

LOUISIANA WORKFORCE COMMISSION  
STATE OF LOUISIANA



MANAGEMENT LETTER  
MARCH 16, 2011

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

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

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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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$17.70. 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 Web site 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. 80100080 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 Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

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Our procedures at the Louisiana Workforce Commission (LWC) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- For the third consecutive year, LWC paid Unemployment Insurance (UI) (CFDA 17.225) benefits to other states without recouping the cost of these claims from Louisiana employers. During fiscal year 2010, LWC paid \$44.5 million in UI benefits to other states.
- LWC did not have adequate controls in place to ensure that administrative costs for local field offices were properly charged and allocated to federal programs administered by LWC. Questioned costs totaled \$1,645,697.
- For the second consecutive year, LWC did not timely deposit and update the records for all employer tax payments received to ensure that its records adequately reflect employer taxes paid to the Unemployment Compensation Fund (UCF) and the related employee wages earned.
- For the second consecutive year, LWC did not adequately monitor internal subrecipient findings and Office of Management and Budget (OMB) Circular A-133 audits for Workforce Investment Act (WIA) Cluster (CFDA 17.258, 17.259, and 17.260) subrecipients.
- LWC did not adequately monitor subrecipients of the Community Services Block Grant (CSBG) Cluster (CFDA 93.569/93.710).
- LWC received American Recovery and Reinvestment Act (ARRA) - CSBG (CFDA 93.710) award letters in April 2009, but because of delays in the contracting process, the funds were not made available to the subgrantees until November 2009, thereby reducing the time available for subgrantees to obligate the funds.
- For the fourth consecutive year, LWC did not retain employer wage records for the UI program (CFDA 17.225). Employer wage records are the basis for determining whether applicants for UI benefits have earned sufficient wages in a base period to qualify for those benefits. Benefits paid to claimants totaling \$205,616 were considered questioned costs.
- LWC did not submit an accurate quarterly report on the use of ARRA funds for the WIA Cluster. Subrecipient disbursements were understated by \$4,147,683.
- The finding identified in our prior year report on LWC relating to improper charging of a federal program for administrative expenditures of another federal program has been resolved by management.
- No significant control deficiencies or noncompliance were identified in our procedures on UI cash in the U.S. Treasury, UI accounts receivable and accounts payable, and the estimated liability of the Second Injury Board that would require reporting under *Government Auditing Standards*.

- Other than the findings noted previously, no significant control deficiencies or noncompliance that would require reporting under OMB Circular A-133 were identified for the following federal programs for the fiscal year ended June 30, 2010:
  - Unemployment Insurance program (CFDA 17.225)
  - Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260)
  - Community Services Block Grant Cluster (CFDA 93.569 and 93.710)

This report is a public report and has been distributed to state officials. We appreciate LWC's assistance in the successful completion of our work.

**Mission**

LWC will provide the services that promote worker opportunity and business growth.

To fulfill its mission, LWC intends to:

- Fully implement Louisiana's comprehensive workforce development reform initiatives
- Provide quality workforce solutions through an integrated workforce development system
- Maintain the integrity of the Unemployment Insurance and Workers' Compensation systems through regulatory compliance
- Increase the state's economic competitiveness
- Help retain and expand existing businesses
- Increase workforce participation



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

February 10, 2011

**LOUISIANA WORKFORCE COMMISSION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2010, we conducted certain procedures at the Louisiana Workforce Commission (LWC) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented a basic understanding of the LWC's operations and system of internal controls, including internal controls over major federal award programs administered by LWC, through inquiry, observation, and review of its policies and procedures documentation, including a review of the related laws and regulations applicable to LWC.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using system-generated reports and obtained explanations from LWC management of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year report, dated April 29, 2010.
- Our auditors considered internal control over financial reporting; examined evidence supporting LWC's UI benefit expenditures and tax revenue, UI cash in the U.S. Treasury, UI accounts receivable and accounts payable, and estimated liability reported for the Second Injury Board, including critical information systems and related user access controls; and tested its compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2010, as part of the Single Audit for the State of Louisiana:
  - Unemployment Insurance program (CFDA 17.225)
  - Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260)
  - Community Services Block Grant Cluster (CFDA 93.569 and 93.710)

