



AUDITOR GENERAL
William O. Monroe, CPA



HILLSBOROUGH COUNTY, FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT
For the Period July 1, 1999, through December 31, 2000

SUMMARY

Our operational audit of the Hillsborough County Workforce Board's (HCWB) administration of approximately \$7.5 million of Workforce Investment Act grants identified weaknesses in the HCWB's administrative and program controls. These weaknesses resulted in questioned costs as follows:

***Finding No. 1:** A lack of Federal cognizant agency approval of the salary allocation method used by the HCWB, and a lack of adequate documentation of the salary allocations for a substantial portion of the audit period, resulted in approximately \$3.4 million of questioned costs.*

***Finding No. 2:** Contrary to the approved HCWB administrative cost allocation plan, certain office rent charges were not allocated based on participation or enrollment percentages. This resulted in approximately \$140,000 of questioned costs. In addition, the lack of documentation for participant or enrollment percentages used for other expenditure charges resulted in questioned costs of approximately \$43,300.*

***Finding No. 3:** The failure to install and use two computers purchased for a particular program (\$3,018), and the inability to restrict the use of purchased software to authorized users (\$13,638), resulted in questioned costs.*

***Finding No. 4:** The lack of adequate documentation demonstrating that travel expenditures were necessary and reasonable resulted in questioned costs of approximately \$ 1,100.*

***Finding No. 5:** The HCWB had not developed adequate contract monitoring procedures.*

INTRODUCTION

Title I of the Workforce Investment Act (WIA) of 1998 (Public Law 105-220) reformed Federal job training programs and created a new comprehensive workforce investment system, the purpose of which was to provide workforce investment activities that increase the employment, retention and earnings of participants, increase occupational skill attainment by participants, reduce welfare dependency, and enhance the productivity and competitiveness of the economy.

WIA authorizes the establishment and operation of local workforce investment boards in local workforce investment areas to provide policy guidance for, and exercise oversight with respect to, activities under a five-year plan for each workforce investment area. As such, Hillsborough County had been designated as the Region 15 Workforce Development Board in Florida.

Prior to December 1, 2000, the Hillsborough County Development Board Region 15 was administered by the Hillsborough County Board of County

**HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT**

Commissioners. Effective December 1, 2000, the Hillsborough County Workforce Board, Inc. (a Florida non-profit corporation) is responsible for administering the Region 15 Hillsborough County Development Board. This transition date is based on an agreement dated November 15, 2000, by and between Hillsborough County and the Hillsborough County Workforce Board, Inc.

During the audit period, the Hillsborough County Board of County Commissioners established and appointed members to the Hillsborough County Workforce Board (HCWB) which served as an advisory board to the Hillsborough County Board of County Commissioners. Pursuant to a Memorandum of Understanding, the Hillsborough County Board of County Commissioners served as the fiscal agent, grant recipient, and the administrative entity for the WIA grant programs.

The Auditor General is authorized by State law to perform independent financial and operational audits of governmental entities in Florida. At its June 27, 2001, meeting, the Legislative Auditing Committee directed the Auditor General to determine the scope of, and conduct an audit of, the Hillsborough County Workforce Board.

WIA grant program funds spent by the Hillsborough County Workforce Board during the July 1, 1999, through December 31, 2000, audit period amounted to approximately \$7,556,000, as shown in the following tabulation:

WIA Expenditures 07-01-1999 to 12-31-2000				
CFDA No.	Salaries	Contractual Services	Other	Total
17.207	\$ 134,431.16	\$ 36,000.00	\$210,262.15	\$ 380,693.31
17.235			10,000.00	10,000.00
17.246	41,238.09	206,192.37	135,031.90	382,462.36
17.249	70,612.00	350,520.00	2,860.00	423,992.00
17.250	598,407.51	665,837.75	105,601.31	1,369,846.57
17.253	120,031.44	1,193,696.11	23,547.52	1,337,275.07
17.255	<u>2,493,415.71</u>	<u>852,897.17</u>	<u>305,828.12</u>	<u>3,652,141.00</u>
Total	<u>\$3,458,135.91</u>	<u>\$3,305,143.40</u>	<u>\$793,131.00</u>	<u>\$7,556,410.31</u>

