DEPARTMENT OF
LABOR & INDUSTRY
COMMONWEALTH OF PENNSYLVANIA

BUREAU OF WORKFORCE INVESTMENT
12TH FLOOR LABOR AND INDUSTRY BUILDING
SEVENTH AND FORSTER STREETS
HARRISBURG, PA 17120

717-787-3354 Fax: 717-783-7115 www.dli.state.pa.us

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INSPECTOR GENERAL
OFFICE OF AUDIT
ATLANTA, GA

October 11, 2002

Mr. Robert R. Wallace
Regional Inspector General for Audit
U.S. Department of Labor – OIG
61 Forsyth Street, S.W., Room 6T20
Atlanta, Georgia 30303-3104

Dear Mr. Wallace:

Thank you for giving the Department of Labor and Industry's Bureau of Workforce Investment the opportunity to review and comment on the draft report dated August 30, 2002, that was prepared by R. Navarro and Associates, Inc. Specifically, this report addresses financial activities involving Federal Workforce Investment Act Grant and Job Training Partnership Act Transition Funds awarded to Pennsylvania. The Bureau's primary comments in regards to this draft report are as follows:

1. The Commonwealth provided to the auditing staff all of the materials they requested but were never informed of any problems that they encountered. An exit conference was never conducted.

2. In regard to the percentage of funds unexpended in procedures #3 and #5, the report indicates that, "the State spent $168.5 million, 58.8 percent of the total funds awarded, leaving a significant portion of its funding (41.2 percent) unspent as of December 31, 2001. However, a substantial portion of these funds were just awarded in July 2001 and October 2001, and the expenditure reports were as of December 2001.

3. The Local Area obligations that are reported to the Federal level use the Department of Labor's on-line reporting system. As such these reports are prepared in accordance with the directions that are prompted by the on-line system as prescribed by both state and Federal guidelines.

For example, on the Financial Status Report for the Local Adult Program for line 10 F – the directions say Federal Unliquidated Obligations – "are obligations incurred, but for which an outlay has not yet been recorded in the grantee's books of account. This amount should include unliquidated obligations to subgrantees and contractors."

4. In regard to procedure #9, the report states that "$4.1 million available cash identified represents cash drawn down in excess of costs incurred as of December 31, 2001." However, although Pennsylvania's Local Areas can request funds daily their expenditures are only reported once a month. Specifically, Local Areas report their expenditures on the 15th of each month following the month being reported. For example, funds that would have been requested on December 27 would have been for expenditures to be paid in January. Those expenditures for January would not have been reported until February 15. Therefore, it is the opinion of the Commonwealth that the Local Areas do not have excess cash.

Thank you, again, for the opportunity to review this document. As always, we remain available to discuss these comments with you in greater detail.

Sincerely,

John C. Vogel
Director