The Annual Fiscal Reports of LWC were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. LWC's accounts are an integral part of the State of Louisiana financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, the prior year findings relating to noncompliance with administrative rules for interstate UI benefit payments, weaknesses in controls over remittance processing system, inadequate monitoring of subrecipient findings and A-133 audits, and noncompliance with record retention policy have been repeated in this report. The prior year finding relating to the improper charging of a federal program for administrative expenditures of another federal program has been resolved by management. Other than noted in the findings below, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs that should be communicated to management.

The following significant findings are included in this report for management's consideration.

**Noncompliance with Administrative Rules for Interstate  
Unemployment Compensation Benefit Payments**

For the third consecutive year, LWC paid UI (CFDA 17.225) benefits to other states without recouping the cost of these claims from Louisiana employers. During fiscal year 2010, LWC paid \$44,538,395 in UI benefits to other states.

The State of Louisiana participates in the Interstate Benefit Payment Plan, which is an interstate agreement that allows claimants to file for unemployment in a different state from where wages are primarily earned. The states where wages are earned are charged for the unemployment paid by the filing state. Administrative Rule 341 of the Louisiana Employment Security Law provides the methods by which LWC is to recoup the cost of interstate claims from the appropriate Louisiana employers, requires notification to these employers of the potential liability, and allows 10 days for the employers to protest the charges.

Although LWC implemented procedures to notify employers of these claims, the department did not complete the programming necessary to begin charging the appropriate Louisiana employers for interstate unemployment compensation benefits.

We reviewed 39 UI interstate claimants and found that LWC has made no effort to recoup the cost of interstate claims from employers in accordance with Administrative Rule 341.

Failure to recoup the cost of interstate claims from the appropriate Louisiana employers reduces the size of the trust fund and may result in higher rates being charged to all other Louisiana employers to recoup the costs of these claims. LWC should make the necessary programming modifications needed to ensure that interstate benefit claims totaling \$44,538,395 are recouped from the appropriate employers. Management concurred with the finding and recommendation and represented in its response that in October 2010, LWC implemented procedures to recoup the costs of Interstate Unemployment Insurance Benefits (see Appendix A, page 1).

### **Improper Charging of Administrative Expenditures to Federal Awards**

LWC did not have adequate controls in place to ensure that administrative costs for local field offices were properly charged and allocated to federal programs administered by LWC. OMB Circular A-87 states that costs are allowable if they are allocated to a particular program to the extent of the relative benefits received and are appropriately documented. In allocating administrative costs to federal programs, LWC uses a cost allocation plan. This plan establishes the methodology to be used in allocating administrative costs to the various state and federal programs administered by LWC. LWC should update the cost allocation percentages timely to ensure programs are appropriately charged an equitable share of administrative expenditures.

A review of administrative expenditures allocated to federal programs disclosed \$1,645,697 in questioned costs as follows:

- Rental cost expenditures totaling \$279,662 were allocated using an outdated allocation base. The cost allocation plans, which are based on the number of personnel that charge their time to the federal programs, were not updated for changes in personnel since 2007. Additional administrative expenditures for LWC field offices totaling \$1,343,111 were allocated to various federal programs using the same cost allocation plan. Since we have determined the plan has not been properly updated, we consider these questioned costs.
- Rental cost expenditures totaling \$22,924 were paid in excess of the amount specified in the lease agreement for that field office. The lease was renewed in September 2008 at a lower monthly rate; however, the fiscal division was not notified of the lease renewal terms until January 2010, 17 months after the lease was renewed.

Failure to ensure that allocation percentages in LWC's cost allocation plan are properly updated impairs LWC's ability to accurately allocate expenditures to federal programs, which could lead to disallowed costs. Also, failure to timely notify the fiscal division of

changes in financial commitments, such as lease agreements, increases the risk of inaccurate payments and improper charges to federal programs.