SCOPE, OBJECTIVES, AND METHODOLOGY

This operational audit focused on the uses of workforce grant funds administered by the Hillsborough County Workforce Board, pursuant to the Memorandum of Understanding with the Hillsborough County Board of County Commissioners. The objectives of this audit were to determine the extent to which the Hillsborough County Workforce Board and Hillsborough County Board of County Commissioners had implemented procedures to administer assigned responsibilities in accordance with the applicable laws, administrative rules, and other guidelines. Specifically, we reviewed management controls and administration over the uses of workforce grant funds in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic and efficient operation of the Hillsborough County Workforce Board; the reliability of financial records and reports; and the safeguarding of assets. We conducted this audit in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Although we identified weaknesses in the HCWB's administrative and program controls, we have not made any administrative recommendations because the Hillsborough County Workforce Board Inc., has replaced the Hillsborough County Board of County Commissioners as the administrative entity for Federal workforce grant funds. However, we have questioned expenditures related to the grants we reviewed and any determinations relating to the recovery of these costs, unless the HCWB can provide documentation that establishes the costs are allowable, will be the responsibility of the Federal cognizant agency.

**HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT**

FINDINGS AND RECOMMENDATIONS

Finding No. 1:

As shown in the following tabulation, salaries charged to the various grant programs during the audit period amounted to \$3,458,135.91, approximately 46 percent of the grant funds expended.

CFDA No.	Program	Salaries
17.207	Employment Service	\$ 134,431.16
17.246	Employment and Training Assistance – Dislocated Workers	41,238.09
17.249	Employment Services and Job Training Pilots – Demonstrations and Research	70,612.00
17.250	Job Training Partnership Act	598,407.51
17.253	Welfare-to-Work Grants to States and Localities	120,031.44
17.255	Workforce Investment Act	<u>2,493,415.71</u>
Total		<u>\$3,458,135.91</u>

Federal Circular No. A-87, Attachment B, Section 11.h. provides that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. While four employee salaries totaling \$218,731 were charged 100 percent to the following grants, the required certifications were not provided for our review.

CFDA No.	Program	Expenditures
17.207	Employment Service	\$ 39,507
17.249	Employment Services and Job Training Pilots – Demonstrations and Research	19,842
17.253	Welfare-to-Work Grants to States and Localities	57,750
17.255	Workforce Investment Act	<u>101,632</u>
Total		<u>\$218,731</u>

Our review of salaries allocated to more than one grant program disclosed that, contrary to Federal regulations, salaries were not documented by personnel activity reports signed by the employee or the employees' supervisors.

Upon audit inquiry of Hillsborough County Workforce Board staff, we were informed that the salary distributions were based on the number of participants served by the employee, or were allocated based on budgeted amounts determined in the grant application process. These distributions were not conducted with individual employee input as to time spent on each grant.

The salary allocation method used by the HCWB was included in the administrative plan approved by the Florida Department of Labor and Employment Security; however, the HCWB was not able to provide evidence of Federal cognizant agency (U.S. Department of Health and Human Services) approval, nor had they submitted a request for approval from the cognizant agency for the salary allocation used. While the HCWB was able to provide us with documentation to support the salary allocation calculations for 2 of 3 categories within the WIA program (CFDA No. 17.255) for a six month period, the HCWB did not provide us with adequate documentation to support the salary allocation calculations used for any of the other programs for the audit period.

The absence of Federal cognizant agency approval of the salary allocation method used, the lack of documentation supporting the grant employee salary allocations, and the lack of personnel activity reports or equivalent documentation result in the amounts charged to the various grant programs being questioned grant costs. **We recommend that the Hillsborough County Board of County Commissioners contact the Federal cognizant agency to determine what course of action should be taken regarding these questioned salary and benefit costs.**

Department Response: Disagree. This finding was based upon a reading of Federal Circular No. A-87 Attached B. Section 11.h requiring that the cost allocation plan be supported by periodic certifications. The County's allocation plan was based upon client

HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT

count and was approved by the Florida Department of Labor and Employment Security, which is the pass-through entity for the federal grants. The cost allocation plan was approved by the State agency and reviewed during site monitoring visits. The State agency as the grant recipient and pass-through entity is required to ensure that the County, as subrecipient, is in compliance with A-87. The Implementation Guide for Office of Management and Budget Circular No. A-87, ASMB C-10 further clarifies Circular No. A-87. In Attachment C-Requirements for cost allocation plans distinguishes between “major” and non-major local governments and reporting requirements. Hillsborough County is not designated a “major” local government.

