

LOUISIANA WORKFORCE COMMISSION

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 6, 2024

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Louisiana Workforce Commission

March 2024

Audit Control # 80230079

Introduction

As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023, we performed procedures at the Louisiana Workforce Commission (LWC) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of LWC's internal controls over financial reporting and compliance; and determine whether LWC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LWC management letter dated May 1, 2023. We determined that management has resolved the prior-year finding related to Inadequate Controls Over and Noncompliance with Unemployment Insurance Benefits Requirements. The prior-year finding related to Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements has not been resolved and is addressed again in this letter.

Current-year Findings

Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements

For the fifth consecutive year, LWC did not adequately monitor subrecipients under the Workforce Innovation and Opportunity Act (WIOA) Cluster programs. In addition, LWC did not adequately review subrecipient Single Audit reports and issue timely management decisions on findings affecting the WIOA Cluster programs. Failure to timely resolve documentation and questioned costs impairs LWC's ability to ensure that program funds passed through to its subrecipients were spent in accordance with program regulations and increases the risk of improper payments to

subrecipients, which LWC may have to repay to the federal grantor. These risks are also increased by LWC's failure to implement adequate internal controls to ensure that subrecipients' Single Audit reports are reviewed and required management decision letters are issued by the deadlines established by federal regulations. LWC's total WIOA expenditures during state fiscal year 2023 totaled over \$56.5 million with approximately \$47.1 million provided to subrecipients.

Our review of LWC's fiscal year 2023 monitoring reports for plan year 2020/fiscal year 2021 disclosed the following for LWC's 15 subrecipients.

- For five monitoring reports, closeout letters were issued between 111 and 183 days after report issuance. For four monitoring reports, closeout letters were not issued as of January 2024 while the monitoring reports for these reviews were issued more than 195 days prior. One report included a finding with possible questioned costs of \$563,649 that is unresolved at the time of our review. LWC policy does not specifically address timeliness requirements for close out letters.

Federal regulations require that pass-through entities monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes, compliance with the terms and conditions of the subaward, and performance goals are achieved. Pass-through entities are also required to follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the award provided to the subrecipient.

Our review of LWC's review of Single Audit reports disclosed the following for LWC's 15 subrecipients.

- For three Single Audit reports with findings affecting the WIOA cluster of programs, management decision letters were issued 66 to 264 days after the due date set by federal regulations. In addition, for two of the three reports, LWC incorrectly issued management decisions letters noting no WIOA affected findings. Each of the noted reports contained one finding affecting the WIOA cluster of programs.

Federal regulations require pass-through entities to issue management decisions on applicable findings. In addition, federal regulations require pass-through entities responsible for issuing management decisions resulting from Single Audit reports to issue their management decisions within six months of the acceptance of the audit report by the Federal Audit Clearinghouse.

LWC management should develop and implement policy ensuring timely close out of monitoring reviews. LWC should also implement adequate internal controls to ensure that it identifies and follows up on subrecipients' audit findings as specified and issues required management decision letters by the due date set by federal regulations. Management concurred with the finding and provided a corrective action plan (See Appendix A, pages 1-3).

Noncompliance and Inadequate Controls Related to Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA)

For WIOA Cluster programs, LWC did not have adequate internal controls in place to review and approve data submissions to the FFATA Subaward Reporting System (FSRS) website required for federal subawards by FFATA.

While the required data elements for LWC's 15 WIOA subawards submitted to the FSRS website were complete and accurate, the data submissions for the 15 subawards occurred between one and three months after the due date specified by federal regulations. Federal regulations require non-federal entities to report certain information about each obligating action, that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity, into the FSRS website no later than the end of the month following the month in which the obligation was made. All 15 subawards executed and submitted during state fiscal year 2023 exceeded \$30,000 and they collectively totaled over \$38.7 million.

LWC management represented that a staff member, other than the compiler of the data that was submitted, observed the data as it was being submitted to the FSRS website and reviewed and approved it as complete and accurate based on this observation. However, management was not able to provide evidence of the review and approval of the data submissions. In addition, as noted above, the data submissions occurred after the due date specified in federal regulations.

Failure to implement adequate internal controls over the data submissions to the FSRS website as required by the FFATA could result in required data submissions being incomplete, inaccurate, and/or untimely, as evidenced by the late data submissions noted above, which resulted in noncompliance with federal regulations.

LWC should strengthen internal controls, including maintaining evidence of reviews, to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (See Appendix A, page 4).

