

**State of Delaware
Office of Auditor of Accounts**

**Department of Labor
Division of Employment and Training**

**Workforce Investment Act Youth
And Dislocated Workers Programs**

**American Recovery and
Reinvestment Act §1512 Reporting**

**Agreed-Upon Procedures Engagement
As of March 31, 2010**

Fieldwork End Date: October 20, 2010

Issuance Date: November 15, 2010

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts

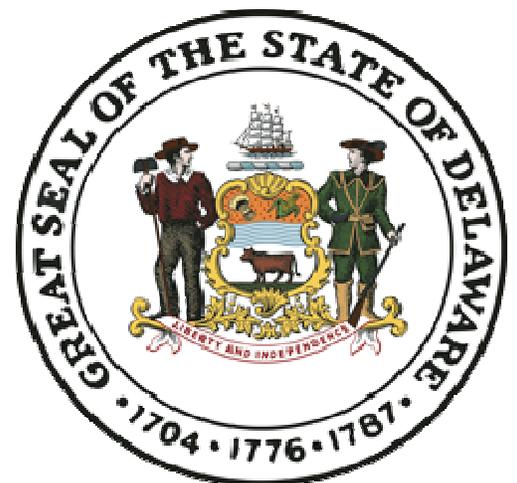


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STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

The Governor's Stimulus Solutions Group
Attn: The Honorable Matthew Denn
Lieutenant Governor
820 N. French Street, 10th Floor
Wilmington, DE 19801

The Honorable John McMahon
Secretary
Department of Labor
Office of the Secretary
4425 North Market Street
Wilmington, DE 19802

We have performed the procedures enumerated below, which were agreed to by the Governor's Stimulus Solutions Group (Stimulus Group) and the Department of Labor (DOL), Division of Employment and Training (DET). The procedures were performed solely to assist the specified parties in evaluating the *American Recovery and Reinvestment Act of 2009* (ARRA) §1512 Report (§1512 Report) for the Workforce Investment Act (WIA) Youth and Dislocated Workers programs, CFDA¹ 17.259² and 17.260³ as of March 31, 2010. The aggregate award for the WIA programs totaled \$6,191,756 with reported federal expenditures at March 31, 2010 of \$3,858,593. Management is responsible for DET's compliance with applicable Federal and State requirements.

The WIA Youth program's purpose is to help low income youth between the ages of 14 and 24, acquire the educational and occupational skills, training, and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood. The funds are used for youth employment and training activities that will provide eligible youth assistance in achieving careers and academic and employment success, mentoring, training, supportive services, recognition and achievement incentives, and opportunities for leadership development, decision making, citizenship, and community service.

The WIA Dislocated Workers program's purpose is to reemploy dislocated workers, improve the quality of the workforce, and enhance the productivity and competitiveness of the nation's economy by providing workforce investment activities. The funds are used to provide core services (including outreach, job search and placement assistance, and labor market information), intensive services (including

¹ Code of Federal Domestic Assistance

² SAI S9031202 (State Application Identifier)

³ SAI S9031203

comprehensive assessments, development of individual employment plans and counseling, and career planning), and training services for both occupational and basic skills. Other costs may include supportive services such as transportation and childcare assistance to enable an individual to participate in the program.

This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures were as follows:

1. Examine the §1512 Report and supporting documents to ensure the data was properly and adequately reviewed by management prior to submitting it to the federal agency, the information reported was accurate, and the report was submitted timely.

We traced the amounts reported to appropriate supporting documentation and verified the amounts were accurate. The March 31, 2010, §1512 Report was due by April 16, 2010. The DET submitted the report timely to federalreporting.gov on April 8, 2010. However, the DET did not submit the ARRA §1512 Report and Approval Record to Delaware Office of Management and Budget (OMB). See ***Finding and Recommendation #1*** of this report for further details.

2. Ensure the calculation of the estimate of the number of jobs created and retained by the project is in compliance with the Council of Economic Advisers Memorandum dated May 2009.