Section 4.4.3 states “Local governments that are not designated as “major” are not required to submit their cost allocation plans for Federal review and approval unless specifically instructed to do so by a Federal agency. Local governments that only receive funds as a **subrecipient of another government should follow instruction from their pass-through grantors concerning submission and review**...Pass-through grantors (primary recipients) are expected to review and monitor subrecipient plans to provide reasonable assurance that provisions of Circular A-87 are being followed.”

According to Ms. Pat Forcade (816) 374-6731 of the audit section of the Federal Health and Human Services (HHS) regional office in Atlanta, Bill Logan (202) 401-2808 of the Division of Cost Allocation for HHS in Washington, DC, and Gilbert Trinh (202) 395-3052 of the Office of Management and Budget in Washington D.C., Hillsborough County is not a “major” local government. Mr. Greg Dowell of HHS’s, Office of Inspector General, National External Audit Review Center (816) 374-6714 clarified that the salary allocation method approval process follows the same path as submission and review, to the pass-through grantor. Mr. Dowell’s response is attached. Therefore, Hillsborough County is not

required to submit the cost allocation plan, inclusive of method, to the cognizant agency. Mr. Logan, with HHS, stated that if the plan were sent to HHS from a non-major government, the cost allocation plan would not be reviewed. There are only two “major” local governments designated by the cognizant agency, Los Angeles County and New York City.

Salary allocation documentation for the period of July 1, 1999 to June 30, 2000 is available from the Florida Agency for Workforce Innovation that has archived the client headcount data upon which the salary allocations were based. The detailed information was not available at the local level.

The Hillsborough County Economic Development Department Director in his response to this finding disagreed with the finding and stated that this finding was “based on a reading of Federal Circular No. A-87 Attachment B, Section 11.h requiring that the cost allocation plan be supported by periodic certifications.” He also stated that in Attachment C to OMB Circular No. A-87 a distinction is made between major and non-major local governments and that Hillsborough County is not designated a major local government.

While the Director is correct when he stated that Hillsborough County had not been designated a major local government, our finding was not based on whether the county had been designated a major or non-major local government. Rather, our concern was based on the requirement in Federal Circular No. A-87, Attachment B, Section 11.h which requires that substitute systems are subject to approval if required by the cognizant agency. We were informed by the Supervisory Auditor at the U. S. Department of Health and Human Services (the cognizant agency) that Hillsborough County should have sought cognizant agency approval of their substitute systems and that if the county chose not to seek this approval they assumed the risk if these substitute systems were subsequently determined to be unacceptable. He also stated that the substitute systems used by HCWB, allocations

**HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT**

based on the number of participants served and/or based on budgeted amounts, were not acceptable substitute systems.

We shared this information with the HCWB. We remain of the opinion that Hillsborough County should contact their cognizant agency to determine what course of action should be taken regarding these questioned costs.

As to the Director's statement that "salary allocation documentation for the period of July 1, 1999 to June 30, 2000 is available from the Florida Agency for Workforce Innovation," we requested this documentation from HCWB personnel during the audit, but we were informed by HCWB personnel that this information was not available for audit.

Finding No. 2:

Rental costs totaling \$140,198.40 for some of the HCWB facilities during the audit period were allocated to five Federal grants as follows:

CFDA No.	Program	Administrative Rental Costs
17.207	Employment Service	\$ 5,607.96
17.246	Employment and Training Assistance – Dislocated Workers	41,846.40
17.250	Job Training Partnership Act	36,743.16
17.253	Welfare-to-Work Grants to States and Localities	6,277.44
17.255	Workforce Investment Act	49,723.44
Total		<u>\$140,198.40</u>

The approved HCWB administrative cost allocation plan requires, in the case of administrative costs, that a cost pool will be established and such costs will be allocated back to the programs based on a participant or enrollment count percentage by program title. Contrary to the approved plan, the HCWB used employee cost allocation percentages to allocate rental costs to the various grants rather than participation or enrollment percentage by program title.