**Annual Comprehensive Financial Report –
State of Louisiana**

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2023, we considered internal control over financial reporting and examined evidence supporting certain account balances and transactions of LWC's Unemployment Trust Fund as follows:

Statement of Net Position

Assets – Cash in U.S. Treasury and Receivables

Liabilities – Due to Federal Government, Amounts Held in Custody for Others, and Other Current Liabilities

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Assessments, Federal Grants and Contracts, and Nonoperating Intergovernmental Revenues

Expenses – Unemployment Insurance Benefits

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2023, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LWC's major federal programs, as follows:

- Unemployment Insurance (Assistance Listing 17.225)
- Workforce Innovation and Opportunity Act Cluster (Assistance Listings 17.258, 17.259, and 17.278)
- Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027)

Those tests included evaluating the effectiveness of LWC's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LWC complied with applicable program requirements. In addition, we performed certain procedures on information submitted by LWC to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements and Noncompliance and Inadequate Controls Related to Reporting Requirements for the FFATA. These findings will also be included in the Single Audit for the year ended June 30, 2023. In addition, LWC's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using LWC's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LWC's management for any significant variances.

Other Reports

On September 13, 2023, a report was issued by the Louisiana Legislative Auditor's Performance Audit Services in response to House Resolution 184 of the 2022 Regular Legislative Session, which requested that the Louisiana Legislative Auditor evaluate LWC's administration of the WIOA programs, as well as the programs' services, participation, costs, and participant outcomes. This report is available on the Louisiana Legislative Auditor's website.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LWC. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LWC should be considered in reaching decisions on courses of action. The findings related to LWC's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RAY:AHC:JPT:BQD:ch

LWC2023

APPENDIX A: MANAGEMENT'S RESPONSES



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Jeff Landry, Governor
Susana Schowen, Secretary

Office of the Secretary

February 9, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Monitoring Finding for Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements

Dear Mr. Waguespack,

Please find enclosed the Louisiana Workforce Commission's response to the above-mentioned finding. On behalf of Secretary Susana Schowen, we thank your staff for their guidance and technical assistance throughout this process. If you have any questions or need additional information, please do not hesitate to give me a call at (225) 342-3474 or email at swilliams@lwc.la.gov.

Sincerely,

A handwritten signature in blue ink that reads "Sonya Williams".

Sonya Williams
Deputy Assistant Secretary

Enclosure

Cc: Susana Schowen, Secretary
Bennett Soulier, Undersecretary

LOUISIANA WORKFORCE COMMISSION

Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements

For the fifth consecutive year, Louisiana Workforce Commission (LWC) did not adequately monitor subrecipients under the Workforce Innovation and Opportunity Act (WIOA) Cluster programs. In addition, LWC did not adequately monitor subrecipient Single Audit reports. Failure to timely resolve documentation and questioned cost impairs LWC's ability to ensure that program funds passed through to its subrecipients were spent in accordance with program regulations and increases the risk of improper payments to subrecipients, which LWC may have to repay to the federal grantor. These risks are also increased by LWC's failure to implement adequate internal controls to ensure that subrecipients' Single Audit reports are reviewed and required management decision letters are issued by the deadlines established by federal regulations. LWC's total WIOA expenditures during state fiscal year 2023 totaled over \$56.5 million with approximately \$47.1 million provided to subrecipients.

Our review of LWC's fiscal year 2023 monitoring reports for plan year 2020/fiscal year 2021 disclosed the following for LWC's 15 subrecipients.

1. For five monitoring reports, closeout letters were issued between 111 and 183 days after report issuance. For four monitoring reports, closeout letters were not issued as of January 2024 while the monitoring reports for these reviews were issued more than 195 days prior. The reports include a finding with possible questioned cost of \$563,649 that is unresolved at the time of our review. LWC policy does not specifically address timeliness requirements for close out letters.

LWC Response:

LWC concurs with this finding concluding that five close out letters were issued 111 to 183 days after monitoring report issuance and that four close out letters were not issued as of January 2024 while the monitoring reports for these reviews were issued more than 195 days prior.

LWC's policy has established timelines for the monitoring process, which should be followed by all monitoring staff. As established in policy, a subrecipient has 45 days of issuance of the monitoring report to submit their corrective action plan (CAP). An extension may be granted for an additional 15 days per approval of the monitoring director. Failure to submit the CAP within the allowable timeline will result in the issuance of an initial determination letter. The subrecipient has 30 days to respond. At this point, the monitoring staff works diligently back and forth with the subrecipient in an attempt to resolve the findings. This process can be a lengthy process and may extend beyond the established timelines within the policy. Staff's goal is to resolve each finding to re-establish compliance. However, not all efforts may resolve each finding. At the conclusion of this process and when all avenues have been exhausted, LWC makes a final determination and issues a letter.