According to the Federal OMB Memorandum M-10-08 issued on December 18, 2009, the jobs estimate is calculated by dividing the number of hours worked by the number of full-time hours in the quarter. Only jobs funded by the ARRA program are to be counted. The DET reported nine jobs were created or retained, however, this amount did not agree to supporting documentation and State employees whose payroll is funded through these programs were omitted from the count. In consideration of the net effect of these errors, DET should have reported ten jobs created or retained. See ***Finding and Recommendation #2*** of this report for further details.

3. Ensure the information provided for subcontracts or subgrants include the data elements required to comply with the *Federal Funding Accountability and Transparency Act of 2006*.

We verified the information reported for sub-recipients to supporting documentation. The DET properly reported the data elements for the sub grant as required to comply with the *Federal Funding Accountability and Transparency Act of 2006*; however, the DET did not properly report the *Amount of Sub Award* or the *Total Sub Award Funds Disbursed* for two sub-recipients respectively and omitted one sub-recipient from the §1512 Report. See ***Finding and Recommendation #3*** of this report for further details. The DET has awarded contracts for training and summer youth programs to non-State entities totaling \$2,952,717.

4. Select and test a sample of ARRA expenditures to ensure the funds were spent for the reported purpose, in accordance with State and Federal procurement laws, and were a reasonable and appropriate use of taxpayer money.

We tested and were able to determine eligibility of program expenditures totaling \$2,055,851 by examining supporting documentation. These expenditures consisted of \$1,710,463 for WIA Youth employment programs and \$345,388 for WIA Dislocated Worker temporary employment, tuition, and training costs.

We were not engaged to and did not conduct an examination with the objective of expressing an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

October 20, 2010

Findings and Recommendations

Procedure #1

Examine the §1512 Report and supporting documents to ensure the data was properly and adequately reviewed by management prior to submitting it to the federal agency, the information reported was accurate, and the report was submitted timely.

Finding #1 – ARRA §1512 Approval Record Not Sent to Delaware OMB

Criteria

The Delaware OMB §1512 Reporting Instruction Manual states, "Prime recipients and approved delegated sub-recipients must also complete and have appropriate signed approval from the agency head for each report field prior to uploading to the federal reporting system. A form for this purpose can be located at <http://www.omb.delaware.gov/arra/index.shtml> and a copy is to be emailed to OMB_ARRA1512@state.de.us or faxed to (302) 739-5661." "Copies of the final spreadsheet uploaded to the federal reporting system, as well as the sign-off sheet are to be emailed to OMB_ARRA1512@state.de.us."

Condition

The DET did not submit the ARRA §1512 Report Approval Record to OMB for the reporting period ending March 31, 2010 as required by the Delaware OMB §1512 Reporting Instruction *Manual*. In addition, the DET's supporting documents for the §1512 report did not have discernible evidence of management review and approval.

Cause

The DET was not aware of the requirement to send the ARRA §1512 Report Approval Record.

Effect

The purpose of this approval form is to ensure that there are no material omissions or significant reporting errors in the quarterly report. Failure to certify the accuracy of the report does not ensure the reported information is complete and accurate. Lack of management review and clear supporting documents may leave errors undiscovered.

Recommendation

The DET should ensure the quality of the reported data by adequately reviewing the information before submitting it to the federal government and certify the review by submitting the ARRA §1512 Report Approval Record to OMB.

Auditee Response

DET has put procedures in place to ensure the timely filing of reports to Delaware OMB.

Procedure #2

Ensure the calculation of the estimate of the number of jobs created and retained by the project is in compliance with the Council of Economic Advisers Memorandum dated May 2009.

Findings and Recommendations

Finding #2 - Jobs Incorrectly Reported

Criteria

OMB memos M-09-21, M-10-08 and May 2009 memo from the Council of Economic Advisors, states that "The estimate of the number of jobs required by the Recovery Act should be expressed as full-time equivalents' (FTE), which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient." The federal guidance was updated and amended on December 18, 2009, and defines jobs created or retained as "those funded in the quarter by the Recovery Act. Jobs funded with non-Recovery Act funds will not be counted unless they will be reimbursed. Jobs funded partially with Recovery Act funds will only be counted based on the proportion funded by the Recovery Act."

