

**U.S. Department of the Interior  
Office of Inspector General**

# **Audit Report**

## **Job Training Partnership Act Programs Department of Labor Government of the Virgin Islands**



**Report No. 2002-I-0002  
November 2001**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

Insular Area Audits  
Federal Building, Room 207  
St. Thomas, Virgin Islands 00802

November 7, 2001

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
No. 21 Kongens Gade  
Charlotte Amalie, Virgin Islands 00802

Subject: Audit Report on the Job Training Partnership Act Programs, Department of Labor,  
Government of the Virgin Islands (No. 2002-I-0002)

Dear Governor Turnbull:

This report presents the results of our audit of the Job Training Partnership Act (JTPA) programs administered by the Department of Labor.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the U.S. Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

Please provide a response to this report by November 30, 2001. The response should provide the information requested in Appendix 4 and should be addressed to our Caribbean Regional Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802.

Sincerely,

Arnold E. van Beverhoudt, Jr.  
Audit Manager for Insular Areas

cc: Commissioner of Labor  
Commissioner of Finance

---

# EXECUTIVE SUMMARY

---

## BACKGROUND

The Virgin Islands Department of Labor is responsible for administering programs under the Job Training Partnership Act (JTPA), which was enacted by Congress in 1982 to establish programs to prepare youth and adults facing serious barriers to employment for participation in the labor force. The U.S. Department of Labor awarded grants to the Virgin Islands Department of Labor for JTPA programs through Notices of Obligations. The grants totaled \$2.14 million for program year 1998 and \$2.17 million for program year 1999.

---

## OBJECTIVE

The objective of the audit was to determine whether (1) Labor complied with JTPA grant terms and applicable laws and regulations; (2) charges made against JTPA grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) drawdowns were appropriately deposited to and accounted for in the Government's financial management system; (4) JTPA program participants met eligibility requirements; and (5) contracts paid from JTPA funds were awarded and administered in accordance with applicable laws and regulations.

---

## RESULTS IN BRIEF

Although the Department of Labor had adequate controls over JTPA contracts awarded to business entities that provided job training and other services, other controls needed improvement. Specifically, we found that Labor (1) did not maintain adequate financial accountability over JTPA grant expenditures and drawdowns and (2) did not have effective management control over JTPA grant and program operations. Labor employees did not always follow Federal requirements for the administration of grants and the JTPA programs, and Labor management did not provide adequate oversight to ensure that the administrative requirements were being met. As a result, we were unable to verify the accuracy of financial status reports submitted to the U.S. Department of Labor or of drawdowns made against program funds. Therefore, we classified expenditures of \$1.91 million as unsupported costs. Additionally, payroll costs of \$152,840 were charged to the wrong accounts, and additional payroll costs of \$16,400 could not be verified. Further, there was no assurance that JTPA program participants were eligible to participate or that they had received the type or level of services intended by the JTPA legislation.

---

**RECOMMENDATIONS**

We made 12 recommendation to the Governor of the Virgin Islands to address the management and internal control weaknesses disclosed by the audit.

---

**AUDITEE COMMENTS  
AND OFFICE OF  
INSPECTOR  
GENERAL  
EVALUATION**

The Governor and the Department of Labor concurred with the 12 recommendations, but did not provide sufficient detail on proposed corrective actions for some of the recommendations. Therefore, based on the response, we consider three recommendations resolved and implemented, one recommendation resolved but not implemented, and requested additional information for eight recommendations.

---

---

# CONTENTS

---

---

## EXECUTIVE SUMMARY

..... 1

---

---

## INTRODUCTION

Background ..... 5  
Objective and Scope ..... 6  
Prior Audit Coverage ..... 7

---

---

## RESULTS OF AUDIT

Overview ..... 8  
Financial Accountability ..... 8  
Grant and Program Administration ..... 14

---

---

## RECOMMENDATIONS

..... 18

---

---

## APPENDICES

1. Monetary Impact ..... 21  
2. Prior Audit Report ..... 22  
3. Responses to Draft Report ..... 23  
4. Status of Recommendations ..... 27



---

# INTRODUCTION

---

## BACKGROUND

The Virgin Islands Department of Labor is responsible for administering programs under the Job Training Partnership Act (JTPA), which was enacted by Congress in 1982. The purpose of JTPA (20 CFR Part 626) is "to establish programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency." JTPA programs include Adult Training (Title II-A), Summer Youth Employment Training (Title II-B), Youth Training (Title II-C), and Employment and Training Assistance for Dislocated Workers (Title III). These programs provide such services as classroom training; on-the-job training; and individual referrals for low-income individuals ages 14 and older, older individuals age 55 and older, and dislocated workers. On July 1, 2000, the Workforce Investment Act replaced JTPA, and Titles II-B and II-C were combined into one program called Youth Training.

