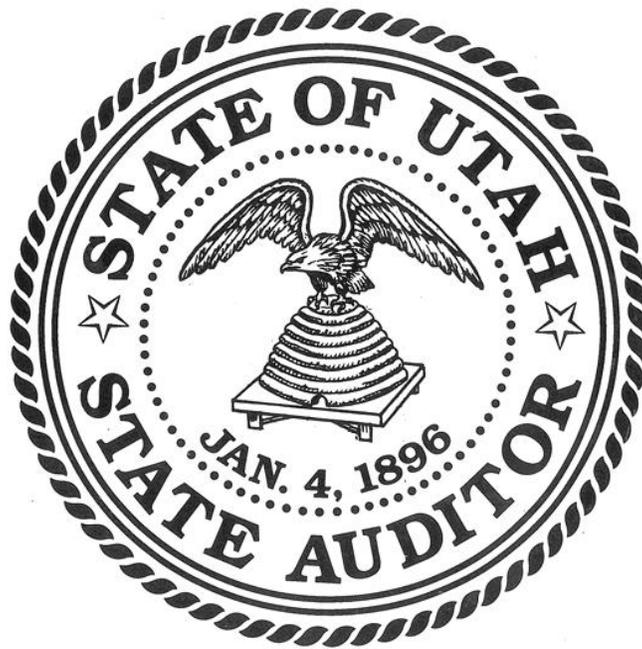


DEPARTMENT OF WORKFORCE SERVICES

Single Audit Management Letter
For the Year Ended June 30, 2015

Report No. 15-16



OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF WORKFORCE SERVICES

Single Audit Management Letter
For the Year Ended June 30, 2015

Report No. 15-16

AUDIT LEADERSHIP:

Hollie Andrus, CPA, Audit Director



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 15-16

October 28, 2015

Mr. Jon Pierpont, Executive Director
Department of Workforce Services
140 East 300 South
SLC, Utah 84111-0000

Dear Mr. Pierpont:

This management letter is issued as a result of the Department of Workforce Services' (DWS) portion of the statewide federal compliance audit for the year ended June 30, 2015. Our report on the statewide federal compliance audit for the year ended June 30, 2015 is issued under separate cover. The following federal programs were tested as major programs at DWS:

Temporary Assistance for Needy Families (TANF) Cluster
Child Care (CCDF) Cluster
Refugee and Entrant Assistance
Low-Income Home Energy Assistance Program (LIHEAP)
Workforce Investment Act (WIA) Cluster
Employment Services (ES) Cluster

In planning and performing our audit of the federal programs listed above, we considered DWS's compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2015. We also considered DWS's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DWS's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A material weakness over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in DWS's internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in DWS's internal control presented in the accompanying schedule of findings and recommendations as Findings 1 through 5 and 7 through 12 to be significant deficiencies.

During our audit, we also became aware of a deficiency in internal control other than significant deficiencies or material weaknesses that is an opportunity for strengthening internal controls and operating efficiencies. This finding is included in the accompanying schedule of findings and recommendations as Finding 6.

DWS's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the personnel of DWS during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Hollie Andrus".

Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

COPIES SENT TO:

Casey Cameron, Deputy Director, Department of Workforce Services
Greg Paras, Deputy Director, Department of Workforce Services
Steve Leyba, Assistant Deputy Director, Department of Workforce Services
Nathan Harrison, Director, Administrative Support Division
Brent Newren, Assistant Director, Administrative Support Division
Shaun Delliskave, Financial Manager, Administrative Support Division
Kimberley Schmeling, Financial Manager, Administrative Support Division
Steven Nelson, Accounting Manager, Administrative Support Division
Debbie Empey, Director, Internal Audit Division
Rebecca Anderson, Information Security and Facilities Director
Michelle Beebe, Director, Unemployment Insurance Division
Tracy Gruber, Director, Office of Child Care
Carrie Mayne, Director, Workforce Research and Analysis Division
Stephen Lisonbee, Director, Workforce Development Division
Karla Aguirre, Associate Director, Workforce Development Division
Rachael Stewart, Education and Training Manager, Workforce Development Division
Sisifo Taatiti, Workforce Preparation Manager, Workforce Development Division
Dale Ownby, Director, Eligibility Services Division
Kevin Burt, Assistant Director, Eligibility Services Division
Tamera Kohler, Interim Director, Housing and Community Development Division
Katherine Smith, Assistant Director, Housing and Community Development Division
Susan Kolthoff, LIHEAP Program Director, Housing and Community Development Division
Shelli Glines, Director of Housing, Housing and Community Development Division
Nate McDonald, Director, Communications Division
Nic Dunn, Public Information Officer