Management should review and update cost allocation plans and supporting documentation in a timely manner and should adequately notify the fiscal division of changes in lease arrangements and other financial commitments to ensure that costs charged to federal programs are in accordance with the cost principles outlined in OMB Circular A-87. Management concurred in part with the finding and recommendations and provided a plan of corrective action (see Appendix A, page 2).

### **Weaknesses in Controls Over Remittance Processing System**

For the second consecutive year, LWC did not timely deposit and update the records for all employer tax payments received to ensure that its records adequately reflect employer taxes paid to the Unemployment Compensation Fund (UCF) and the related employee wages earned. Title 42 of the United States Code, Section 503(a) (4) [42 USC 503(a) (4)] requires that state law provide for the immediate deposit of all money received to the credit of the unemployment trust fund. 42 USC 503(b) provides that when the state fails to comply substantially with these provisions, future payments to the state will be withheld until there is no longer a failure to comply. Louisiana Revised Statute (R.S.) 23:1492 requires that all monies received and payable to the UCF be immediately deposited into a clearing account from which funds are allocated to various accounts. The Office of Statewide Reporting and Accounting Policy (OSRAP) Control Agencies Policies and Procedures Manual (PPM), Cash Receipts Policy Number 4.2.1 defines immediately as "within 24 hours of receipt." Good internal controls require that employer tax records and employee wage files are updated timely to provide management with accurate information.

LWC implemented a new remittance processing system on July 7, 2009, to process employer tax payments for the UCF. In fiscal year 2010, the system processed 195,272 checks totaling \$115,184,772. Our test of 48 tax payments received disclosed the following:

- One check was deposited 21 days after receipt.
- Thirty-three checks were deposited from two to seven days after receipt, an average of 3.2 days.
- One employer tax payment and related employee wages were posted to the employer tax record and employee wage files 20 days after deposit.

Implementation of the new system required a manually intensive workflow process before the electronic deposit and posting of payments. The commission did not adequately study the effects of this manual workflow process on the commission's ability to comply with federal requirements to timely deposit and post payments received from employers.

Failure to timely deposit all employer tax payments received and to update records timely delays the transfer of amounts payable to various accounts as required by Louisiana laws. Failure to maintain accurate employer tax records may delay identification of errors in payments and issuance of delinquency notices to employers making late and/or inadequate tax payments and increases the risk of fraud and abuse. In addition, failure to comply with state law for the timely deposit of funds to the UCF causes noncompliance with federal regulations and could result in lost federal funds to the state.

LWC should institute policies and procedures to comply with OSRAP's PPM 4.2.1; evaluate the workflow process involved in the deposit and posting of payments received from employers; and make necessary revisions to ensure that deposits are made timely and amounts are posted timely to the taxpayer accounts and employee wage files. Management concurred with the finding and recommendations and provided a corrective action plan (see Appendix A, page 3).

#### **Inadequate Monitoring of Subrecipient Findings and A-133 Audits**

For the second consecutive year, LWC did not adequately monitor internal subrecipient findings and OMB Circular A-133 audits for the WIA Cluster (CFDA 17.258, 17.259, and 17.260) subrecipients.

OMB Circular A-133, Section 400 (d) requires LWC, as the pass-through entity, to (1) ensure subrecipients expending \$500,000 or more in federal awards during the subrecipients' fiscal year have a single audit and that the required audits are completed within nine months of the end of the subrecipients' audit period; (2) issue a management decision on audit findings within six months after receipt of subrecipients' audit reports; and (3) ensure subrecipients take timely and appropriate corrective action on all audit findings. Furthermore, pass-through entities are responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Our review of the Office of Workforce Development's (OWD) subrecipient monitoring procedures disclosed that the OWD Compliance Division conducts on-site reviews to monitor the activities of subrecipients and performs tests for compliance with laws, regulations, and provisions of contracts or grant agreements. However, OWD did not establish adequate procedures to ensure that costs questioned by the OWD Compliance Division were resolved in a timely manner.