Additionally, The Louisiana Workforce Commission is currently implementing changes within the structure of the agency's executive leadership. During this transition, deficiencies and neglect of internal controls has been discovered within the Office of Workforce Development leading to non-compliance of monitoring policy and procedures. The individuals responsible for most of the neglect are no longer employed with the agency. With the onboarding of new leadership, LWC will ensure compliance with all federal and state regulations, internal controls and policies, and transparency within all levels of management. The agency will provide timely and meaningful monitoring actions and provide continuous staff training and development.

LWC is currently reviewing our monitoring policy and will make updates to implement all necessary changes ensuring compliance by March 1, 2024. Staff will be re-trained on the required monitoring process and will be required to incorporate the learned information in their monitoring review process. Staff will participate in continuous trainings each quarter to identify any deficiencies in the process or in its implementation.

Federal regulations require that pass-through entities monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the

subaward, and achieves performance goals. Federal regulations also require pass-through entities to follow up to ensure that subrecipients take timely and appropriate action on all deficiencies provided to the subrecipient by the pass-through entities detected through reviews. Our review of LWC's review of Single Audit reports disclosed the following for LWC's 15 subrecipients.

2. For three Single Audit reports, with findings affecting the WIOA cluster of programs, management decision letters were issued 66 to 264 days after the due date set by federal regulations. In addition, for two of the three reports, LWC incorrectly issued management decisions letters noting no WIOA affected findings. Each of the noted reports contained one finding affecting the WIOA cluster of programs.

LWC Response:

LWC concurs with this finding concluding three Single Audit reports with findings affecting the WIOA cluster of programs, management decision letters were issued 66 to 264 days after the due date set by federal regulations. LWC staff responsible for the issuance of the management decision letters has since reviewed the policy to ensure an understanding of the submission timelines has been received and will apply this knowledge when processing the letters.

For the two reports, LWC incorrectly issued management decisions letters noting no WIOA affected findings, LWC staff has performed a second review of the audit reports and management letters have been drafted and are currently under review. We expect that these management letters will be finalized and emailed to the two subrecipients within the month of February 2024, and will include follow-up requests for corrective actions on the identified findings where necessary.

LWC will develop and issue a policy that requires the appointing authority to issue management decisions on Single Audit reports within six months of the acceptance of the audit report by the Federal Clearinghouse. The policy will also include second level approvals to ensure audit findings are properly identified and follow up procedures are established to ensure subrecipients take prompt and appropriate action on all audit findings.

Staff will train on the proper review and submission of the single audit reports, what constitutes a finding for LWC/WIOA purposes and the work that should be completed to close out the review. A process has been implemented that requires the LWC staff responsible for the review and submission of the single audit reports to obtain an approval of all work performed prior to the issuance of the letters to the subrecipients'.

Federal regulations require pass-through entities to issue management decisions on applicable findings and follow-up to ensure subrecipients take prompt and appropriate action on all audit findings. In addition, federal regulations require pass-through entities responsible for issuing management decisions resulting from Single Audit reports to issue their management decisions within six months of the acceptance of the audit report by the Federal Audit Clearinghouse.

LWC management should develop and implement policy ensuring timely close out of monitoring reviews. LWC should implement adequate internal controls to ensure that it identifies and follows up on subrecipients' audit findings affecting federal awards made by LWC to the subrecipients and issues required management decision letters by the due date set by federal regulations.



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Jeff Landry, Governor
Susana Schowen, Secretary

Office of the Secretary

January 24, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Monitoring Finding for Non-compliance to FFATA

Dear Mr. Waguespack,

LWC does concur with this finding that we did not have adequate controls in place to review and ensure timely submission to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website.

Corrective action: Staff responsible for entering data into the FSRS website will do so no later than the end the month following the month the obligation was made. The responsible staff will print the FFATA report and submit to the appropriate supervisor as evidence that the data was submitted timely and a copy of said report will be maintained within the Office of Workforce Development and made available upon request.

If you have any questions, please contact me at (225) 342-3474 or email at swilliams@lwc.la.gov.

Best Regards,

A handwritten signature in blue ink that reads "Sonya Williams".

Sonya Williams
Deputy Assistant Secretary 2
Office of Workforce Development

Enclosure

CC: Susana Schowen, Secretary
Bennett Soulier, Undersecretary
Tandra Boults, Monitoring Administrator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Workforce Commission (LWC) for the period from July 1, 2022, through June 30, 2023, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2023.

- We evaluated LWC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LWC.
- Based on the documentation of LWC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the Unemployment Insurance (Assistance Listing 17.225), Workforce Innovation and Opportunity Act Cluster (Assistance Listings 17.258, 17.259, and 17.278), and Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027) for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using LWC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LWC's management for significant variances.

The purpose of this report is solely to describe the scope of our work at LWC, and not to provide an opinion on the effectiveness of LWC's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LWC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LWC's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.