DEPARTMENT OF WORKFORCE SERVICES

FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Type/Applicability</u>	<u>Page</u>
FINDINGS AND RECOMMENDATIONS:		
<u>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER:</u>		
1. NONCOMPLIANCE WITH CASH MANAGEMENT REQUIREMENTS	SD-f; RN-f;	1
2. TANF REPORTING ERRORS (Repeat Finding)	SD-f; RN-f;	2
3. UNTIMELY MONITORING OF SUBRECIPIENT A-133 AUDIT REPORTS	SD-f; RN-f;	3
<u>CHILD CARE (CCDF) CLUSTER:</u>		
4. CHILD CARE BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE (Repeat Finding)	SD-f; RN-f	4
5. CHILD CARE REPORTING ERRORS	SD-f; RN-f	5
6. IMPROPER CALCULATION OF CHILD CARE PAYMENTS	-	6
<u>REFUGEE AND ENTRANT ASSISTANCE:</u>		
7. REFUGEE MEDICAL ASSISTANCE INTERNAL CONTROL WEAKNESS AND UNALLOWABLE COSTS	SD-f	6
8. INADEQUATE INTERNAL CONTROL OVER ORR-6 REPORTING	SD-f; RN-f	7
<u>LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP):</u>		
9. INADEQUATE INTERNAL CONTROL OVER CALCULATION AND PAYMENT OF LIHEAP BENEFITS (Repeat Finding)	SD-f; RN-f	8
<u>WORKFORCE INVESTMENT ACT (WIA) CLUSTER:</u>		
10. WIA BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND UNALLOWABLE COSTS/ACTIVITIES (Repeat Finding)	SD-f; RN-f	10
<u>EMPLOYMENT SERVICES (ES) CLUSTER:</u>		
11. INADEQUATE INTERNAL CONTROL OVER 9132 REPORTING	SD-f; RN-f	11
<u>MULTIPLE FEDERAL PROGRAMS:</u>		
12. ERRORS IN ALLOCATION OF LEAVE BALANCES	SD-f; RN-f	12

Finding Type:

SD Significant Deficiency of Internal Control
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER

1. NONCOMPLIANCE WITH CASH MANAGEMENT REQUIREMENTS

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **Temporary Assistance for Needy Families (TANF) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$803**

Pass-through Entity: N/A

We tested a sample of 25 cash draws made by the Department of Workforce Services (DWS) for the TANF program and noted 2 quarterly reconciling draws that were incorrectly calculated. The reconciliation process lacked the proper checks and balances to catch errors and resulted in advancements of funds. According to the 2015 Treasury-State Agreement, draws are to be made on a reimbursement basis. Drawing funds in advance of expenditures results in an interest liability to the federal awarding agency. We have questioned the interest liability for these two draws, estimated to be \$803.

Recommendation:

We recommend that DWS improve its quarterly reconciliations of TANF draws to ensure they are for the proper amount and are in accordance with the Treasury-State Agreement.

DWS's Response:

We agree with the finding and recommendation. Draws for transfers of TANF funds to the Social Services Block Grant (SSBG) were double counted in the quarterly reconciliation process, causing an overdraw of federal revenue. The error occurred due to a change in the quarter reconciliation spreadsheet used to calculate the draw amount and was not noted during the review of the reconciliation. Once the error was discovered, we stopped making weekly estimated CMIA draws in order to return the overdrawn funds. In addition, we corrected the reconciliation worksheet and will perform a more thorough review of future reconciliations to ensure draws are for the correct amounts in accordance with the CMIA agreement.