Our review disclosed that HCWB also allocated other expenditure costs totaling \$43,351.17 by using participation or enrollment percentages by program title. These expenditures were for items such as video

services, legal services, accounting software and implementation, membership dues, and consulting services, and involved the following Federal grants:

CFDA No.	Program	Other Expenditures
17.207	Employment Service	\$ 175.00
17.253	Welfare-to-Work Grants to States and Localities	3,809.60
17.255	Workforce Investment Act	<u>39,366.57</u>
Total		<u>\$43,351.17</u>

While the HCWB provided documentation to partially support the participant or enrollment count percentages for the July 1, 2000, through December 31, 2000 period for CFDA No. 17.255, adequate documentation was not provided for the participant or enrollment count percentages for the period July 1, 1999, through June 30, 2000.

In the absence of adequately documented participation or enrollment count percentages, and noncompliance with the approved administrative cost allocation plan, the rental costs and the other expenditure costs allocated to the various grant programs are questioned costs. **We recommend that the Hillsborough County Board of County Commissioners contact the Federal cognizant agency to determine what course of action should be taken regarding these questioned expenditure allocations.**

Department Response: Agree. The two items in this finding are easily explained. The County had used employee cost percentages to allocate rental costs when there were no participants in the grant at the time. The rental costs were allocated in an acceptable manner and the Florida Agency for Workforce Innovation reviewed the allocation plan. But, we agree that the five-year administrative plan was not updated to add the additional method of allocation.

In the second case, certain costs were allocated using participant and enrollment counts obtained from the State of Florida. When this headcount data was used from the State, the headcount data was assumed

HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT

accurate and that detailed lists of names to support the headcount data would be available from the State when needed. Since the State had already archived the lists of names related to the headcount data, it was not available for use during the audit.

We will contact the pass-through entity agency for their determination of any action needed.

Finding No. 3:

United States Office of Management and Budget (OMB) Circular A-87, Attachment B, Sections 6. and 19., authorize the purchase of data processing equipment when such procurement is specifically approved by the Federal grantor agency. Our review of the Employment Service grant (CFDA No. 17.207) disclosed the following automatic electronic data processing related purchases:

- ◆ In June 2000, the HCWB purchased 18 computers for \$27,162 plus the related installation costs of \$1,620. The HCWB One Stop Conversion Plan provides that the purchase of multimedia computers were to be installed in career resource rooms. The computers were to provide computer base training on job and life skills, resume building, and various applications to help customers (participants) develop skills necessary to seek and hold life long careers. We noted that 16 of the computers were installed in various One-Stop centers in career resource rooms; however, we noted that two of the computers (costing a total of \$3,018) were not installed prior to the December 1, 2000, conversion date of the workforce program. The HCWB's failure to install and utilize the two computers in career resource rooms represent questioned costs to the Employment Service grant subject to disallowance by the Federal grantor agency.
- ◆ The Federal grantor agency provided prior approval for the HCWB to purchase data

processing software for the specific use of two grant employees and grant participants. Software purchases totaling \$13,638.45 were made for such use. Inquiry of information technology personnel indicated that the purchased software was installed for use of the approved employees and grant participants; however, because the software was included within the computer server, the HCWB was unable to restrict the use of such software programs only to the approved individuals. In the absence of the HCWB's ability to demonstrate the restrictive use of the software purchases, these costs represent questioned costs to the Employment Service grant subject to disallowance by the Federal grantor agency.

We recommend that the Hillsborough County Board of County Commissioners contact the Federal cognizant agency to determine what course of action should be taken regarding these questioned costs.

Department Response: Agree. Two of eighteen computers purchased were not installed at the time of the audit period and software purchased for grant purposes was installed on a server which required a password, but did not automatically prevent non-grant use. We will contact the pass-through entity agency for their determination of any action necessary.