The U.S. Department of Labor awarded grants to the Virgin Islands Department of Labor for JTPA programs through Notices of Obligations, which totaled \$2.14 million for program year 1998<sup>1</sup> and \$2.17 million for program year 1999. As of December 18, 2000, we determined that the U.S. Department of Labor had provided \$1.66 million against the program year 1998 Notices of Obligations and \$1.33 million against the program year 1999 Notices of Obligations, leaving a combined balance of \$1.32 million available for expenditure.

Although there is no Federal requirement for a local match, the Government of the Virgin Islands appropriated \$509,000 in fiscal year 1999 and \$491,000 in fiscal year 2000 for JTPA programs. We determined that expenditures of local funds totaled \$577,000 in fiscal year 1999 and \$484,000 in fiscal year 2000. Therefore, the JTPA program overspent its local appropriation for fiscal year 1999 by about \$68,000 and underspent its local appropriation for fiscal year 2000 by about \$7,000.

---

<sup>1</sup>A "program year" is a 12-month period beginning July 1, but funds awarded through Notices of Obligations are available for a 3-year period. For example, funds provided through Notices of Obligations for program year 1998 would be available for use during the period of July 1, 1998 to June 30, 2001.

Job training and other services provided by business entities are procured through contracts awarded by a Human Resource Investment Council. For program years 1998 and 1999, the Council awarded 19 contracts for job training and other services totaling \$850,800.

---

## **OBJECTIVE AND SCOPE**

The objective of the audit was to determine whether (1) Labor complied with JTPA grant terms and applicable laws and regulations; (2) charges made against JTPA grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) drawdowns were appropriately deposited to and accounted for in the Government's financial management system; (4) JTPA program participants met eligibility requirements; and (5) contracts paid from JTPA funds were awarded and administered in accordance with applicable laws and regulations. The scope of the audit included a review of grant transactions that occurred during program years 1998 and 1999 (through December 31, 2000) and other periods as appropriate.

To accomplish our audit objective, we interviewed officials and reviewed records related to the JTPA programs at offices of the Department of Labor on St. Thomas and St. Croix, the Department of Finance on St. Thomas, the Human Resource Investment Council on St. Croix, and selected JTPA contractors on St. Thomas and St. Croix.

The scope of our review was limited because Labor personnel were unable to provide us with lists of specific expenditures and the related supporting documents for amounts included in financial status reports and grant drawdowns. As a result, we were unable to review specific charges made against the Notices of Obligations to determine whether the charges were reasonable, allowable, and allocable pursuant to the grant agreement provisions.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. The "Standards" requires that we obtain sufficient, competent, and relevant evidence to afford a reasonable basis for our findings and conclusions.

As part of our audit, we evaluated the internal controls at the Department of Labor to the extent we considered necessary to



accomplish the audit objective. Internal control weaknesses were identified in the areas of financial accountability and grant and program administration. These weaknesses are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas.

---

---

**PRIOR AUDIT  
COVERAGE**

The Office of Inspector General has not issued any reports on JTPA programs during the past 5 years. However, in December 1996, the Virgin Islands Bureau of Audit and Control issued a report on service contracts paid from JTPA funds awarded for program years 1990 to 1993 (see Appendix 2).

---

# RESULTS OF AUDIT

---

## OVERVIEW

The Department of Labor had adequate controls over JTPA contracts awarded to business entities that provided job training and other services, but other controls needed improvement. Specifically, we found that Labor (1) did not maintain adequate financial accountability over JTPA grant expenditures and drawdowns and (2) did not have effective management control over JTPA grant and program operations. The Code of Federal Regulations (20 CFR 627) establishes uniform administrative requirements for programs under the JTPA law. However Labor employees did not always follow the administrative requirements, and Labor management did not provide adequate oversight to ensure that the administrative requirements were being met. As a result, we were unable to verify the accuracy of financial status reports submitted to the U.S. Department of Labor or of drawdowns made against program funds. Therefore, we classified expenditures of \$1.91 million as unsupported costs. Additionally, payroll costs of \$152,840 were charged to the wrong accounts and additional payroll costs of \$16,400 could not be verified. Further, there was no assurance that JTPA program participants were eligible to participate or that they received the type or level of services intended by the JTPA legislation.

---

## FINANCIAL ACCOUNTABILITY

Labor did not maintain adequate financial accountability for the JTPA grants because it did not (1) maintain adequate documentation to support expenditures of \$3.06 million that were included in financial status reports, (2) prepare accurate financial status reports, (3) maintain adequate documentation to support drawdowns of \$2.99 million received through electronic funds transfers, (4) make drawdowns in accordance with Federal requirements, and (5) timely submit payroll withholding amounts to the appropriate agencies. In addition, although we concluded that drawdowns were appropriately deposited to the Government's bank account, drawdowns were not timely recorded and properly accounted for in the Government's financial management system.