In addition, although OWD maintained an audit control log on required Single Audits for subrecipients under OMB Circular A-133, it did not always ensure that audit reports were received and findings or questioned costs were resolved properly. Our review of OWD's audit control log and audit resolution procedures for all WIA Cluster subrecipients revealed the following:

- LWC did not adequately maintain the audit control log to ensure audit reports were received and findings or questioned costs were resolved in a timely manner. As of December 16, 2010, the log had not been updated since August 2009 and the log indicated receipt of an audit that could not be located.
- Management decision letters were not issued for all six (100%) subrecipient audits that contained findings related to the WIA program.

LWC has not placed sufficient emphasis on implementing internal controls to ensure that internal monitoring reports issued by the OWD Compliance Division are adequately resolved. In addition, management did not ensure that the required information on subrecipient A-133 audits was properly received, reviewed, and resolved. Failure to adequately monitor internal subrecipient findings and A-133 audits impairs the commission's ability to evaluate the impact of subrecipient activities on overall compliance with laws and regulations. Costs incurred by a subrecipient that have not been appropriately monitored could result in possible misuse of federal funds and are at an increased risk of being disallowed by the federal grantors.

LWC should ensure that procedures are in place to review internal subrecipient monitoring reports and Single Audits performed under OMB Circular A-133. Management should establish adequate procedures to timely identify and resolve any audit findings and questioned costs related to WIA funds disbursed to subrecipients. Management concurred with the finding and recommendations and outlined a corrective action plan (see Appendix A, page 4).

#### **Inadequate Subrecipient Monitoring of the Community Services Block Grant**

LWC did not adequately monitor subrecipients of the Community Services Block Grant (CSBG) Cluster (CFDA 93.569/93.710). The United States Code [42 USC 9914(a)] requires that states conduct a full on-site review of each eligible subrecipient once during each three-year period to determine conformity with performance goals, administrative standards, financial management requirements, and other requirements. Program expenditures totaled \$23 million in 2010, which included funding from the American Recovery and Reinvestment Act (ARRA) of 2009. Approximately \$22 million was provided to subrecipients, including \$6.5 million in ARRA program funds.

Our review of the CSBG subrecipient monitoring records disclosed that 28 of 42 (67%) subrecipients did not receive onsite monitoring reviews during the past three years. This occurred because the LWC did not have adequate staffing to perform any monitoring reviews in fiscal years 2008 and 2009. Although LWC has added personnel and started performing monitoring reviews, it still has subrecipients that have not been monitored in the past three years.

Failure to adequately monitor CSBG subrecipients results in noncompliance with federal laws and regulations and increases the risk of misuse of federal funds and potential disallowed costs. LWC management should continue performing monitoring reviews and ensure that all CSBG program subrecipients are monitored once during each three-year period to comply with program requirements. Management concurred with the finding and recommendations and provided a corrective action plan (see Appendix A, page 5).

#### **Failure to Subgrant American Recovery and Reinvestment Act Funds Timely**

LWC received ARRA - CSBG (CFDA 93.710) award letters in April 2009, but because of delays in the contracting process, the funds were not made available to the subgrantees until November 2009, thereby reducing the time available for subgrantees to obligate the funds. Title 42 of the United States Code, Section 9907(2) provides that funds awarded to subgrantees are available for obligation during that fiscal year and the succeeding fiscal year. OMB Circular A-133 *Compliance Supplement*, Part 4, Section N for the program stipulates that states must subgrant funds in a timely manner to allow subgrantees a sufficient opportunity to obligate the funds to accomplish program purposes.

As of June 30, 2010, subgrantees had expended \$6.5 million (28%) of the \$23 million allocated to them. The period of availability to obligate the ARRA grant ended September 30, 2010, and the period of availability to expend the funds ended December 31, 2010. As of December 31, 2010, the subgrantees have expended \$21,825,209 (93.9%) of the grant funds available. LWC expects to return the unused amount of \$1,413,434 to the federal government. LWC management represented that subgrantees reported the following reasons for not spending all program funds: lack of staff, the inability to manage multiple large ARRA grants, a lack of demand for the funds, and timeliness.