Contact Person: Nathan Harrison, Administrative Support Director, (801) 526-9402

Anticipated Correction Date: June 30, 2016

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

2. **TANF REPORTING ERRORS**

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **Temporary Assistance for Needy Families (TANF) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We reviewed the federal fiscal year (FFY) 2012, 2013, and 2014 TANF ACF-196 quarterly financial reports prepared and submitted by DWS for the quarter ended September 30, 2014. We noted that the reports overstated expenditures in Section B, line 7 by \$7,372,768 (a \$10,033,294 overstatement for the FFY12 award; a \$2,484,636 understatement for the FFY13 award; and a \$175,890 understatement for the FFY14 award) as a result of incorrect formulas used in the report preparations. Reports should be accurate and prepared in conformance with federal instructions. Formula errors result in providing inaccurate program information to the Federal Government.

Recommendation:

We recommend that DWS take greater care in preparing reports to ensure the proper amounts are reported.

DWS's Response:

We agree with the finding and recommendation. When preparing the first and second quarter ACF-196 reports, certain federal expenditure amounts were inadvertently double counted on the spreadsheet used to allocate expenses between federal funds and maintenance-of-effort. This issue was found by personnel while preparing the third quarter reports and new reports were prepared but were never submitted. Also, during the audit process there were two formula errors found in the spreadsheets used to populate the ACF-196 report. These errors were not noted during the review of the reports prior to submission. We have prepared corrected reports that will be resubmitted prior to the completion of the next reporting period, so ongoing reports are correct. Formulas in the spreadsheet have also been corrected. Finally, we will perform a more thorough review of future reports to ensure proper amounts are reported.

Contact Person: Nathan Harrison, Administrative Support Director, (801) 526-9402

Anticipated Correction Date: June 30, 2016

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

3. **UNTIMELY MONITORING OF SUBRECIPIENT A-133 AUDIT REPORTS**

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **Temporary Assistance for Needy Families (TANF) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We reviewed DWS's monitoring of TANF subrecipient A-133 audit reports and noted the following:

- a. DWS did not complete the review of the A-133 audit reports for five subrecipients within the required time frame.
- b. DWS did not include one subrecipient on its tracking sheet. We were unable to determine whether DWS performed the necessary review.

OMB Circular A-133 requires DWS to review subrecipient audit reports and issue management decisions on any audit findings within six months of receipt. The untimely reviews and lack of review verification occurred because the reviewer had multiple responsibilities in closing the fiscal year-end general ledger activity that had strict deadlines. Failure to monitor all subrecipients within the required time frame could result in grant funds going to ineligible subrecipients, lack of timely review and follow-up on subrecipient audit findings, and non-collection of questioned costs. The above errors did not result in funds going to ineligible subrecipients; therefore, we have not questioned any costs.

Recommendation:

We recommend that DWS strengthen their subrecipient monitoring controls to ensure that audit reports from all subrecipients required to have an A-133 audit are received and reviewed within the appropriate time frame.

DWS's Response:

We agree with the finding and recommendation. The number of TANF contracts in the review pool subject to the audit requirements of OMB Circular A-133 significantly increased during the year. Although a few reviews were not timely, we did not note any audit findings requiring a management decision and follow-up when the A-133 audit reports were reviewed. Notwithstanding this result, DWS will strengthen the A-133 audit report review process. We will refine and modify our internal process and enhance the technology employed to capture the needed data to ensure that the receipt and review of all required single audit reports are completed within the required time frame.

Contact Person: Nathan Harrison, Administrative Support Director, (801) 526-9402

Anticipated Correction Date: December 31, 2015

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

CHILD CARE (CCDF) CLUSTER

4. CHILD CARE BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **Child Care (CCDF) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$75**

Pass-through Entity: N/A

We tested 54 child care benefit payments, totaling \$35,590, and noted errors related to 2 (3.7%) cases for which we have questioned costs of \$75 (0.2%).

- a. For one case, the caseworker updated the provider charges in the system; however, the system did not account for the updated rates in the benefit calculation. As a result, there was an overpayment of \$75, and we have questioned these costs.
- b. For one case, the caseworker updated the income in the case file, but failed to update the “best estimate” of hours worked based on updated information in the case file as required by policy 450. This error occurred because of an oversight by the caseworker. This error did not result in an overpayment of benefits; therefore, we have not questioned any costs in connection with this error.

