therefore reviewed the financial statements, compliance, and internal control reporting, SEFA and Schedule of Findings and Questioned Costs.

Using the CIGIE Uniform Guide for QCRs of A-133 Audits (QCR Guide), we reviewed audit documentation and held discussions with the Firm's president and auditors to accomplish the required steps. The QCR Guide was developed to test for compliance with GAGAS general and fieldwork standards and A-133 requirements.

Specifically, we reviewed:

- Auditor Qualifications
- Independence
- Due Professional Care
- Quality Control
- Planning and Supervision
- Management Representations
- Litigation, Claims and Assessments
- Possible Fraud or Illegal Acts
- Determination of Major Programs
- Schedule of Expenditures of Federal Awards
- Audit Follow up
- Reporting

- Internal Control Over Major Programs
- Data Collection Form

We also reviewed the Firm's peer review applicable to the period of the audit.

Criteria

- A-133
- GAGAS, December 2011 Revision
- Single Audit Act of 1984
- Single Audit Act Amendments of 1996

Firm's Response to Draft Report



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

Member of:

- American Institute of Certified Public Accountants
- Puerto Rico Society of Certified Public Accountants

August 26, 2015

Mr. Elliot P. Lewis
Assistant Inspector General
for Audit
Office of Inspector General
Washington DC. 20210

**Subject: Quality Control Review Single Audit
Puerto Rico Labor Development Administration
For the Year Ended June 30, 2013
Draft Report No. 24-15-001-03-390**

Dear Mr. Lewis:

We have reviewed the draft report's findings and recommendation prepared by your office. Following are two (2) changes to the drafted report, which we respectfully submit to you, for your evaluation.

Change 1

Wording drafted by OIG (page 2):

Since the audit was technically deficient, we recommend the Firm to submit a revised reporting package to the Federal Audit Clearinghouse (FAC) that includes the calculation of question costs for the stipends paid to WIA NEG participants receiving prevocational training from providers contracted by PRLDA in FY 2013.

Wording revised by the Firm:

Since the audit was technically deficient, we recommend the Firm to submit a revised reporting package to the Federal Audit Clearinghouse (FAC) that includes the ~~calculation of~~ questioned costs of **\$16,800, determined** for the stipends paid to WIA NEG participants receiving prevocational training from providers contracted by PRLDA ~~in~~ **tested for** FY 2013.

Mr. Elliot P. Lewis
Assistant Inspector General for Audit
Page 2

Change 2

Wording drafted by OIG (page 5):

We recommend the Firm:

1. Reissue the Single Audit to the FAC, reporting the amount of questioned costs for stipends paid to NEG participants receiving prevocational training

Wording revised by the Firm:

We recommend the Firm:

1. Reissue the Single Audit to the FAC, reporting the amount of questioned costs of \$ 16,800, for stipends paid to NEG participants receiving prevocational training

Firm's response to OIG Draft Report

Also, the following is our Firm's response to the Draft Report to be included on the "Appendix C".

As recommended by the Office of Inspector General (OIG), we will reissue the Single Audit Report of the Puerto Rico Labor Development Administration (PRLDA) for the year ended June 30, 2013 to the Federal Audit Clearinghouse (FAC).

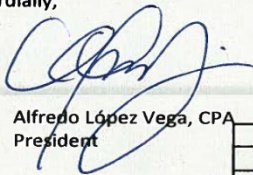
The reissued report will include the amount of questioned costs of \$16,800, which was determined to be excessive stipends paid to the Program participants on a sample of 60 cases tested during the audit.

Regarding to that matter, the reissued report will be modified only to include the amount of \$16,800 of questioned costs on finding 13-05 (Allowable costs), which is presented on page 57 of our report.

Accordingly with the above, additional work to support the opinions contained in our Single Audit report of PRLDA is not deemed necessary.

If you have any question regarding the comments on changes to the report and the Firm's response described above, you can contact me at our office (787)777-8044 or (787) 398-5541.