Finding No. 4:

Attachment A, Section A.3.e.(3) of Circular A-87 issued by the United States Office of Management and Budget, provides that costs must be necessary and reasonable for operating Federal programs in order for those costs to be allowable. Our review of the HCWB workforce programs disclosed that the purpose of employee travel was not always documented. Our tests included \$1,128.18 of travel expenditures for which no purpose was included in

**HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT**

the documentation. These travel expenditures included the following Federal grants:

CFDA No.	Program	Travel Expenditures
17.250	Job Training Partnership Act	\$ 366.56
17.253	Welfare-to-Work Grants to States and Localities	368.00
17.255	Workforce Investment Act	393.62
Total		<u>\$1,128.18</u>

Subsequent to our request for documentation, HCWB personnel provided us with the purpose of the travel for two of the instances noted above. However, HCWB records did not evidence, at the time the funds were disbursed, that such travel costs were necessary and reasonable and incurred only for Federal programs.

The above expenditures represent questioned costs to the Federal grants subject to disallowance by the Federal grantor agency. **We recommend that the Hillsborough County Board of County Commissioners contact the Federal cognizant agency to determine what course of action should be taken regarding these questioned costs.**

Department Response: Agree. The County forms used to document local travel/mileage within the County do not state the purpose of the travel. The mileage forms were approved by the supervisor who was familiar with the grant site locations and; therefore, knew the purpose of the trips. The local travel/mileage forms are currently being reviewed to consider including the purpose of the travel. We will contact the pass-through entity agency for their determination of any action necessary.

Finding No. 5:

The HCWB contracted with, and disbursed a significant portion of grant funds to, vendors (service providers) providing assistance in accomplishing the goals and objectives of the WIA grant programs. Payments to vendors providing participant employment training, case management, and

employment counseling services from the various WIA grant funds during the audit period amounted to \$3,305,143.40, approximately 44 percent of the grant funds expended.

OMB Circular A-133, ___.210(f) issued by the United States Office of Management and Budget, provides that the HCWB is responsible for monitoring service providers for compliance with program requirements. In addition, included in the HCWB approved administrative cost allocation plan are requirements which provide that the HCWB will conduct service provider monitoring, including the preparation of monitoring reports with sufficient information in the areas of fiscal, program operation, contractual requirements and program outcomes to ensure program integrity.

Our review disclosed that the HCWB had not conducted the required monitoring to ensure compliance by the service providers with the terms of the agreements as described below:

- ◆ Although requested, the HCWB could not provide documentation evidencing that monitoring site visits were conducted at ten of the vendor locations that the HCWB had contracted with.
- ◆ The HCWB provided monitoring reports for five vendors. The monitoring reports, however, only covered one month of the contract period for four of the vendors. For the fifth vendor, the HCWB's monitoring reports were not clear as to what time period was covered for each of the areas reviewed. In addition, while the monitoring reports provided for each vendor contained summaries of the areas reviewed such as staff timesheets, customer timesheets, class curriculum, cumulative log of customers, invoicing, etc., the reports did not identify the specific records reviewed and did not include the quantities of the items reviewed.

HILLSBOROUGH COUNTY FLORIDA
HILLSBOROUGH COUNTY WORKFORCE BOARD
OPERATIONAL AUDIT

In the absence of adequate contract monitoring procedures, the HCWB was not able to document that the service providers complied with program requirements. **We recommend that the Hillsborough County Board of County Commissioners contact the Federal cognizant agency to determine what course of action should be taken regarding the lack of adequate contract monitoring procedures.**

Department Response: Disagree. Vendors were monitored for fiscal, programmatic, and contractual compliance. Monitoring activities included actions such as the following: invoices were required to have backup information; invoices for training were compared with computer system records on students; performance of training programs was tracked and reported to the High Skill/High Wage Committee; vendor performance was reviewed prior to renewing contracts; and vendor site visits were conducted by staff. The State pass-through entity reviewed the monitoring procedures and deficiencies were not noted for corrective action. As stated earlier, the Workforce Board, Inc., has been responsible for record retention since December 1, 2000.

