

LOUISIANA WORKFORCE COMMISSION

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 10, 2025

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

Michael J. "Mike" Waguespack, CPA

Louisiana Workforce Commission



April 2025

Audit Control # 80240072

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, 2024, 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. We also 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 March 6, 2024. The prior-year findings related to Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements and Noncompliance and Inadequate Controls Related to Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA) have not been resolved and are addressed again in this letter.

Current-year Findings

Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements

For the sixth consecutive year, LWC did not adequately monitor subrecipients under the Workforce Innovation and Opportunity Act (WIOA) Cluster programs. LWC did not ensure that subrecipients' Single Audit reports were submitted timely to the Federal Audit Clearinghouse (FAC) and ensure timely issuance of management decisions on findings affecting the WIOA Cluster programs. Failure to implement adequate internal controls to ensure that subrecipients' Single Audit reports are submitted and required management decision letters are issued by the deadlines established in federal regulations 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. LWC's total WIOA expenditures during state fiscal year 2024 totaled over \$50 million, with approximately \$40.7 million provided to subrecipients.

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

- Three Single Audit reports were submitted to the FAC between 7 and 64 days after the deadline set by federal regulations.
- For an additional three Single Audit reports, each with findings affecting the WIOA Cluster of programs, management decision letters were issued between 148 and 216 days after the deadline set by federal regulations.

Federal regulations require the Single Audit reports to be submitted to the FAC by the earlier of 30 calendar days after issuance of the audit report or within nine months of the subrecipients' fiscal year-end. In addition, 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. Also, 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 FAC.

LWC management should implement adequate internal controls to ensure that subrecipients' Single Audit reports are submitted to the FAC in a timely manner and required management decision letters are issued by the due date set by federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1-2).

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

For the second consecutive year, 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. LWC had 15 subawards totaling \$35.7 million executed in state fiscal year 2024. The data submissions for 11 of the 15 subawards occurred between one and two 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. The 11 subawards submitted late each exceeded \$30,000 and collectively totaled over \$25.2 million. In addition, LWC entered into the FSRS website an incorrect subaward amount for two subawards. The error resulted in an underreporting of the subawards totaling \$79,207. The amount of the subaward

is one of the key data elements identified by federal regulations for FFATA data submissions.

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 and included erroneous amounts for two subawards.

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 and erroneous 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 3-4).

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, 2024, 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 Revenue (Interest Revenue)

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, 2024, 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:

- Workforce Innovation and Opportunity Act Cluster (Assistance Listings, 17.258, 17.259, and 17.278)
- Rehabilitation Services - Vocational Rehabilitation Grants to States (Assistance Listing 84.126)

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 were also included in the Single Audit for the year ended June 30, 2024. 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.

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:aa

LWC2024

APPENDIX A: MANAGEMENT'S RESPONSES



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Jeff Landry, Governor
Susana Schowen, Secretary

Office of the Secretary

February 7, 2025

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". The signature is fluid and cursive, with the first name "Sonya" being more prominent than the last name "Williams".

Sonya Williams
Deputy Assistant Secretary

Enclosure

cc: Susana "Susie" Schowen, Secretary
Bennett Soulier, Deputy Secretary
Jamie Tairov, Undersecretary
Osmar Padilla, Assistant Secretary

Corrective Action

The Louisiana Workforce Commission (LWC) concurs with the audit finding entitled "Inadequate Controls Over and Noncompliance with Subrecipient Monitoring Requirements". LWC Office of Workforce Development (OWD) has taken proactive steps to ensure that internal controls have been implemented to address issues of non-compliance. OWL has reviewed policy OWD 4-12.2, Financial and Programmatic Monitoring, and determined that language in the policy did not accurately align with federal and/or state standards that requires LWC to verify that each subrecipient submits their Single Audit report to the Federal Audit Clearinghouse (FAC) timely. LWC is currently updating our policy to include appropriate internal controls, including updated processes that will provide guidance on required submission of Single Audit reports. The updated policy will be issued within 30 days from the submission of this response to all appropriate entities and staff will be trained to ensure compliance with these requirements.

LWC's updated process will include an established timeline for monitors to issue a letter to subrecipients - thirty days prior to the date each subrecipients reporting deadline as a reminder to submit their Single Audit report to the FAC. Subrecipients will be reminded that the report must be submitted within thirty calendar days after receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier, to both Federal Audit Clearinghouse and LWC. Submission dates will vary throughout the year based on each entity's fiscal year end date. In addition, once LWC receives the Single Audit report, a management decision letter will be issued no later than six months after submission on reported findings. Follow-ups will be conducted to ensure subrecipients have taken necessary action to address all audit findings.



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Jeff Landry, Governor
Susana Schowen, Secretary

Office of the Secretary

August 28, 2024

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

RE: Response to Monitoring Finding for Noncompliance and Inadequate Controls Related to Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA)

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
Osmar Padilla, Assistant Secretary

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

The Louisiana Workforce Commission concurs with the audit finding Noncompliance and Inadequate Controls Related to Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA). We have taken proactive steps to ensure that internal controls have been implemented to address issues of non-compliance. The Office of Workforce Development has revised policy OWD 1-9.1, Federal Funding Accountability and Transparency Act to align with Uniform Guidance 2 CFR 200.303 and 170, Appendix A (I)(a) requiring non-federal entities receiving federal award to establish and maintain internal controls, and requiring the reporting of subaward information in the FFATA Subaward Reporting System (FSRS) no later than the end of the month following the month in which obligation was made. The policy includes guidance and requirements on reporting timelines, process and procedure, internal reviews by appropriate management staff, and maintenance and storage (electronic file) of evidence of the review and approval of report information and submission. This information will be made available upon request.

All relevant OWD staff have been provided training on how the FSRS operates, how data is entered in the system, how reports are generated, and all associated timelines of submission. The OWD Grants Manager and Compliance and Monitoring Administrator have been trained on the required review and approval process prior to report submission, including accurate and timely submission of all subawards. The Grants Manager is responsible for entering data into the FSRS no later than the end of the month following the month of obligation. A draft report will be submitted to the Compliance and Monitoring Administrator for review and approval. Once approved, the final report will be submitted in the FSRS. This process may be repeated each month as required based upon the issuance of each subaward.

This revised process has been fully implemented effective July 3, 2024. OWD leadership will be provided monthly updates to include initial subawards, corrections, and modifications to ensure compliance is met and maintained.

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Workforce Commission (LWC) for the period from July 1, 2023, through June 30, 2024, 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, 2024.

- 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 Workforce Innovation and Opportunity Act Cluster (Assistance Listings, 17.258, 17.259, and 17.278) and Rehabilitation Services - Vocational Rehabilitation Grants to States (Assistance Listing 84.126) for the year ended June 30, 2024, as a part of the 2024 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, 2024, as a part of the 2024 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.