LWC management should reduce the delays in its contracting process to allow subgrantees a greater period of time to obligate program funds and to minimize the risk of returning federal funds. Management partially concurred with the finding and stated in the response that LWC is evaluating the contracting process “and will implement solutions to shorten the process where possible.” Although management concurs that funding to the subgrantees should have been made available sooner, LWC disagrees that this would have prevented the return of federal funds (see Appendix A, page 6).

**Additional Comments:** All five subgrantees we contacted expressed that the shortened time frame for spending program funds was a major factor in their inability to spend the total amount of the award.

### **Noncompliance With Record Retention Policy**

For the fourth consecutive year, LWC did not retain all employer wage records for the UI program (CFDA 17.225). Employer wage records are the basis for determining whether applicants for UI benefits have earned sufficient wages in a base period to qualify for those benefits. The Code of Federal Regulations (29 CFR 97.42) requires grantees to maintain all financial and programmatic records, supporting documents, statistical records, and other records of grantees considered to be pertinent to program regulations or the grant agreement. In addition, R.S. 44:411.A (1) requires that the head of each state agency submit a record retention schedule to the state archivist. LWC's current record retention schedule was approved by the state archivist on June 6, 2006, and it requires that employer tax records be maintained for 11 years.

Our tests of 60 claimants' eligibility of UI benefits disclosed that employer wage records for 24 (40%) claimants were not retained by LWC. Benefits paid to the 24 claimants totaled \$205,616 and are considered questioned costs.

In addition, our tests disclosed that LWC did not retain employer wage records received on electronic media that supported tax payments to LWC for six (67%) of nine electronic payments tested. LWC received the wage records on electronic media and returned the records to the employers after they were input into LWC's UI benefit master files. These wage records will be needed in the future to verify wages for UI claimants.

Failure to retain records to support employee wages and eligibility may result in improper benefit payments and/or questioned costs, and failure to maintain records of employer tax payments increases the risk that LWC's records may not accurately reflect employer UI tax payments. LWC management should strengthen its controls to ensure that records are retained in accordance with state and federal laws and regulations. Management concurred in part with the finding and recommendation and provided a corrective action plan (see Appendix A, page 7).

### **Inaccurate Federal Reporting**

LWC did not submit an accurate report on the use of ARRA funds for the WIA Cluster (CFDA 17.258/17.259/17.260). The Federal Register, Volume 74, Number 61 and standard data elements for reports under Section 1512 of the ARRA of 2009, Public Law 111-5 require a quarterly report on the use of Recovery Act funds and further require recipients to report the cumulative amount of cash disbursed to subrecipients as of the reporting period end date. Good internal controls should include an adequate review process to ensure that the data presented in federal reports are accurately recorded, summarized, and reported.

Our review of the ARRA Section 1512 report submitted for the quarter ending March 31, 2010, disclosed that the total funds disbursed to subrecipients was incorrectly based on cumulative activity as of December 31, 2009. As a result, total subrecipient disbursements were understated by \$4,147,683 (18%). This error occurred because LWC inadvertently used prior period disbursement data to compile the March 31, 2010, report.

Management did not place sufficient emphasis on the review process to ensure that preparation errors were properly identified and corrected. The lack of an adequate review may result in misstatements from errors and/or fraud to occur and remain undetected. LWC should strengthen its procedures to ensure that federal reports are properly prepared and reviewed. Management concurred in part with the finding and recommendation, but does not believe any corrective action is warranted (see Appendix A, page 8).

