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DEPARTMENT OF LABOR AND EMPLOYMENT
OFFICE OF THE EXECUTIVE DIRECTOR

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June 14, 2010

Senator David Schultheis
Chair of the Legislative Audit Committee
200 E. Colfax
Denver, CO 80203

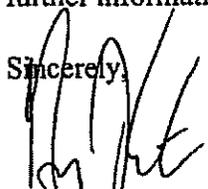
Dear Senator Schultheis:

At the request of Sarah Aurich, Audit Manager, we have prepared the attached status report regarding the recommendations made as a result of the Recovery Act Summer Youth Employment Program audit conducted during 2009.

The Colorado Department of Labor and Employment (CDLE), to the extent possible, has implemented the audit report recommendations, and supports the efforts of the Office of the State Auditor to ensure that all Recovery Act funding is utilized in compliance with the intent of the law. However, because the US Department of Labor has changed its position regarding the proper cost category for the charging of work experience payroll processing costs, CDLE is now working with the U.S. Department of Labor to ensure that payroll processing costs are charged in accordance with federal regulations.

Thank you for your consideration, and please do not hesitate to contact me if I can provide further information.

Sincerely,


Gary J. Estenson
Deputy Executive Director

Cc: Sarah Aurich, Audit Manager, Office of the State Auditor
Donald J. Mares, Executive Director, CDLE
Peggy Herbertson, Director, Employment and Training, CDLE
Clarke D. Becker, Director, Workforce Development Programs, CDLE

**STATE AUDIT OF THE RECOVERY ACT
SUMMER YOUTH EMPLOYMENT PROGRAM**

**Status Report
June 7, 2010**

Recommendation No. 1:

The Colorado Department of Labor and Employment should improve the accuracy of wages paid to program participants in the WIA program by:

- a. Developing guidance for the Regions on the elements of adequate timesheet review and approval, including steps to identify calculation errors.
- b. Developing and offering the workforce Regions a standard template or other tool for recording time. The template should include those elements required on each timesheet such as the time-in, time-out, and lunch hours, total hours worked, approved hourly wages, and name of authorized supervisor. The Department should also consider offering a tool that automates the calculation of total hours worked and wages paid.

Status:

- a. Implemented: Workforce Development Programs (WDP) issued a Program Guidance Letter (PGL) with detailed guidance regarding all aspects of providing work experience services to Recovery Act customers. This PGL covered recommended procedures for insuring adequate timesheet review and approval, including steps to identify calculation errors. WDP will insure proper implementation of the PGL through its quarterly progress reviews and its annual compliance monitoring review of local workforce regions.
- b. Implemented: As part of the aforementioned PGL, Workforce Development Programs created a standard work experience timesheet template for use by the local regions for Recovery Act customers. The data elements within the template included time-in, time-out, and lunch hours, total hours worked, approved hourly wages, and the name of authorized supervisor. Regions have been asked to insure that all data elements from the template are incorporated in the local payroll process, and can easily convert the format to an Excel spreadsheet that automatically calculates the total hours worked and wages paid.

Recommendation No. 2:

The Colorado Department of Labor and Employment should ensure compliance with the Recovery Act's limitation on work experience placements for the Summer Youth Program by:

- a. Identifying any Recovery Act funds that were spent to employ youth in prohibited job categories and ensure those funds are refunded or replaced as necessary.
- b. Implementing ongoing or refresher training on the Recovery Act and Summer Youth Program for Regions that plan to continue the program in Summer 2010.

- c. Considering modification of its electronic client database to facilitate review and reporting of work experience job titles, if the Summer Youth Program is continued using Recovery Act funds in 2010. The Department should also develop guidance for and provide training to Regions on working with the modified database.

Status:

- a. Implemented: Workforce Development Programs has contacted the Regions identified by the State Audit as placing youth in Recovery Act summer work experiences that are prohibited by the Recovery Act, and has reviewed the job descriptions in question and determined those that are out of compliance with the Act. All costs associated with non-compliant placements have been identified and moved to non-Recovery Act funding sources.
- b. Implemented: Only one Region is implementing a Recovery Act summer youth employment program for 2010, and has been offered technical assistance by its Workforce Development Programs monitor.
- c. Not Implemented: Workforce Development Programs has reviewed options for modifying its electronic client database, but find that it is not a good use of public funds to invest the resources necessary to make these changes because only one region will be using Recovery Act funds for the Summer Youth Program in 2010. This Region's program will be reviewed as part of the annual compliance monitoring process to insure that all work experience placements are in compliance with Recovery Act requirements.

Recommendation No. 3:

The Department of Labor and Employment should ensure that payroll processing costs are allocated in accordance with federal regulations by:

- a. Developing and issuing guidance to ensure all Regions consistently allocate payroll processing costs for work experience as a program cost in accordance with federal regulations.
- b. Incorporating this guidance into its current financial internal controls review program and reviewing workforce center cost allocations to ensure compliance with federal requirements.
- c. Working with workforce centers to determine the amount of payroll processing costs incorrectly charged as administrative costs and submitting revised reports to the U.S. Department of Labor.

Status:

- a. In Process: Workforce Development Programs began the process of developing guidance regarding the appropriate charging of costs to the administrative and program categories. However, this process was interrupted when USDOL notified us

that they had reversed their interpretation of the WIA regulations.

- b. In Process: Workforce Development Programs will reemphasize the review of the administrative versus program cost category as part of its annual financial review process, which includes oversight of financial internal controls and cost allocation methodologies. The current set of annual financial reviews began February 2010 and will be completed by September 2010.
- c. In Process: Workforce Development Programs (WDP) began implementation of this recommendation by requiring that Regions charging payroll processing costs to the administrative cost category, move such costs to the program category and revise their expenditure reports accordingly. However, this was halted when USDOL sent notification that they had reversed their interpretation of the WIA regulations.