## Documentation Requirements

The Code of Federal Regulations (20 CFR 627.425(2)(b)(2)(ii)) states that grantee accounting systems should be able to provide fiscal control and accounting

procedures to "permit the tracing of funds to a level of expenditure adequate to establish that funds have not been used in violation of the applicable restriction on the use of such funds." In addition, the Code (20 CFR 627.460(2)(d)) states that "records shall be retained and stored in a manner which will preserve their integrity and admissibility as evidence in any audit or other proceeding. The burden of production and authentication of the records shall be on the custodian of the records." The Code (20 CFR 627.460(2)) further requires that records for each program year be retained for 3 years after the grantee submits to the grantor agency its final expenditure report for that program year.

**Adequate Documentation  
Not Maintained for  
Expenditures Totaling  
\$3.06 Million**

For program year 1998, Labor reported accrued expenditures of \$1.7 million for programs under Titles II and III for the period of April 1, 1998<sup>2</sup> to December 31, 2000. For program year 1999, Labor reported accrued expenditures of \$1.36 million for programs under Titles II and III for the period of April 1, 1999 to December 31, 2000. To test the validity of these expenditures, we requested the supporting documents for a sample of the quarterly financial status reports. However, Labor employees did not maintain an adequate records retention system, and they were unable to provide us with a list of the specific expenditures included in the financial status report or the associated supporting documents for any of the reports. Labor employees told us that it was difficult to compile the information because of staff shortages. As a result, we were unable to determine whether the expenditures of \$3.06 million that were included in the financial status reports and submitted to the U.S. Department of Labor for program years 1998 and 1999 were reasonable, allowable, and allocable pursuant to the grant agreement provisions. In addition, we concluded that Labor was not in compliance with the Code of Federal Regulations with respect to the documentation requirements for grant programs.

Because Labor employees were unable to provide us with adequate supporting documentation to verify amounts included in the financial status reports, we reviewed in-house spreadsheets prepared by Labor employees for the period

---

<sup>2</sup>For program year 1998, Title II-B funds were awarded in February 1998, and expenditures totaling \$54,097 were included in the financial status report for the quarter ended June 30, 1998.

July 1, 1998 to December 31, 2000. Labor employees told us that the spreadsheets were used to compile the financial status reports. We compared the financial status reports with the in-house spreadsheets and found that, for program year 1998, the in-house spreadsheets listed expenditures totaling \$1,607,182 but the financial status reports included expenditures totaling \$1,697,314. Therefore, the financial status reports included expenditures of \$90,132 that were not included on the in-house spreadsheets. For program year 1999, the in-house spreadsheets listed expenditures totaling \$1,404,133, but the financial status reports included expenditures totaling \$1,360,318. Therefore, Labor's in-house spreadsheets included expenditures of \$43,815 that were not included in the financial status reports. Labor employees were unable to explain why amounts included in the financial status reports could not be reconciled to amounts included on the in-house spreadsheets.

Finally, in an effort to validate expenditures included in the Government's financial management system for the JTPA programs, we reviewed and confirmed the existence of expenditures of \$299,834 charged for Labor employees who worked on JTPA matters, and we also reviewed and confirmed the existence of expenditures of \$850,834 paid to business entities that provided job training and other services. Although we believe that these amounts would be reasonable, allowable, and allocable pursuant to grant agreement provisions, we were unable to determine whether these amounts were included in the financial status reports submitted to the U.S. Department of Labor. For purposes of our review, we accepted the expenditures of \$1.15 million (out of \$3.06 million) for personal services costs and contracts with business entities. However, we classified the remaining expenditures of \$1.91 million that we were not able to confirm as unsupported costs.

In order to strengthen controls over the financial accountability of the JTPA grants, Labor should maintain adequate supporting documentation for each type of expenditure included in the financial status reports and develop a filing system so that these documents will be readily available for review, as required by the Code of Federal Regulations.

## **Financial Status Reports Not Accurately Prepared**

We found that the JTPA quarterly financial status reports submitted to the U.S. Department of Labor were not

accurately prepared. For example, for program year 1998, the financial status report for the quarters ending December 31, 1998 through June 30, 2000 did not include the correct expenditure amounts (on a cumulative basis) for Titles II-A, II-B, and II-C. Accordingly, the total expenditures reported on the financial status reports were also inaccurate. We found similar inaccuracies in the quarterly status reports for program year 1999.