Cordially,



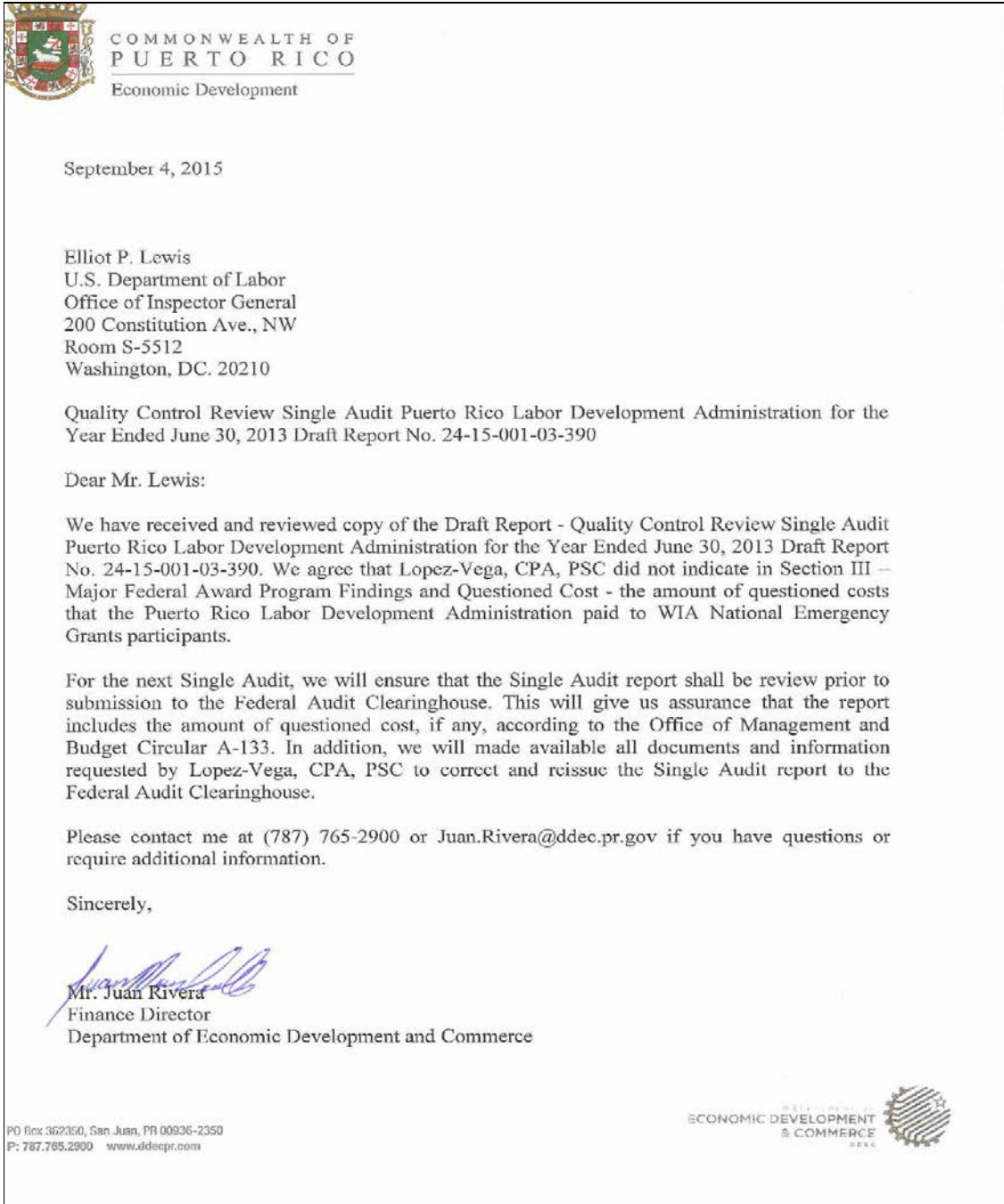
A. Alfredo López Vega, CPA
President



López-Vega, CPA, PSC

Certified Public Accountants / Management Advisors

PRLDA's Response to Draft Report



Appendix D

Acknowledgements

Key contributors to this report were Melvin Reid, Ruth-Ami Klein, Laurence Ellis, Christine Allen, and Grover Fowler.

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

Online: <http://www.oig.dol.gov/hotlineform.htm>

Email: hotline@oig.dol.gov

Telephone: 1-800-347-3756
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