

LOUISIANA WORKFORCE COMMISSION  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED NOVEMBER 26, 2014

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR  
AND STATE AUDIT SERVICES**  
PAUL E. PENDAS, CPA

**DIRECTOR OF FINANCIAL AUDIT**  
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.55. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3352 or Report ID No. 80140060 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

November 26, 2014

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Mr. Curt Eysink, Executive Director,  
Louisiana Workforce Commission

Dear Senator Alario, Representative Kleckley, and Mr. Eysink:

This report includes the results of the procedures we performed at the Louisiana Workforce Commission (LWC) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of LWC for their assistance during our work.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

RW:CLP:BQD:THC:aa

LWC 2014



---

# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Workforce Commission

November 2014

Audit Control # 80140060

---

## Introduction

As a part of our audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2014, we performed procedures at the Louisiana Workforce Commission (LWC) to provide assurances on financial information that is significant to the state of Louisiana's financial statements, evaluate the effectiveness of LWC's internal controls over financial reporting and compliance, and determine whether LWC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct findings reported in the prior year.

LWC is a component of the state of Louisiana created within the executive branch of state government. LWC's mission is to put people to work. LWC's purpose is to operate an integrated workforce development delivery system in this state, in particular through the integration of job training, employment and employment-related education and training programs, vocational rehabilitation services, independent living services, and blind services, and to administer the state's unemployment and workers' compensation programs.

## Results of Our Procedures

---

### Follow-Up on Prior-Year Findings

Our auditors reviewed the status of the prior-year findings reported in a management letter dated November 20, 2013. We determined that management has resolved the prior-year finding related to inadequate controls over its information technology systems. The prior-year finding related to inadequate subrecipient monitoring for Workforce Investment Act (WIA) Cluster program has not been fully resolved and is addressed again in this report.

---

### Current-Year Finding

#### Inadequate Subrecipient Monitoring for Workforce Investment Act Cluster

For the third consecutive year, the LWC did not complete desk reviews or on-site monitoring reviews for any of the 18 subrecipients of the WIA Cluster program. Failure to timely complete

monitoring reviews impairs LWC's ability to ensure that program funds passed through to its subrecipients are spent in accordance with program regulations and increases the risk of improper payments that the state may have to repay to the federal government. WIA program expenditures totaled \$33 million during fiscal year 2014. Of this amount, approximately \$31 million was provided to subrecipients who were not adequately monitored.

Federal regulations require annual on-site monitoring reviews of all LWC subrecipients' compliance with federal requirements to include reviews of its subrecipients' fiscal and administrative functions. LWC management indicated that a significant reduction in federal funding for fiscal years 2012 through 2014 did not allow them to continue performing the on-site monitoring reviews. LWC requested a partial waiver of this requirement and, on December 12, 2012, received a response from the U.S. Department of Labor (USDOL), allowing LWC to operate a pilot effort in which LWC would conduct a desk review in lieu of on-site monitoring in two Local Workforce Investment Areas for one year. USDOL approved this pilot effort through June 30, 2014. However, LWC did not perform any desk reviews or on-site monitoring reviews during fiscal year 2014.

LWC management should ensure that desk reviews and on-site monitoring reviews are conducted as required by federal regulations. Management concurred with the finding and recommendation and provided a corrective action plan (see Appendix A).

---

## **Financial Statements - State of Louisiana**

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions of LWC's Unemployment Trust Fund as follows:

### **Statement of Net Position**

**Assets** - Cash in U.S. Treasury, receivables

**Liabilities** - Due to federal government, unearned revenues, other current liabilities

**Net Position** - Restricted for Unemployment Compensation

### **Statement of Revenues, Expenses, and Changes in Net Position**

**Revenues** - Assessments, use of money and property, federal grants and contracts

**Expenses** - Unemployment Insurance benefits

Our audit included tests of LWC's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or non-compliance with laws or regulations. In addition, the account balances and classes of transactions tested are materially correct.

---

## **Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing as required by the Office of Management and Budget (OMB) Circular A-133 on LWC's major federal programs, as follows:

- Unemployment Insurance (CFDA 17.225)
- WIA Cluster (CFDA 17.258, 17.259, 17.260, and 17.278)
- Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126)

Those tests included evaluating the effectiveness of LWC's internal controls designed to prevent or detect material noncompliance with program requirements and determining whether LWC complied with applicable program requirements.

We also performed procedures on LWC's Schedule of Expenditures of Federal Awards (Schedule 8) and Summary Schedule of Prior Federal Audit Findings (Schedule 8-3), as required by OMB Circular A-133.

Based on the results of these Single Audit procedures, we reported a finding on inadequate subrecipient monitoring for the WIA Cluster that will also be included in the State of Louisiana's Single Audit Report for the fiscal year ended June 30, 2014. In addition, LWC's Schedule 8 and Schedule 8-3 are materially correct.