**Drawdowns of Almost  
\$2.99 Million Not  
Adequately Supported**

Drawdowns of Federal funds to pay for expenditures incurred under the JTPA programs were received through electronic funds transfers. As of December 18, 2000, Labor had received 18 electronic funds transfers totaling \$2.99 million for program years 1998 and 1999. To verify the expenditures claimed against each drawdown, we selected a sample of nine drawdowns totaling \$1.18 million for program years 1998 and 1999 and requested that Labor employees provide us with documentation for the specific expenditures associated with the drawdowns. However, the employees were not able to provide this information. They also told us that records were not maintained of the specific expenditures to support each drawdown and that, because of staff shortages, they were unable to compile this information for us during the audit.

Because Labor employees were unable to provide us with specific lists of expenditures to support the drawdowns, we compared the drawdowns with the accrued expenditures on the financial status reports for program years 1998 and 1999. For program year 1998, we determined that as of December 31, 2000, Labor received drawdowns of \$1,662,546 and reported accrued expenditures of \$1,697,314. Therefore, drawdowns were \$34,768 less than the expenditures reported in the financial status reports. For program year 1999, we determined that as of December 31, 2000, Labor received drawdowns of \$1,335,499 and reported accrued expenditures of \$1,360,318. Therefore, drawdowns were \$24,819 less than the expenditures reported in the financial status reports.

**Drawdowns Not Made in  
Accordance With  
Requirements**

We also determined that Labor did not make drawdowns in accordance with the Cash Management Improvement Act of 1990 (31 CFR 205.7(b)), which require that grantees "minimize the time elapsing between the transfer of funds from the United States Treasury and the payout of funds for program purposes by a State, whether the transfer occurs

before or after the payout." To arrive at this conclusion, we compared the frequency and timing of expenditures and drawdowns. We found that drawdowns were not made on a biweekly basis to cover the biweekly payroll costs for Labor employees who were paid with JTPA funds. Instead, drawdowns were generally made at the end of a quarter rather than at the time that the expenditures were incurred. Our analysis was corroborated by Labor employees, who told us that drawdowns were not made until checks were cut by the Department of Finance to pay for JTPA program expenditures and that, in general, Labor employees waited until a series of checks were cut before requesting drawdowns.

In our opinion, Labor employees should have made the drawdowns and then informed the Department of Finance that funds were available to pay for accrued expenditures. Because drawdowns were not made to cover biweekly payroll costs and other program costs but instead were made after checks were cut by the Department of Finance, we concluded that the Department of Finance either used funds from its Special and Other Funds bank account to pay for JTPA expenditures until the drawdowns were made to reimburse the bank account or held checks until the drawdowns were made. For example, we found that:

- During program years 1998 and 1999 (a total of 52 pay periods), Labor charged payroll costs of \$299,834 for about eight employees who worked on JTPA programs. Therefore, about \$5,766 was charged to the JTPA programs on a biweekly basis to pay for the employees' salaries. Because these employees were paid on a biweekly rather than a quarterly basis, Labor should have made drawdowns on a biweekly basis to ensure that funds were available to cover these payroll costs.

- For the quarter ending September 30, 1998, the financial status report listed expenditures totaling \$448,302 as follows: \$51,154 for Title II-A, \$319,753 for Title II-B, \$7,673 for Title II-C, and \$69,722 for Title III. However, no drawdowns were made by Labor during the quarter (July 1, 1998 to September 30, 1998). On October 1, 1998, a drawdown for \$326,476 was received for Title II-B only, leaving an unreimbursed balance of \$121,826 for the Title II-A, II-C, and III programs.

- For the quarter ending December 31, 1999, the financial status report listed expenditures totaling \$152,044 as

follows: \$60,803 for Title II-A, \$11,441 for Title II-B, \$11,379 for Title II-C, and \$68,421 for Title III. We found that Labor made drawdowns on December 3, 1999 and January 5, 2000, totaling \$327,514, or \$175,470 more that reported on the financial status report for the period ending December 31, 1999. The additional \$175,470 may have been used as reimbursement for expenditures incurred in prior quarters.

In order to improve internal controls in this area, Labor employees should monitor the costs incurred against the JTPA programs, timely request drawdowns to pay for these costs, and inform the Department of Finance when drawdowns have been received to pay for incurred costs. We believe that the current method of waiting until the Department of Finance cuts a check negatively impacted the JTPA programs because contractors who provide job training and other services were not always being paid on a timely basis.