The Director, in his written response to this finding disagreed with the finding and described various activities the HCWB conducted relative to the monitoring of vendors. However, the Director's response does not address the

specific instances identified in our finding where the HCWB was unable to provide documentation evidencing the monitoring activities undertaken by HCWB and the Director provided no additional documentation relative to these instances.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



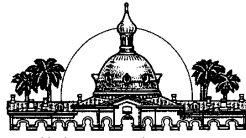
William O. Monroe, CPA
Auditor General

AUDITEE RESPONSE

In a response letter dated July 16, 2002, the Hillsborough County Economic Development Department Director disagreed with two of our findings and agreed with three of our findings. The Agency's response can be viewed in its entirety on the Auditor General Web site.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of local government entities. This operational audit was made in accordance with applicable performance audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was coordinated by Denis Jessen, CPA, and supervised by Karen Collington, CPA. Please address inquiries regarding this report to Jim Dwyer, CPA, Audit Manager, via e-mail at jimdwyer@aud.state.fl.us or by telephone at (850) 487-9031.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



Hillsborough County
Florida

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Daniel A. Kleman

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July 16, 2002

William O. Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: AR 20740 - Hillsborough County Workforce Board
for period July 1, 1999 through December 31, 2000
Statement from Audited Official

Dear Mr. Monroe:

This is in response to the letter you sent to Commissioner Pat Frank concerning the audit findings of the Hillsborough County Workforce Board. Appropriate staff members have reviewed the preliminary and tentative audit findings and recommendations. Attached are the responses to these findings and recommendations. Also attached is the Management Representations letter.

The County appreciates the time and effort on the part of your staff in conducting this audit. If you have any questions about responses to the audit findings and recommendations, please contact me (813)272-6210.

Sincerely,

J. Eugene Gray, Director
Economic Development Department

Attachments

cc: Pat Frank, Chairman
Daniel A. Kleman, County Administrator
Roger Dean, Interim ACA, Management Services

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**HILLSBOROUGH COUNTY WORKFORCE BOARD (HCWB)
STATEMENT FROM AUDITED OFFICIAL
FOR PERIOD JULY 1, 1999 THROUGH DECEMBER 31, 2000**

A response to each finding is provided below. Effective December 1, 2000, the Workforce Board, Inc. assumed responsibility for the operation and management of these grants. Since the Workforce Board, Inc. may be involved with corrective action related to this audit, we will forward a copy of the audit report and this response to them.

Finding No. 1: A lack of federal cognizant agency approval of the salary allocation method used by the HCWB, and a lack of adequate documentation of the salary allocations for a substantial portion of the audit period, resulted in approximately \$3.4 million of questioned costs.

AUDITED OFFICIAL RESPONSE

Finding One: Disagree

This finding was based upon a reading of Federal Circular No. A-87 Attachment B. Section 11.h requiring that the cost allocation plan be supported by periodic certifications. The County's allocation plan was based upon client count and was approved by the Florida Department of Labor and Employment Security, which is the pass-through entity for the federal grants. The cost allocation plan was approved by the State agency and reviewed during site monitoring visits. The State agency as the grant recipient and pass-through entity is required to ensure that the County, as subrecipient, is in compliance with A-87. The Implementation Guide for Office of Management and Budget Circular No. A-87, ASMB C-10 further clarifies Circular No. A-87. In Attachment C-Requirements for cost allocation plans distinguishes between "major" and non-major local governments and reporting requirements. Hillsborough County is not designated a "major" local government.

Section 4.4.3 states " Local governments that are not designated as "major" are not required to submit their cost allocation plans for Federal review and approval unless specifically instructed to do so by a Federal agency. Local governments that only receive funds as a **subrecipient of another government should follow instruction from their pass-through grantors concerning submission and review**....Pass-through grantors (primary recipients) are expected to review and monitor subrecipient plans to provide reasonable assurance that provisions of Circular A-87 are being followed."