Failure to use updated information in the calculation of child care benefits results in inappropriate expenditures and noncompliance with grant agreements.

Recommendation:

We recommend that DWS caseworkers take more care to follow policies and use updated information to ensure that benefits are calculated correctly and administered to eligible clients.

DWS's Response:

We agree with the finding and recommendation. Our Performance Review Team (PRT) continues to provide real-time case reviews to help identify case processing deficiencies or misinterpreted policy. DWS also provides targeted support as part of their business operations, identifying error trends through internal (PRT) and Child Care audit findings, and providing various resources to supervisors and their teams, including but not limited to: policy updates, refresher training on specific subject matter, and one-on-one mentoring as needed.

The agency will continue to utilize its Community Based Team (CBT) meeting that is held jointly with DWS Policy Specialists, the Office of Child Care, and CBT team supervisors to

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

help clarify policy questions, identify areas where the agency can improve accuracy, and explore areas of policy that are error prone.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, (801) 526-9831
Correction Date: October 1, 2015*

5. **CHILD CARE REPORTING ERRORS**

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **Child Care (CCDF) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We reviewed the FFY13 and FFY14 Child Care ACF-696 quarterly financial reports prepared and submitted for the quarter ended September 30, 2014. For the FFY14 report, we were unable to verify the accuracy of stated obligations of \$20,696,390. All reports should be accurate, prepared in conformance with the reporting instructions, and supported by adequate documentation. DWS did not maintain sufficient documentation to verify obligations at the date of the report. Failure to maintain documentation of reported obligations may result in inaccurate and/or incomplete program information being provided to the Federal Government.

Recommendation:

We recommend that DWS maintain sufficient documentation to verify the accuracy of their reports.

DWS's Response:

We agree with the finding and recommendation. We now maintain point-in-time copies of the electronic spreadsheet used to calculate obligations at the end of each reporting period. In the future, these files can be provided to substantiate the obligation amounts reported on the Child Care ACF-696 Reports. Additionally, an after-the-fact verification was performed to ensure that there was sufficient documentation to support the obligations reported for the 2014 Match grant and the 2013 Discretionary grant, which had a deadline for being obligated by the date of the quarter in question.

*Contact Person: Nathan Harrison, Administrative Support Director, (801) 526-9402
Correction Date: September 30, 2015*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

6. **IMPROPER CALCULATION OF CHILD CARE PAYMENTS**

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: N/A

Federal Award Numbers: N/A

Questioned Costs: N/A

Pass-through Entity: N/A

We tested benefit expenditures of the CCDF Cluster at DWS by selecting a sample of 54 child care benefit payments. For seven cases, MLMR tables had not been updated after the rates were revised on July 1, 2014, resulting in underpayments of benefits totaling \$360. Not updating benefit tables in a timely manner could result in clients receiving improper benefit payments.

Recommendation:

We recommend that DWS strengthen internal controls to ensure that appropriate rates are entered in the MLMR tables as updates occur.

DWS's Response:

We agree with the finding and recommendation. DWS strengthened the internal control process for updating MLMR table rates by creating a checklist for business analysts to follow when implementing table changes. The checklist includes reassessing select cases based upon the rate table change as appropriate to ensure the rates are correct in the month affected by the rate table change.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, (801) 526-9831
Correction Date: October 1, 2015*

REFUGEE AND ENTRANT ASSISTANCE

7. **REFUGEE MEDICAL ASSISTANCE INTERNAL CONTROL WEAKNESS AND UNALLOWABLE COSTS**

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.566 Refugee and Entrant Assistance**

Federal Award Number: **1501UTRCMA**

Questioned Costs: **\$618**

Pass-through Entity: N/A

We tested 60 beneficiaries for eligibility requirements pertaining to Refugee Assistance. Of these 60 beneficiaries, we tested 20 for medical assistance eligibility. For one of these 20

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

beneficiaries, DWS continued to make Refugee Medical Assistance payments on behalf of the client for two months following the end of the eligibility period. According to federal regulations (45 CFR 400.100) and the Utah Refugee State Plan, clients are eligible for medical assistance benefits for an eight-month period after their arrival into the United States. This error occurred due to a program coding defect in the eligibility determination system which allowed payments to be made for services that occurred after the period of eligibility. We have questioned the benefits paid to this client outside his period of eligibility, totaling \$618. This error could also result in additional expenditures for ineligible clients.