Condition

DET reported nine jobs on the §1512 report that does not agree to the support provided which indicates eight jobs. In addition, DOL did not include the state employees whose payroll is funded through the programs by other agencies. Approximately two jobs attributable to other state agencies were not included in the jobs calculation.

Cause

DET erroneously omitted the state employees from the other state agencies and incorrectly reported the number of jobs from the supporting work paper.

Effect

The jobs reported in the §1512 submission were understated by approximately one FTE (net).

Recommendation

DET should comply with the procedures to calculate the number of jobs as explained in OMB memos M-09-21, M-10-08, and May 2009 memo from the Council of Economic Advisors.

Auditee Response

DET has added an additional level of management review to ensure compliance with all §1512 regulations.

Procedure #3

Ensure the information provided for subcontracts or subgrants include the data elements required to comply with the *Federal Funding Accountability and Transparency Act of 2006*.

Findings and Recommendations

Finding #3 – Sub-recipient Reporting Errors

Criteria

The *Delaware OMB §1512 Reporting Instruction Manual* states:

Prior to submission to the Federal website, the Primary Recipient is responsible for ensuring that no material errors or omissions exist. A material omission is defined as "instances where required data is not reported or reported information is not otherwise responsive to the data requests resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity."

A significant reporting error is defined as "instances where required data is not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question." **The Prime Recipient must ensure that there are no material omissions or significant reporting errors in each quarterly report.**

The *Delaware OMB §1512 Reporting Instruction Manual* also states "Data quality (i.e., accuracy, completeness and timely reporting of information) reviews required by the OMB June 22 Guidance are intended to avoid two key data problems -- material omissions and significant reporting errors. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Sub-recipients delegated to report on behalf of prime recipients share in this responsibility. In light of these data quality responsibilities, recipients and sub-recipients should establish internal controls to ensure completeness, accuracy and timely reporting of all amounts funded by the Recovery Act."

In addition, the State of Delaware OMB/DOA ARRA of 2009 Internal Controls Guideline dated November 24, 2009, states, "Organizations must set up a process for review of data quality to ensure information submitted for reporting the use of ARRA funds is accurate and timely."

Condition

DOL, Workforce Investment Act/Dislocated Worker's §1512 report contained the following errors in the sub-recipient tab:

- *Amount of Sub Award* for two sub-recipients were erroneously under-reported by a total of \$80.
- *Total Sub Award Funds Disbursed* for two sub-recipients were erroneously reported resulting in an understatement of expenditures of \$30,250. Expenditures of \$160,578 and \$43,255 should have been reported as \$180,578 and \$53,505 respectively.
- In addition, one sub-recipient with an award amount of \$98,628 was completely omitted from the sub-recipient tab.

Proper management review of the supporting documentation to the §1512 report may have caught these errors before it was submitted.

Findings and Recommendations

Cause

There was no procedure in place for adequate management review of the supporting documentation and §1512 report before it was submitted to federalreporting.gov.

Effect

The March 31, 2010, §1512 report submitted by DOL, Division of Employment and Training contained significant reporting errors. Continued non-compliance with ARRA reporting requirements could result in termination of the award, reclaiming of funds, and potential punitive actions.

Recommendation

DOL, Division of Employment and Training should implement a management review process to ensure that the §1512 report is free of errors before submission.

Auditee Response

DET has added an additional level of management review to ensure that the §1512 report is free of errors before submission.

Distribution Of Report

This report is intended solely for the information and use of the Stimulus Group and the DET and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, and the Office of the State Treasurer.

Copies of this report have been distributed to the following public officials:

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Matthew Denn, Lieutenant Governor, State of Delaware
The Honorable Russell T. Larson, Controller General, Office of the Controller General
The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable Thomas J. Cook, Secretary, Department of Finance
Ms. Valerie Watson, Acting Director, Division of Accounting, Department of Finance
Ms. Dawn Haw-Young, Manager of Financial Reporting and Internal Control, Division of Accounting,
Department of Finance
The Honorable Velda Jones-Potter, Treasurer, Office of the State Treasurer
Mr. Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget

Officials of Audited Entity

The Honorable John McMahan, Secretary, Department of Labor