**Drawdowns Not  
Timely Recorded in  
Government Financial  
Management System**

We tried to trace the recording of the 18 drawdowns totaling \$2.99 million that were made by Labor during the period of July 14, 1998 to December 18, 2000. Although all 18 drawdowns were properly deposited into the Government's Special and Other Funds bank account, we found that 12 of the drawdowns, totaling about \$1.7 million, had not been recorded in the Government's financial management system or credited to the appropriate JTPA accounts. This occurred because the Department of Finance had not prepared and processed the necessary Statements of Remittance to record the drawdowns in the financial management system. For the remaining six drawdowns totaling about \$1.3 million, we determined that it took between 4 months and 1 year to record the drawdowns in the financial management system.

**Amounts Withheld From  
Employee Paychecks  
Not Timely Forwarded  
to Appropriate Agencies**

We reviewed the payments made by the Department of Finance for income taxes, social security taxes, and retirement system contributions from amounts withheld from JTPA employee paychecks. With regard to income taxes and social security taxes, Federal law requires that payments be remitted to the appropriate agencies within 3 days after the end of each pay period. With regard to retirement system contributions, the Government Employees' Retirement System requires that payments be remitted within 21 days after the end of each pay

period. However, we found that income tax payments were submitted up to 234 days late, social security tax payments were submitted up to 11 days late, and retirement system contribution payments were submitted up to 22 days late.

---

## **GRANT AND PROGRAM ADMINISTRATION**

Labor did not effectively manage the JTPA grants and programs. Specifically, (1) payroll costs were not reconciled and were routinely charged to the wrong grant year, (2) property records were not updated and physical inventories were not conducted, (3) participant files did not always contain all required documents, (4) participants did not always meet eligibility requirements for program participation, (5) follow-up action to determine the employment status of program participants was not conducted within the established time frame, and (6) the contractor monitoring position of Evaluation and Assessment Officer was not filled when it became vacant. As a result, there was no assurance that JTPA program participants were eligible to participate or that they were receiving the type or level of services intended by the JTPA legislation.

### **Payroll Costs of \$152,840 Charged to Wrong Accounts and Payroll Costs of \$16,400 Not Able to Be Verified**

We reviewed payroll information recorded in the Government's financial management system for the period of July 1998 through June 2000 for Labor employees who were paid with JTPA funds. We found that payroll costs totaling \$152,200 and covering 31 pay periods were charged to the wrong program year and additional payroll costs of \$640 were charged to the wrong account code. In addition, payroll costs totaling \$16,400 and covering three pay periods could not be verified because Labor employees did not provide us with the payroll distribution records. These conditions occurred because Labor employees did not reconcile the information recorded in the Government's financial management system with Labor's internal records to determine whether the amounts were recorded to the correct accounts.

### **Property Records Not Adequate and Physical Inventories Not Performed**

Labor did not have detailed property records and did not perform physical inventories at least once every 2 years, as required by Section 32(d) of the Common Rules for the administration of grant programs.<sup>3</sup> Labor purchased one piece

---

<sup>3</sup>Section 32(d)(1) of the Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments (generally referred to as the Common Rules) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property." Section 32(d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."



of nonexpendable equipment (a photocopy machine) with JTPA funds for program year 1999. Although we were able to physically locate the photocopy machine, we found that it was not recorded on a property list maintained by Labor's Property and Procurement Clerk but was simply added to a property list originally prepared in July 1995. The Property and Procurement Clerk told us that she was not always informed when equipment items were purchased. As a result, she was unable to update the property list. In addition to being incomplete, the property list did not include the detailed information required by the Common Rules. Further, the Property and Procurement Clerk told us that a physical inventory had not been performed in at least 3 years.

### **86 Participant Files Did Not Contain All Required Documents**

According to JTPA requirements, each participant file should contain an application, a Test of Basic Education (with the exception of disabled or illiterate individuals), an Employment Development Plan, a Competency Test for youth between the ages of 15 and 21 (with the exception of disabled or illiterate youth), an update of the application if the participant was not placed into a program within 45 days of the initial application date, a referral letter, a Notice of Participation, a Status Change Form, and a Termination Form. For program years 1998 and 1999, we reviewed a sample of 259 participant files and found that participant files were not adequately maintained. Specifically, we noted that 1 file did not have an updated application for a participant who was not placed into a program within 45 days of the initial application date, 35 files did not have a Test of Basic Education, 6 files did not have an Employment Development Plan, and 44 files did not have a Notice of Participation.

### **13 Participants Did Not Meet Enrollment Requirements**

A Labor official told us that applicants cannot be placed into JTPA programs without first completing an application form. However, we found two instances where the applicants were placed into JTPA programs without first completing the required application forms. In one instance, a Title II-C participant was enrolled on August 24, 1998 but did not complete the application until August 26, 1998. In the second instance, a Title III participant was enrolled on January 13, 2000 but did not complete the application until January 24, 2000.