**Additional Comments:** While management agrees that the ARRA 1512 report for the quarter ended March 30, 2010, understated total subrecipient disbursements, it contends that the current review process is adequate and there is no need for additional procedures or increased controls. Management is responsible for accurate reporting and the error in the report noted above indicates a weakness in controls. We maintain our recommendation that LWC management strengthen procedures to ensure accurate federal reporting.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LWC. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LWC should be considered in reaching decisions on courses of action. The findings relating to LWC's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of LWC and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

BSL:ETM:BQD:THC:kg

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Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations





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

## Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Non-compliance with Administrative Rules for Interstate Unemployment Compensation Benefit Payments**

Dear Mr. Purpera,

The Louisiana Workforce Commission concurs with the finding regarding non-compliance with administrative rules for Interstate Unemployment Compensation, but has since resolved this issue.

LWC had submitted a corrective action plan to USDOL that outlined the resolution process. LWC has successfully implemented that action plan in the USDOL accepted timeline. In October 2010, LWC began quarterly billing all employers for charges from other states for claims that were filed after March 21, 2010 in order to recoup the costs of Interstate Unemployment Insurance Benefits.

If any additional documentation or explanation is needed, please do not hesitate to contact Cynthia Smith ([csmith@lwc.la.gov](mailto:csmith@lwc.la.gov) or 225.342.2992) or Lettie Fletcher ([lfletcher@lwc.la.gov](mailto:lfletcher@lwc.la.gov) or 225.326.6994).

Sincerely,

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

Curt Eysink  
Executive Director

Cc: Susan Sonnier



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

## Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

### **RE: Improper Charging of Administrative Expenditures to Federal Awards**

Dear Mr. Purpera:

The Louisiana Workforce Commission concurs in part with the finding regarding the improper charging of administrative expenditures to federal awards.

LWC concurs that the allocation percentages in the cost allocation plan had not been recently updated. However, LWC disagrees with the dollar amount questioned.

LWC is revising the cost allocations to determine the accurate allocation and will make necessary adjustments to ensure accurate allocation of costs.

In addition, the commission has established a committee consisting of LWC state and local staff to address the cost allocation plan process. This committee will ensure that allocation percentages to the cost allocation plan are properly updated to accurately allocate expenditures to federal programs and update current cost allocation plans and supporting documentation.

Also, the Office of Workforce Development will timely notify the fiscal division within the Office of Management and Finance of any changes in lease arrangements and other financial commitments to the cost allocation plan to ensure that costs charged to federal programs are in accordance with the cost principles outlined in OMB Circular A-87.

The contact person for implementation of this corrective action is the OWD Director, Johnny Riley, who can be reached at (225) 342-2679 or [jriley1@lwc.la.gov](mailto:jriley1@lwc.la.gov).

Sincerely,

Curt Eysink  
Executive Director

Cc: Renee Ellender Roberie  
Johnny Riley



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

## Office of the Executive Director

December 10, 2010

Mr. Daryl Purpera, CPA  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

### **RE: Weaknesses in Controls Over Remittance Processing System**

Dear Mr. Purpera:

The Louisiana Workforce Commission concurs with the finding regarding weaknesses in controls over the remittance processing system and is in the process of implementing a corrective action plan.

LWC has taken steps to comply with federal guidelines that use three days as a minimum performance level for deposit promptness. The audit finding cites state policies that define the standard for employer tax payments as "within 24 hours of receipt." The LWC will seek an exemption to that policy from the Cash Management Review Board while continuing to implement the corrective measures described below to comply with the federal performance level of three days.

After processing the second quarter 2009 employer tax payments through the new remittance system, LWC recognized that additional staff were needed during each quarterly rush to meet the three day deposit performance level. These additional staff have been added, allowing LWC to deposit 97.2% of all cash receipts to the bank within three business days of receipt (in accordance with federal guidelines). In addition, additional staff will be used during the rush period to index payment documentation to update employer accounts on the LWC mainframe. LWC is also working on a number of automation projects which will assist in the timely depositing and reconciliation of accounts, including the purchase of an additional scanner to improve timeliness. LWC continues to gain efficiencies through additional training of staff, improved automation and revised workflow processes and procedures in order to eliminate this finding.

