Employment Security Commission of North Carolina

Post Ofice Box 25903, Raleigh, North Carolina 27611

Michael F. Easley
Governor

Harry E. Payne, Jr.
Chairman

October 20, 2004

RECEIVED
U.S. DEPT. OF LABOR
2004 OCT 25 AM 11:00
OFFICE OF THE
INSPECTOR GENERAL
PHILADELPHIA, PA

Mr. Michael T. Hill
Office of the Inspector General
Philadelphia Regional Audit Office
Public Ledger Building, Suite 1072
150 S. Independence Mall West
Philadelphia, PA 19106

Dear Mr. Hill:

In regard to the SFY's 1997 through 1999, we agree with the conclusion that the State of North Carolina Office of Information Technology Services (OITS) did not provide the Employment Security Commission of North Carolina (ESC) a refund as an adjustment between estimated and actual costs. OITS has provided documentation (attached) on operations for the three years in question. A surplus was generated per OMB Circular A-87 reconciliations for FY 1997-98, and an excess of expenses to revenue (loss) in FY 1996-97 and FY 1998-99. Therefore, ESC is due a refund for FY 1997-98 only.

ESC's share of the surplus, based on the ESC percent of all ITS billings, is $137,159.00. OITS has proposed refunding this amount to ESC, or the U.S. Department of Labor (USDOL) as a settlement of this issue. Should you accept this proposal, please instruct us on either issuing a check to the Department of Labor or applying the refund to current year ESC USDOL Grants.

Sincerely,

Harry E. Payne, Jr.

Harry E. Payne, Jr.

Attachment

cc: Office of Information Technology Services

North Carolina Office of Information Technology Services

Response To: Report on Audit of North Carolina ESC ADP/IT Central Service Costs Charged to US DOL Grants for 1997-2000

Prepared: 10/12/04

Actual Costs		*(Per Circular A-87 Allowable Costs)*		Revenue from Billable Services		
	1996-97	1997-98	1998-1999	1996-97	1997-98	1998-1999
Total Agency	$ 102,823,538.29	$ 120,402,576.61	$ 140,667,112.67	$ 102,415,128.10	$ 125,256,250.98	$ 139,496,524.03

TOTAL Customer	"Billings Over/(Under) Costs"	*(Per A-87 Reconciliation)*
1996-67	$ (408,410.19)	Under-Recovery (no refund due)
1997-98	$ 4,853,674.37	**Over-Recovery (see proposed refund below)**
1998-99	$ (1,170,588.64)	Under-Recovery (no refund due)
	$ 3,274,675.54	

Proposed Refund to ESC	$ 137,159	(4,853,674.37*77.21%*3.66%)

ESC Billings	1997-98	$	4,368,108
ITS Billings (TS & CS)		$	119,430,993
ESC %			0.0366

ESC Billings	1997-98	$	4,368,108
ESC "Federal" Billings		$	3,372,489
ESC %			0.7721