A Labor official also told us that applicants who are unemployed for a period of at least 15 weeks are eligible to

participate in the Title III program based on long-term unemployment. We found one instance where a Title III participant was classified as unemployed in December 1999, applied for eligibility in February 2000, and was placed in the Title III program in March 2000. We concluded that because the applicant applied for eligibility in February 2000, the minimum 15 weeks of unemployment was not met.

Male participants in the Title II programs are required to comply with Section 3 of the Military Selective Service Act, which requires male citizens and residents of the United States between the ages of 18 and 26 to register with the Selective Service. However, we found 10 instances in which male participants did not have evidence of Selective Service registration on file at the JTPA office. According to Labor officials, a Selective Service registration form should be in the files or the registration number should be written on the JTPA application form.

**Required Follow-Up  
With Participants Not  
Conducted or  
Not Timely**

The Training Unit is required to follow up with Title II-A, Title II-C, and Title III program participants within 90 days after program completion to determine the participants' employment status. We reviewed 259 participant files and found that the required follow-up was not documented for 24 participants, was incomplete for 2 participants, and was not conducted within the 90-day deadline for 109 participants. Regarding these 109 participants, we found that follow-up reviews were not conducted until 120 to 330 days after the participants had completed the training program. Labor official told us that the required follow-up reviews either were not conducted or were delayed because of difficulties in contacting participants after program completion.

**Evaluation and  
Assessment Officer  
Position Not Filled**

In accordance with the Code of Federal Regulations (20 CFR 627.240(g)(1)), Labor is required to monitor contractors who provide job services and other training initiatives to ensure that contractor claims for reimbursement can be substantiated and to ensure that program participants receive the agreed-upon training. To comply with the Code, Labor had an Evaluation and Assessment Officer on staff to perform the monitoring function. However, the employee retired in December 2000, and as of April 30, 2001, Labor had not filled the vacant position of Evaluation and Assessment

Officer. Therefore, Labor was not able to conduct the monitoring function in accordance with the Code of Federal Regulations.

---

# RECOMMENDATIONS

---

## TO THE GOVERNOR OF THE VIRGIN ISLANDS

We recommend that the Governor of the Virgin Islands direct the Commissioner of Labor to:

1. Require that supporting documentation for financial status reports and drawdowns be retained and filed in a manner that complies with the requirements of the Code of Federal Regulations. Specifically, for each financial status report and for each request for drawdown, a summary of expenditures by cost classification or other identifying documents should be attached to and filed with the status report and request for drawdown so that source documents for each individual expenditure can be retrieved in a timely manner.
2. Require that Labor employees monitor costs incurred against the JTPA program, request drawdowns at the time that the expenditure transactions are processed, and inform the Department of Finance of the specific expenditures for drawdowns approved by the grantor agency.
3. Require that Labor employees resubmit corrected financial status reports for program years 1998 and 1999 that include expenditures on a cumulative basis, along with correctly recorded expenditure totals.
4. Require that Labor employees reconcile (on an annual basis) personal services costs to ensure that these costs have been recorded to the appropriate program accounts and obtain the supporting payroll distribution records for the pay periods ending August 15, 1998; February 12, 2000; and May 20, 2000.
5. Ensure that the Property and Procurement Clerk is promptly informed of all JTPA equipment purchases and is required to maintain complete property records and perform a physical inventory of JTPA equipment at least once every 2 years, as required by the Common Rules.
6. Require that Labor employees maintain all documents required to be in program participant files.

7. Require that Labor employees ensure that applicants meet all eligibility requirements prior to program participation.

8. Require that the Training Unit follow up with program participants within 90 days after program completion to determine the participants' employment status.

9. Take necessary action to fill the position of Evaluation and Assessment Officer.

We recommend that the Governor of the Virgin Islands direct the Commissioner of Finance to:

10. Take action to ensure that electronic transfers of Federal funds are recorded in the Government's financial management system in a timely manner.

11. Process checks to pay for expenditures incurred against Federal grants within 3 days of the receipt of the drawdown in accordance with the Cash Management Improvement Act of 1990.

12. Transmit amounts withheld from employee paychecks for income taxes, social security taxes, and retirement system contributions to the appropriate agencies in accordance with established time frames.

---

---

**GOVERNOR OF THE  
VIRGIN ISLANDS AND  
DEPARTMENT OF  
LABOR**

The September 27, 2001 response (Appendix 3) to the draft report from the Governor of the Virgin Islands, which transmitted a response from the Department of Labor, expressed concurrence with the 12 recommendations. However, the response did not provide sufficient information regarding proposed corrective actions on some of the recommendations addressed to the Department of Labor. Additionally, corrective actions were not discussed for Recommendations 10, 11, and 11, which were addressed to the Department of Finance.