Recommendation:

We recommend that DWS ensure eligibility determination systems properly limit benefits to the period of eligibility.

DWS's Response:

We agree with the finding and recommendation. DWS is committed to issuing timely and accurate benefits. As we identify issues within our system, we are committed to ensuring they are resolved properly. This identification process is a bi-weekly collaborative effort between DWS, DOH [Department of Health] and DTS [Department of Technology Services]. By continuing this timely, consistent and open communication with our partners, we will be able to properly address and correct any future issues that may arise.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, (801) 526-9831
Correction Date: October 1, 2015*

8. **INADEQUATE INTERNAL CONTROL OVER ORR-6 REPORTING**

Federal Agency: **Department of Health and Human Services**
CFDA Number and Title: **93.566 Refugee and Entrant Assistance**
Federal Award Number: **1501UTRCMA**
Questioned Costs: **\$0**
Pass-through Entity: N/A

We reviewed two ORR-6 reports and noted that the FFY15 1st trimester report, Schedule B, Part I, Refugee Cash Assistance, initially reported 156 cases and 378 persons, rather than the correct amounts of 177 cases and 438 persons, an understatement of 21 cases (13.5%) and 60 persons (15.9%). The SQLs used to query reporting data did not include the proper criteria to extract accurate information from the OSCAR database. Internal controls should be sufficient to ensure methodologies used to gather data are accurate. Improper gathering of program data results in reporting inaccurate and/or incomplete program information to the Federal Government.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

We recommend that DWS implement adequate internal controls to ensure that queries used to prepare the ORR-6 reports are correctly designed.

DWS's Response:

We agree with the finding and recommendation. RSO [Refugee Services Office] has spoken with the Office of Refugee Resettlement (ORR), the federal office requiring the report, to ensure that we are now pulling the report correctly. We have submitted a corrected report to them. To ensure adequate internal controls to prevent this from happening in the future, the current and correct SQL has been properly documented for Workforce Research and Analysis division staff to utilize. Also, another staff person is being cross-trained so that more than one person is familiar with how to accurately pull these reports.

*Contact Person: Gerald Brown, Director, Refugee Services Office, (801) 526-9787
Anticipated Correction Date: October 31, 2015*

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

9. INADEQUATE INTERNAL CONTROL OVER CALCULATION AND PAYMENT OF LIHEAP BENEFITS

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program (LIHEAP)**

Federal Award Numbers: **G-13B1UTLIEA, G-14B1UTLIEA, and G-15B1UTLIEA**

Questioned Costs: **\$161**

Pass-through Entity: N/A

We reviewed case files for 62 LIHEAP households, and noted 5 cases (8.06%) with some form of error, as described below, 2 (3.23%) of which resulted in questioned costs of \$161.

- a. For one household, the caseworker did not sufficiently verify the most recent utilities via the Utility Verification Stamp prior to calculating and issuing the benefit. According to part B (Energy Burden) of the Payment Calculation section of the HEAT policy manual, "In order to take the actual costs, the household must use the most recent energy bill." This error resulted in an overpayment of benefits totaling \$11, which we have questioned.
- b. For one household, the caseworker incorrectly used a tax return lacking evidence of professional preparation to verify Social Security numbers. According to part I (Social Security Numbers) of the Program Standards Section of the HEAT policy manual, acceptable documentation includes "other official documents including professionally

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

prepared tax returns ...” Because this error did not result in an overpayment of benefits, we have not questioned any costs related to this error.