All employer accounts (excluding those for which incomplete information is received, such as those lacking the Employer Account Number) are updated with payment received amounts within 15 business days after the quarterly due date (i.e., January 31, 2010 for Quarter 4 2009). Systematic reconciliation procedures have been implemented to allow management to reconcile all monetary batches to the indexing (iEditor) software application, which informs management of any batches that may not have been deposited or may be in error for any reason. This reconciliation ensures that all money is accounted for from the point of scanning to the point of indexing. An additional reconciliation is performed once the monies are posted to the employer accounts to the remittance processing daily deposit report or the bank statement. This reconciliation ensures completeness of all deposits being posted to the mainframe employer account, as well as validity of all payment amounts posted.

If any additional documentation or explanation is needed, please do not hesitate to contact Ashley Ford ([aford@lwc.la.gov](mailto:aford@lwc.la.gov) or 225.326.6970) or Velmon Nichols ([vnichols@lwc.la.gov](mailto:vnichols@lwc.la.gov) or 225-219-4482).

Sincerely,

Curt Eysink  
Executive Director



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

## Office of the Executive Director

January 7, 2011

Mr. Daryl Purpera  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Audit Finding Regarding Inadequate Monitoring Subrecipient Findings and A-133 Audits**

Dear Mr. Purpera:

The Department concurs with the finding regarding inadequate monitoring of subrecipient findings and A-133 findings.

As a means of ensuring past and present monitoring of subrecipient findings and resolving subrecipient A-133 findings, a Special Projects Team is being established within the Office of Workforce Development (OWD). A designated staff member will be assigned the responsibilities for oversight and implementation of these corrective actions. The staff member assigned these duties will possess both financial and program experience in order to perform these functions with the appropriate scrutiny.

There has been a delay in implementation of the Special Projects Team due to resource challenges and the finalization of a job study. The Office of Workforce Development has experienced several key management changes and the retirement of our program finance subject matter expert. In addition, the Deepwater Horizon oil spill required a reprioritization of resources from late April 2010 through July 2010. However, we intend to have these Special Projects Team members in place by March 31, 2011.

In the interim, the compliance unit within OWD is monitoring the A-133 audits and requiring corrective action plans when necessary. This interim action has allowed us to partially address the audit finding.

Louisiana Workforce Commission will establish an audit resolution policy to address subrecipient findings and a single audit policy to address A-133 findings.

Sincerely,

Curt Eysink  
Executive Director



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

## Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Legislative Audit Finding - Inadequate Subrecipient Monitoring of the Community Services Block Grant (CSBG)**

Dear Mr. Purpera:

Management of the Louisiana Workforce Commission (LWC) concurs with the findings as presented.

The Commission established the Compliance Division within the Office of Workforce Development (OWD) in October of 2008 and it became fully functional in December of 2008, with its primary responsibility to perform sub-recipient monitoring for all federal programs administered by the LWC.

LWC has reexamined our monitoring/audit processes and developed a more efficient CSBG monitoring tool. This tool provides for more efficient reviews thus enabling us to conduct all monitoring reviews in a timely manner. Moving forward each of the 42 sub-recipients will be monitored in accordance with United States Code [42 USC 9914(a)], once every 3 years.

Accordingly, 28 of the 42 CSBG sub-recipients monitoring reviews have been completed, 2 are in progress and the remaining 13 are to be completed by June 30, 2011, to ensure compliance with United States Code [42 USC 9914(a)] that all sub-recipients will have been reviewed in the last three years since July 1, 2008.

The contact person for implementation of this corrective action is the Compliance Director Michael L. Harris, J.D., who can be reached at (225) 342-3566 or [mharris1@lwc.la.gov](mailto:mharris1@lwc.la.gov).

Sincerely,

Curt Eysink  
Executive Director

Cc: Johnny Riley, Director OWD



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

**Office of the Executive Director**

February 8, 2011

Daryl Purpera  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Failure to Subgrant ARRA Funds Timely**

Dear Mr. Purpera:

The Louisiana Workforce Commission (LWC) partially concurs with the finding regarding the failure to subgrant ARRA funds timely. Although the LWC concurs that funding to the subgrantees should have been made available sooner than November 2009, LWC disagrees that this would have prevented the return of federal funds.