---

---

**OFFICE OF  
INSPECTOR  
GENERAL REPLY**

Based on the response, we consider Recommendations 1, 2, and 3 resolved and implemented; Recommendation 4 resolved but not implemented; and requested additional information for Recommendations 5, 6, 7, 8, 9, 10, 11, and 12 (see Appendix 4). Regarding Recommendations 7 and 8, the Department of Labor stated that additional information was

needed on the specific cases cited in the audit report in order for the Department to respond more fully. We provided the requested information on October 12, 2001.

# APPENDIX 1 - MONETARY IMPACT

FINDING AREAS	Questioned Costs*	
	Unsupported Costs	Cost Exceptions
Financial Accountability		
Unsupported Expenditures	\$1,906,964	
Grant and Program		
Administration		
Incorrect Payroll Charges	16,400	
Unsupported Payroll Costs		\$152,840
Totals	<u>\$1,923,364</u>	<u>\$152,840</u>

\* Amounts represent local funds.

---

## APPENDIX 2 - PRIOR AUDIT REPORT

---

### VIRGIN ISLAND BUREAU OF AUDIT AND CONTROL REPORTS

The December 1996 report "Audit of Service Contracts Awarded Under the Jobs Training Partnership Act (JTPA)" (No. AC-01-81-97) stated that (1) a contract for \$386,000 was awarded contrary to established procedures; (2) another contract, although awarded through the competitive proposal process, included circumstances which might suggest a potential conflict of interest; (3) some payment requests from contractors were being processed before the JTPA Division could verify compliance with the contract terms; (4) sometimes there were considerable delays between the time that payments were requested and the payments were actually made; and (5) a contractor received a payment of \$50,000 without providing the agreed-to training and without submitting supporting documentation.

Based on our review, we concluded that internal control weaknesses still existed with regard to the processing of payment requests and the timeliness of payments to contractors.



---

## APPENDIX 3 - RESPONSES TO DRAFT REPORT



### THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR  
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802  
340-774-0001

September 27, 2001

Mr. Arnold VanBeverhoudt  
Audit Manager for Insular Affairs  
Caribbean Regional Office  
Federal Building Rm. 207  
St. Thomas, V.I. 00802

Dear Mr. VanBeverhoudt:

Attached is the Department of Labor's response to the Draft Audit Report "Job Training Partnership Act Programs, Department of Labor Government of the Virgin Islands" No. V-IN-VIS-03-01-R. I realize this report was due on 9/21/01, however, because of the disruption of things after the tragic incidents of September 11, 2001, Mr. Alric Simmonds of my staff, requested an extension of the submission date to September 28, 2001. I thank you for your understanding and for granting the requested extension.

The Draft Audit Report stated (12) specific recommendations. The Department of Labor concurs with all (12) recommendations and has provided in their response corrective actions indicating targeted deadlines and the responsible officials. As usual we find these reports to be very helpful in our continuing efforts to provide more efficient Government service. I thank you for your efforts.

If you require additional information, please contact Mr. Alric V. Simmonds at 693-4315.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Turnbull".

Charles W. Turnbull  
Governor

## **RESPONSES TO RECOMMENDATIONS**

### **JOB TRAINING PARTNERSHIP ACT PROGRAMS, DEPARTMENT OF LABOR (ASSIGNMENT NO. V-IN-VIS-003-01-R)**

#### **RESPONSE # 1**

We concur. This recommendation will be implemented with the filing of the next Financial Status Report for the period ending September 30, 2001.

Responsible Persons: Yvonne Webster-Pryce  
Director, Business & Administration  
Verna Rawlins  
Assistant Director, Administrative Services  
Cecilia Bisphaum  
Accountant II

#### **RESPONSE # 2**

Although This has been the practice in the past, more attention will be placed on it being fully enforced. Problems have been observed with the drawdown of funds for payroll reimbursements but we will endeavor to do this on a regular basis.

Responsible Persons: Verna Rawlins  
Assistant Director, Administrative Services  
Cecilia Bisphaum  
Accountant II

#### **RESPONSE # 3**

This has already been done, with corrected Financial Status Reports for Program Years 1998 and 1999 submitted to Regional Office.

Responsible Persons: Verna Rawlins  
Assistant Director, Administrative Services  
Cecilia Bisphaum  
Accountant II

#### **RESPONSE # 4**

To the best of our knowledge, JTPA has never had a time distribution system. Supporting payroll documents for those periods will be submitted.

Responsible Persons: Verna Rawlins  
Assistant Director, Administrative Services  
Cecilia Bisphaum  
Accountant II  
Completion Date: December 31, 2001

**Response # 5**

We concur. The Property and Procurement Clerk is presently being informed of all equipment purchases. Her signature is required on all requisitions before the actual purchase.