- c. For one household, the caseworker used the wrong month to determine actual heating costs for benefit calculation. According to part B (Energy Burden) of the Payment Calculation section of the HEAT policy manual, “In order to take the actual costs, the household must use the most recent energy bill.” When the correct monthly bill was used, the amounts remained the same and did not result in an overpayment of benefits; therefore, we have not questioned any costs related to this error. However, not using the most recent energy bill could result in significant variances in benefits.
- d. For one household, the caseworker did not adequately verify propane utilities before issuing a benefit. According to section E (Monitoring Section) of the HEAT Policy Manual, documentation must include a “recent utility bill or account information.” Because propane utilities yield an extra benefit amount, we have questioned the additional benefit costs for this case of \$150.
- e. For one household, the caseworker used an unverified utilities amount to calculate the benefit payment. Per part B (Energy Burden) of the Payment Calculation section of the HEAT policy manual, “In order to take the actual costs, the household must use the most recent energy bill.” Because there was no difference between the calculated benefit amount and the benefit amount that would have been paid using correct documentation, we have not questioned any costs related to this error.

These errors appear to be the result of caseworkers’ inattention to program policies. Caseworkers should properly consider recent utility bills and professionally prepared tax returns when processing LIHEAP payments. Inaccurate calculation of benefits can result in overpayments.

Recommendation:

We recommend that DWS strengthen caseworkers’ understanding of program policies to ensure that LIHEAP eligibility determinations and assistance amount calculations are correct and comply with policy.

DWS’s Response:

We agree with the errors noted in the finding and recommendation related to the five cases referenced. We have reviewed the errors with the subrecipient supervisors. We will cover these issues in the Fall Training that all LIHEAP workers are required to attend. The policy manual has been updated to no longer allow tax returns to verify social security numbers.

Contact Person: Sue Kolthoff, LIHEAP Program Director, (801) 468-0069

Correction Date: October 7, 2015

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

WORKFORCE INVESTMENT ACT (WIA) CLUSTER

10. WIA BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND UNALLOWABLE COSTS/ACTIVITIES

Federal Agency: **Department of Labor**

CFDA Numbers and Titles: **Workforce Investment Act (WIA) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: **\$55**

Pass-through Entity: N/A

We tested 60 benefit expenditures of the Workforce Investment Act (WIA) Cluster at DWS. We noted at least one error in two of the cases tested (3.3%), which resulted in questioned costs totaling \$55.

- a. For one case, the employment counselor did not obtain adequate documentation to support the reconciliation of expenditures. Instead, the counselor obtained a receipt that specifically stated it was not the final receipt. According to WDDPM §10005, if the receipt indicates that it is not the final receipt or that the sale is not complete, it is not acceptable documentation. We have questioned the amount of this expenditure, totaling \$50.
- b. For one case, the employment counselor noted that funds were used to purchase unauthorized supplies; however, the counselor's reconciliation marked the use of funds as acceptable without any documentation indicating the reasoning. According to WDDPM §10005(5)(a), purchases that are not negotiated as part of the authorization process but support the customer's employment plan may be considered acceptable based on employment counselor discretion. Because the employment counselor left no documentation as to how these purchases supported the customer's employment plan, we have questioned the cost of the supplies, totaling \$5.

These errors occurred due to employment counselor oversight and lack of training on WIA policies and procedures. Improper reconciliations can result in unallowable purchases and related questioned costs.

Recommendation:

We recommend that DWS:

- a. **Ensure employment counselors have the training and resources necessary to effectively administer the WIA programs, and**
- b. **Strengthen internal controls over the reconciliation of WIA expenditures to ensure that all expenditures are in compliance with applicable laws, compliance requirements, and established policies and procedures.**

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

DWS's Response:

- a. *We agree with the finding and recommendation. Staff training for all employment counselors who reconcile funds in UWORKS will be held October 27-29 and Nov 4-5, 2015. During the training, staff will be reminded to ensure they are diligent in correctly marking funds as acceptable or not acceptable. Additionally, we continue to look for ways to strengthen internal controls over reconciliation to ensure all expenditures are in compliance with applicable laws, compliance requirements, and established policies and procedures. On November 16, 2015 we will begin expunging unused funds after 30 days (currently expungement happens after 120 days). We are also working toward a process to notify customers through UWORKS correspondence when funds have been marked as non-acceptable.*

