

APPENDIX B: FIRM'S RESPONSE



MOSSADAMS

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February 10, 2023

Ms. Carolyn R. Hantz
Assistant Inspector General for Audit
U.S. Department of Labor
Office of the Inspector General
Washington, DC 20210

SENT ELECTRONICALLY TO gilkinson.sean@oig.dol.gov

Dear Ms. Hantz,

Moss Adams LLP provides this response to the U.S. Department of Labor, Office of Inspector General (OIG) draft report "Quality Control Review Single Audit of State of New Mexico Workforce Solutions Department for the year ended June 30, 2021" (Report Number 24-23-001-50-598) furnished to us February 3, 2023.

Observation #1: The Firm Needs to Identify Attributes Tested in the Audit Documentation

Firm Response

As stated in OIG's observation, Moss Adams used the 2021 OMB Compliance Supplement to identify and define attributes to test as it relates to the Activities Allowed or Unallowed compliance requirement for each major program. The relevant sections of the 2021 OMB Compliance Supplement are maintained in our electronic working paper file in each major program testing section and serve as a companion to our audit programs in determining and documenting the relevant requirements (attributes for testing) and audit work performed for each major program.

For each major program, Step 5 of our audit program for testing the Activities Allowed or Unallowed compliance requirement requires the auditor to "identify the types of activities which are either specifically allowed or prohibited by Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program". Our response to this step for each major program states that we reviewed the 2021 OMB Compliance Supplement, located in the major program section of our electronic working paper file along with the audit program, and the grant awards to determine the types of activities allowed or unallowed under the terms of the award.

The attribute testing columns of our Activities Allowed or Unallowed compliance testing workpapers reference the response in audit program step 5, and therefore incorporate the relevant requirements (attributes for testing) stated in the 2021 OMB Compliance Supplement.

Observation #2: Lack of Testing over Workforce Innovation and Opportunity Act (WIOA) Subrecipient Reporting

Firm Response

The New Mexico Workforce Solutions Department operates its WIOA program by passing through federal funds to four regional subrecipients. The OIG claims the Firm did not conduct internal control and compliance testing of the subrecipients' reporting, and cites the 2021 OMB Compliance Supplement, Suggested Audit Procedures – Compliance on pages 3-L-5 and 3-L-6 (L. Reporting), for the minimum requirements.

Assurance, tax, and consulting offered through Moss Adams LLP (ISO) (EEO 27001) services offered through Dadmore Assurance LLC, a Moss Adams company.
Investment advisory services offered through Moss Adams Wealth Advisors LLC.



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With respect to the Reporting compliance requirement for the WIOA program, as reflected in our electronic working papers, Moss Adams tested the identified significant internal controls over compliance in place at New Mexico Workforce Solutions Department, as required, and determined these controls were operating effectively. Moss Adams also tested New Mexico Workforce Solutions Department's compliance with the Reporting compliance requirement, primarily through the suggested audit procedures in the 2021 OMB Compliance Supplement applied to an appropriately selected sample of reports. As documented in our electronic working paper file, these procedures included tracing and reconciling the reported amounts, including aggregated data from any of the four regional subrecipients, to the SHARE system, the State of New Mexico's state-wide reporting system, which all New Mexico agencies (except the New Mexico State Fair) use to account for all financial transactions.

Unlike some sections in Part 3 of the Compliance Supplement, Section L. Reporting does not include specific audit objectives or suggested audit procedures requiring the pass-through entity's auditor to perform internal control or compliance testing at the subrecipient level. Instead, the auditor of a pass-through entity evaluates the pass-through entity's subrecipient monitoring (Section M. Subrecipient Monitoring).

In accordance with its WIOA Monitoring Manual, which is included in our electronic working paper file, New Mexico Workforce Solutions Department performs specific procedures to monitor the various financial and performance reporting requirements it passes down to its subrecipients. These procedures include reviewing payroll documentation to support quarterly reports and other reconciling items. As indicated in our workpaper SA-285-3 (not SA 283-3 as noted in OIG's draft report) Moss Adams reviewed documentation maintained by the WIOA compliance group at New Mexico Workforce Solutions Department for the two selected subrecipients to test that these procedures were performed. We did not retain this client documentation in our files, and no reportable issues were identified.

We believe the audit procedures we have performed are sufficient to achieve the stated audit objectives in the 2021 OMB Compliance Supplement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kory Hoggan', followed by a horizontal line.

Kory Hoggan, CPA
Partner, for
Moss Adams LLP