The LWC is currently evaluating the internal contract process used to make the funds available to subgrantees and will implement solutions to shorten the process where possible. Subgrantees were notified of the funding in April 2009. LWC staff worked with the subgrantees to help create spending plans while coordinating the contract process to make the funds available. After the funds were made available, LWC staff continued to monitor spending and provide technical assistance. As stated in the Legislative Auditor's report only 28% of funds had been expended by the subgrantees as of June 30, 2010, seven months after receipt of funds. Over the next three months, LWC staff provided technical assistance through weekly conference calls, on-site visits and additional expenditure guidance to help the subgrantees spend an additional 66% of funds so that by December 31, 2010, 95% of grant funds had been expended.

Subgrantees reported to LWC staff that there were multiple reasons they were unable to spend the remaining funds. These reasons included a lack of staff, the inability to manage multiple large ARRA grants, a lack of demand for the funds, as well as the timeliness of the contracts.

If additional information or explanation is required, please contact Jonie Smith ([jsmith3@lwc.la.gov](mailto:jsmith3@lwc.la.gov) or 225.342.4337) or Melissa Grimmett ([mgrimmett@lwc.la.gov](mailto:mgrimmett@lwc.la.gov) or 225.342.8988).

Sincerely,

Curt Eysink  
Executive Director



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

## Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

### **RE: Noncompliance with Record Retention Policy**

Dear Mr. Purpera:

The Louisiana Workforce Commission partially concurs with the finding regarding noncompliance with record retention policy.

Wage records are submitted in a variety of media: on paper copy, electronically via the Web, or on disks/magnetic media. By January 31, 2014, all employers will be required to file their taxes electronically.

LWC has been in compliance with the records retention policy for wage records submitted on paper and via the Web.

We concur with the finding with regard to wage records submitted on magnetic media. Now, all magnetic media are forwarded to the IT Department and downloaded into the system. Depending on the size of the file, a copy of the source wage data from the magnetic media is printed and returned to the Central Processing Unit. The source document is then scanned into our imaging system and is readily available for retrieval. LWC is continuing to increase automation of this process. By the first quarter of 2011, electronic source files will be saved to a secure location instead of scanning the hard copy print to UI Connect.

If any additional documentation or explanation is needed, please do not hesitate to contact Ashley Ford ([aford@lwc.la.gov](mailto:aford@lwc.la.gov) or 225.326.6970) or Velmon Nichols ([vnichols@lwc.la.gov](mailto:vnichols@lwc.la.gov) or 225-219-4482).

Sincerely,

Curt Eysink  
Executive Director

Cc: Susan Sonnier



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

## Office of the Executive Director

January 7, 2011

Mr. Daryl Purpera  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Inaccurate Federal Reporting**

Dear Mr. Purpera:

The Department concurs in part with the finding regarding the submission of an inaccurate federal report.

The Department agrees that the American Recovery and Reinvestment Act (ARRA) 1512 report for quarter ending March 31, 2010 regarding subrecipient disbursements was underreported. However, the report for total expenditures at the prime recipient level (which includes the subrecipients) was accurate. In addition, section 1512 reports are based on cumulative expenditures since inception of the ARRA Act of 2009. Thus, the reports are self correcting as confirmed with report submitted for report period ending June 30, 2010.

The Department does not agree that insufficient emphasis on the review process was the cause of the inaccurate reporting. There are adequate review processes for the 1512 reports at both the federal and state levels. LWC staff has determined that the discrepancy between the data actually reported to [FederalReporting.gov](http://FederalReporting.gov) and the data compiled in the final report used for uploading was the result of a technical error. The error was partly due to a change in the functionality of the federal reporting website.

LWC believes that the current review process by both the state and the federal governments along with the cumulative nature of the report and the minimal risk of this type of error occurring in the future negate the need for additional procedures or increased controls in the review process.

Sincerely,

Curt Eysink  
Executive Director