- b. *We agree with the finding and recommendation. The receipt in question was for a fuel purchase. Program staff met with this counselor one-on-one on December 2, 2014 and provided individualized training on reconciliation. Proper reconciliation of fuel receipts was specifically covered. Additionally, staff training for all employment counselors who reconcile funds in UWORKS will be held October 27-29 and Nov 4-5, 2015. During the training, staff will be reminded that a final receipt is required for fuel purchases. Additionally, we continue to look for ways to strengthen internal controls over reconciliation to ensure all expenditures are in compliance with applicable laws, compliance requirements, and established policies and procedures. On November 16, 2015 we will begin expunging unused funds after 30 days (currently expungement happens after 120 days). We are also working toward a process to notify customers through UWORKS correspondence when funds have been marked as non-acceptable.*

Contact Persons: *Karla Aguirre, Associate Director, (801) 526-9724*

Rachael Stewart, Education and Training Manager, (801) 526-9267

Anticipated Correction Date: June 30, 2016

EMPLOYMENT SERVICES (ES) CLUSTER

11. INADEQUATE INTERNAL CONTROL OVER 9132 REPORTING

Federal Agency: **Department of Labor**

CFDA Numbers and Titles: **Employment Services (ES) Cluster**

Federal Award Numbers: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

We reviewed 2 of the 4 quarterly 9132 reports submitted by DWS during state fiscal year 2015. The report submitted for the quarter ended March 31, 2015 contained 31 line items that

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

did not agree to the report's underlying data. During preparation of the report, DWS personnel identified an error, attempted to correct the error, and did not notice that the correction caused formulas in the report to improperly calculate data for the 9132 report. The review process also did not identify the error. If reports are not properly prepared and reviewed, incomplete or inaccurate information may be provided to the Federal Government.

Recommendation:

We recommend that DWS implement adequate internal controls to ensure that formulas or methods used to prepare the 9132 reports are correctly designed.

DWS's Response:

We agree with the finding and recommendation. The discrepancy with the 9132 reports submitted for the quarter ending March 31, 2015, occurred because some of the formulas were inadvertently changed during a copy and paste procedure. We have corrected the issue in the spreadsheet to fix the problems with the formulas and have added conditional formatting to ensure that data will be complete and accurate with future federal report submissions.

*Contact Person: Leslie Shortt, MIS Senior Business Analyst, (801) 634-4646
Correction Date: June 22, 2015*

MULTIPLE FEDERAL PROGRAMS

12. **ERRORS IN ALLOCATION OF LEAVE BALANCES**

Federal Agencies: **U.S. Department of Labor; U.S. Department of Health and Human Services**

CFDA Numbers and Titles: **1) Employment Services (ES) Cluster
2) Temporary Assistance for Needy Families (TANF) Cluster
3) 93.566 Refugee and Entrant Assistance**

Federal Award Numbers: **1) Various
2) Various
3) 1401UTRCMA and 1501UTRCMA**

Questioned Costs: **1) \$1,901 2) \$308 3) \$7**

Pass-through Entity: N/A

We reviewed a sample of payroll transactions for 70 employees who charged time to the ES Cluster, TANF Cluster, or Refugee program and noted that leave hours charged by 16 of the employees were not equitably allocated between all programs on which the employees worked. According to OMB Circular A-87, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job should be equitably allocated to all related activities, including federal awards.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

In fiscal year 2015, DWS implemented a new process to allocate leave balances for employees who charge time to more than one grant. Although the methodology and calculations were correctly set up, there was an anomaly in the initial query that was missed, which resulted in the leave hours for many employees being excluded from the allocation. This exclusion caused the errors noted in our sample, and we have questioned the related costs of \$1,901 for the ES Cluster, \$308 for the TANF Cluster, and \$7 for the Refugee and Entrant Assistance program.

Failure to properly allocate leave balances results in unallowable costs being charged to grants.

Recommendation:

We recommend that DWS strengthen internal controls and correct the anomaly in the initial query used in the allocation process to ensure that all applicable employees are included and that leave balances charged to federal awards are equitably allocated to all activities in accordance with OMB Circular A-87.

DWS's Response:

We agree with the finding and recommendation. We will ensure that personnel leave is allocated appropriately to all programs in accordance with OMB Circular A-87. We corrected the query anomaly noted in the audit and have implemented a review process that will ensure that all applicable personnel have been included in the leave allocation process.

Contact Person: Nathan Harrison, Administrative Support Director, (801) 526-9402

Correction Date: September 30, 2015