Responsible Persons: Yvonne Webster-Pryce  
Director, Business & Administration  
Verna Rawlins  
Assistant Director, Administrative Services

**RESPONSE # 6**

The department has had, and still do, a JTPA Office Procedures Manual and a Technical Assistance Guide for Eligibility Documentation. All JTPA employees have received training and copies of the TAG and office procedures. The procedures are presently being revised to comply with Public Law 105-220. Once revisions are complete, employees will be re-trained to ensure compliance with WIA requirements.

Responsible Person: Laurretta Petersen  
Acting Director of Training

**RESPONSE # 7**

Eligibility determinations for all JTPA programs are made at the time of the application. The department will ensure that new procedures are developed for the WIA program since JTPA was rescinded June 30, 2000. The department cannot comment any further unless more specific information is provided.

Responsible Person: Laurretta Petersen  
Acting Director of Training

**RESPONSE # 8**

Follow-ups can occur 30, 60 or 90 days after termination according to law. Since we do not have access to actual information the auditors reviewed we are not in a position to take or initiate corrective action. Our only possible course of action is to indicate that procedures will be developed to prevent or minimize these occurrences.

Responsible Persons: Eleuteria Roberts  
Assistant Commissioner, Employment & Training  
Laurretta Petersen  
Acting Director of Training

**RESPONSE # 9**

According to Act # 6361, all persons who took advantage of early retirement left these positions vacant and we were unable to fill them. However, this stipulation has recently been rescinded and we will be seeking funds to recruit for this much needed position.

Responsible Person: Yvonne Webster-Pryce  
Director, Business & Administration

**RESPONSE # 10**

Copies of drawdowns are sent to the Department of Finance whenever they are made and copies are given to Ethlyn Charles, Acting Federal Programs Manager and Iantha De

Alomal. This procedure will continue with the Department of Finance personnel being of extreme important in this issue.

Responsible Person: Ethlyn Charles  
Acting Federal Grants Manager  
Department of Finance

**RESPONSE # 11**

We concur. However, this finding is not one that can be corrected by the Department of Labor since we do not process checks. This situation needs to be addressed to the Department of Finance.

Responsible Person: Mr. Dobbins  
Director, Check Disbursements  
Department of Finance

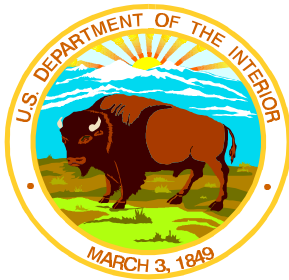
**RESPONSE # 12**

We concur, but once again, this finding is not one that can be corrected by the Department of Labor since we are not responsible for submitting payroll withholdings to the various agencies. This is handled by the Department of Finance.

Responsible Person: Mr. W. Bellardo  
Director, Payroll Division  
Department of Finance

## APPENDIX 4 - STATUS OF RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1, 2, and 3	Implemented.	No further action is required.
4	Resolved; not implemented.	Provide this office with supporting documentation upon completion of corrective actions.
5	Management concurs; additional information requested.	Provide a plan of action, including the target date and title of the responsible official, for implementing the part of the recommendation requiring the maintenance of detailed property control records and the conduct of physical inventories of equipment at least every 2 years.
6 and 9	Management concurs; additional information requested.	Provide the target dates for completing corrective actions on the recommendations.
7 and 8	Management concurs; additional information requested.	Provide a plan of action, including the target dates and titles of the responsible officials, for implementing the recommendations.
10, 11, and 12	Management concurs; additional information requested.	Provide a response from the Department of Finance that includes a plan of action, including the target dates and titles of the responsible officials, for implementing the recommendations.



---

## Mission Statement

The Office of Inspector General conducts and supervises audits and investigations of Department of the Interior and insular area government programs and operations to:

- ! Promote the economy, efficiency, and effectiveness of programs and operations and
- ! Prevent and detect fraud, waste, and abuse in programs and operations.

---

## How to Report Fraud, Waste, and Abuse

Fraud, waste, and abuse in Government are the concern of everyone – Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or insular area programs and operations. You can report allegations to us by:

**Mail:** U.S. Department of the Interior  
Office of Inspector General  
Mail Stop 5341-MIB  
1849 C Street, NW  
Washington, DC 20240

<b>Phone:</b>	24-Hour Toll Free	800-424-5081
	Washington Metro Area	202-208-5300
	Hearing Impaired	202-208-2420
	Fax	202-208-6023
	Caribbean Regional Office	340-774-8300
	Pacific Field Office	671-647-6060

**Internet:** [www.oig.doi.gov/hotline\\_form.html](http://www.oig.doi.gov/hotline_form.html)

---