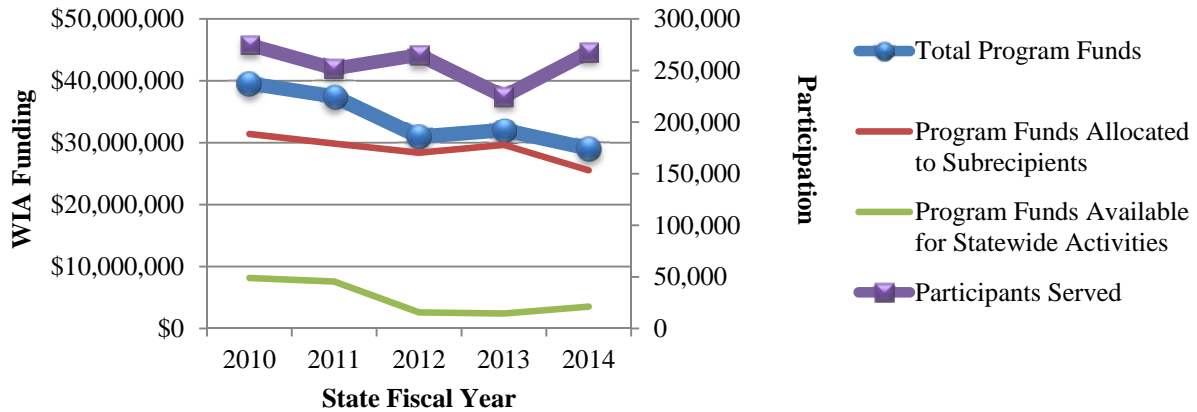
---

## **Trend Analysis**

We compared the most current- and prior-year financial activity using LWC's annual fiscal reports and/or system-generated reports and obtained explanations from LWC management for any significant variances. We also prepared an analysis of the WIA Cluster funding available and participation levels over the last five years, 2010 through 2014.

In analyzing financial and programmatic trends of LWC over the past five years, the number of participants served has remained fairly consistent while total program funding has decreased 27%. In addition, program funds available for statewide activities which are used for program administration, including subrecipient monitoring, have decreased 57%.

**Exhibit 1  
WIA Funding and Participation**



**Sources:** U.S. Department of Labor Grant Award Notifications, LWC Subrecipient Allocations, and LWC WIA Annual Reports

The recommendation in this report represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of LWC. The nature of the recommendation, its implementation costs, and its potential impact on the operations of LWC should be considered in reaching decisions on courses of action. The finding relating to LWC’s compliance with applicable laws and regulations should be addressed immediately.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.



## **APPENDIX A: MANAGEMENT'S RESPONSE**





1001 North 23<sup>rd</sup> Street  
Post Office Box 94094  
Baton Rouge, LA 70804-9094

(O) 225-342-3001  
(F) 225-342-3778  
[www.laworks.net](http://www.laworks.net)

**Bobby Jindal**, Governor  
**Curt Eysink**, Executive Director

**Office of the Executive Director**

November 19, 2014

Daryl G. Purpera, CPA, CPE  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804

Dear Mr. Purpera:

In response to the audit finding regarding inadequate subrecipient monitoring for the Workforce Investment Act cluster, LWC concurs with the finding.

In order to address this finding, we have created a new monitoring unit in the Office of Workforce Development. We are currently in the process of staffing the unit and expect that process to be complete in December 2014. We will begin onsite monitoring the week of December 1, 2014, and we will conduct and complete all WIA required monitoring by June 30, 2015.

Currently, we are receiving technical assistance via a USDOL grant. This includes assistance with the development of lead sheets, risk assessment tools, and policies. In addition, the monitoring team will undergo training as part of the grant. The initial training will take place in December 2014. A second round of training, which will also include local monitors, will take place in April 2015.

On-site monitoring for two of the areas will be a joint effort of both state monitors as well as monitors from USDOL, and will be used as an on the job training opportunity for the new state monitors.

Please contact Bryan Moore at 225.342.7684 or [bmoore1@lwc.la.gov](mailto:bmoore1@lwc.la.gov) for additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Eysink".

Curt Eysink  
Executive Director  
Louisiana Workforce Commission



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Workforce Commission (LWC) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the state of Louisiana and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated LWC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LWC.
- Based on the documentation of LWC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on LWC's account balances and classes of transactions to support the opinion on the state of Louisiana's financial statements.
- We performed procedures on the following federal programs for the fiscal year ended June 30, 2014, to support the 2014 Single Audit:
  - Unemployment Insurance (CFDA 17.225)
  - Workforce Investment Act (WIA) Cluster (CFDA 17.258, 17.259, 17.260, and 17.278)
  - Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126)
- We compared the most current- and prior-year financial activity using LWC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from LWC management for significant variances.

The purpose of this report is solely to describe the scope of our work at LWC and not to provide an opinion on the effectiveness of LWC's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LWC's Annual Fiscal Report and, accordingly, we do not express an opinion on that report. LWC's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.