State of Arkansas
Employment Security Department

Workforce Investment Board

Mike Huckabee
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March 24, 2005

Mr. John Riggs
Regional Inspector General for Audit
USDOL, OIG
525 Griffin Street, Room 415
Dallas, TX 75202

SUBJECT: Review of Allegations Regarding ETA Funds Granted to Arkansas Draft Audit Report No. 06-05-002-03-390

Dear Mr. Riggs:

This is in response to your request for our comments regarding the above referenced subject.

Finding 1: The costs charged to the WIA Incumbent Worker grant funds are questioned as a result of our conclusion that the AWIB payments to Nestle Corporation were an economic development incentive for the company to locate in Jonesboro, Arkansas.

The State Workforce Investment Board had properly established an Incumbent Worker Training Program (IWTP) within the state of Arkansas. It was the intent of the Board for the Nestle project to be an extension of the Incumbent Worker Training Program and in no wise intended to circumvent WIA law that prohibits utilizing Federal WIA funds for economic development projects.

Finding 2: AESD is leasing a building that is 67 percent vacant and is incurring significant unallowable monthly space costs.

The Arkansas Employment Security Department (AESD) entered into a lease with Argora Properties effective November 1, 1999 for a 6-year term to provide the facility for a comprehensive One-Stop within the Little Rock Workforce Investment Area. Effective the same day, AESD entered into a sub-lease with the City of Little Rock also for a 6-year term. AESD entered into other sub-lease agreements with other partners within the One-Stop and the facility was completely utilized.

Based on lack of funding, all sub-leases were terminated or not renewed. Also a mold problem was discovered in parts of the building occupied by the Arkansas Employment Security Department Rapid Response unit. Therefore, this unit was moved to the Arkansas Employment Security Department central office in rent-free space.

We believe the Arkansas Workforce Investment Board and the Arkansas Employment Security Department acted in good faith in making the decisions that are questioned in the draft audit report.

If you have any questions concerning our comments, please contact us at (501) 682-2121.

Sincerely,

Artee Williams, Director
AR Employment Security Dept.

Sandra Winston, Executive Director
AR Workforce Investment Board