According to Ms. Pat Forcade (816)374-6731 of the audit section of the Federal Health and Human Services (HHS) regional office in Atlanta, Bill Logan (202)401-2808 of the Division of Cost Allocation for HHS in Washington D.C., and Gilbert Trinh (202)395-3052 of the Office of Management and Budget in Washington D.C., Hillsborough County is not a "major" local government. Mr. Greg Dowell of HHS's , Office of Inspector General, National External Audit Review Center (816)374-6714 clarified that the salary allocation method approval process follows the same path as submission and review, to the pass-through grantor. Mr. Dowell's response is attached. Therefore, Hillsborough County is not required to submit the cost allocation plan, inclusive of method, to the cognizant agency. Mr. Logan, with HHS, stated that

if the plan were sent to HHS from a non-major government, the cost allocation plan would not be reviewed. There are only two "major" local governments designated by the cognizant agency, Los Angeles County and New York City.

Salary allocation documentation for the period of July 1, 1999 to June 30, 2000 is available from the Florida Agency for Workforce Innovation that has archived the client headcount data upon which the salary allocations were based. The detailed information was not available at the local level.

Finding No. 2: Contrary to the approved HCWB administrative cost allocation plan, certain office rent charges were not allocated based on participation or enrollment percentages. This resulted in approximately \$140,000 of questioned costs. In addition, the lack of documentation for participant or enrollment percentages used for other expenditure charges resulted in questioned costs of approximately \$43,000.

AUDITED OFFICIAL RESPONSE

Finding Two: Agree

The two items in this finding are easily explained. The County had used employee cost percentages to allocate rental costs when there were no participants in the grant at the time. The rental costs were allocated in an acceptable manner and the Florida Agency for Workforce Innovation reviewed the allocation plan. But, we agree that the five-year administrative plan was not updated to add the additional method of allocation.

In the second case, certain costs were allocated using participant and enrollment counts obtained from the State of Florida. When this headcount data was used from the State, the headcount data was assumed accurate and that detailed lists of names to support the headcount data would be available from the State when needed. Since the State had already archived the lists of names related to the headcount data, it was not available for use during the audit.

We will contact the pass-through entity agency for their determination of any action needed.

Finding No. 3: The failure to install and use two computers purchased for a particular program (\$3,018), and the inability to restrict the use of purchased software to authorized users (\$13,638), resulted in questioned costs.

AUDITED OFFICIAL RESPONSE

Finding Three: Agree

Two of eighteen computers purchased were not installed at the time of the audit period and software purchased for grant purposes was installed on a server which required a password, but did not automatically prevent non-grant use. We will contact the pass-through entity agency for their determination of any action necessary.

Finding No. 4: The lack of adequate documentation demonstrating that travel expenditures were necessary and reasonable resulted in questioned costs of approximately \$1,100.

AUDITED OFFICIAL RESPONSE

Finding Four: Agree

The County forms used to document local travel/mileage within the County do not state the purpose of the travel. The mileage forms were approved by the supervisor who was familiar with the grant site locations and; therefore, knew the purpose of the trips. The local travel/mileage forms are currently being reviewed to consider including the purpose of the travel. We will contact the pass-through entity agency for their determination of any action necessary.

Finding No. 5: The HCWB had not developed adequate contract monitoring procedures.

AUDITED OFFICIAL RESPONSE

Finding Five: Disagree

Vendors were monitored for fiscal, programmatic, and contractual compliance. Monitoring activities included actions such as the following: invoices were required to have backup information; invoices for training were compared with computer system records on students; performance of training programs was tracked and reported to the High Skill/High Wage Committee; vendor performance was reviewed prior to renewing contracts; and vendor site visits were conducted by staff. The State pass through entity reviewed the monitoring procedures and deficiencies were not noted for corrective action. As stated earlier, the Workforce Board, Inc. has been responsible for record retention since December 1, 2000.

From: "Dowell, Gregory (OIG/OAS)" <GDOWELL@oig.hhs.gov>
To: <herrigb@hillsboroughcounty.org>
Date: 7/15/02 11:26AM
Subject: A-87 requirements

Bill,

Per our conversation this morning, it is our understanding of OMB Circular A-87 that a local governments allocation plan or method does not have to be submitted or approved by the feds. However, the plan must be developed in accordance with the Circular and the supporting documentation must be maintained for audit purposes.

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