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June 15, 2007

Ms. M. Patricia Smith  
Commissioner  
New York State Department of Labor  
Building 12 - State Office Campus  
Albany, NY 12240

Re: Report 2007-F-9

Dear Commissioner Smith:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by the Department of Labor (Department) officials to implement the recommendations contained in our audit report addressing *Workforce Investment Act Performance Data Accuracy* (2004-S-80).

**Background, Scope and Objective**

The Department administers the Workforce Investment Act (WIA), a federally-funded job training program in 33 local service areas statewide, and must report the State's achievement of established performance goals to the U.S. Department of Labor (USDOL). WIA mandates that states control and monitor WIA performance reporting and related program data. To enhance reporting accuracy, USDOL requires states to perform a Data Validation Test before submitting annual WIA performance data. States are subject to USDOL financial sanctions if their reporting does not meet accuracy standards.

In our initial audit report, which was issued on February 7, 2006, we determined whether the Department had established a system of controls that provides reasonable assurance that data used to calculate WIA performance measures is accurate and complete. We also assessed whether the Department had taken adequate steps to ensure those controls were in place and working effectively. We found that the Department, as well as the two local service areas we visited, had established control processes that should provide reasonable assurance that the data used to calculate WIA performance measures is accurate and complete. However, the Department needed to train its staff on how to use its recently-issued WIA Monitoring Guide (Guide) to improve the State's compliance with WIA requirements.

The Department's Data Validation Test results for 2003-04 showed that 15 percent of the tested WIA program data had error rates higher than five percent. Errors occurred because local service areas did not always understand or consistently apply directions in the Federal WIA Validation Handbook (Handbook), and because Department managers did not confirm Handbook compliance. Our review of a sample of validation worksheets also found some required data was not tested, or was graded incorrectly, and other worksheets were incomplete or not properly accounted for. Further, Department officials did not analyze Data Validation Test results or share them with local service areas to help local staff identify and correct problems that caused the errors. We recommended that the Department should take the steps necessary to improve the accuracy of its WIA performance reporting to minimize the risk of sanctions.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of May 10, 2007 of the 11 recommendations contained in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We determined Department officials have made progress in correcting some of the problems we identified. Of the 11 audit recommendations, 8 recommendations have been implemented, 2 recommendations have been partially implemented and 1 has not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Inform Centers of WIA program updates through email or other means of communication.*

Status - Implemented

Agency Action - In response to our audit, the Department issued a memo on April 13, 2006 which requires the Workforce Development and Training Specialist to notify his or her local areas of policy changes (including WIA program updates) and to refer the local areas to the website for further updates. We reviewed copies of the memo and determined that Department management was adhering to the policy.

#### **Recommendation 2**

*Train Local Services Area Staff to use the Guide to monitor WIA implementation.*

Status - Implemented

Agency Action - In response to our audit, the Department trained local service area staff on how to monitor WIA implementation in accordance with the requirements in the Guide. The training is also available for local service area staff via the Department's intranet. We examined a copy of the PowerPoint presentation used during the training and reviewed attendance records to assure that staff had attended training.

### **Recommendation 3**

*Train local services area staff and other appropriate parties in how to record WIA data in accordance with the Handbook.*

Status - Implemented

Agency Action - In response to our audit, the Department provided technical assistance training to local service area staff on a variety of topics including how to enter data element information and what documentation is needed for data element validation. The training is also available for local service area staff via the Department's intranet. Also, the Department provided on-site, One-Stop Operating System (OSOS) data entry and research training which included Data Element Validation (DEV) training. It has provided on-site training to the Sullivan, Suffolk, New York City, Yonkers, and Dutchess centers. We examined a copy of the PowerPoint presentation used to present the technical assistance training and copies of the handouts given to local service area staff during the on-site training. Also, we reviewed attendance records to assure that staff had attended training.

### **Recommendation 4**

*Develop and issue a policy that incorporates the WIA program documentation requirements set forth by the Federal government.*

Status - Implemented

Agency Action - In response to our audit, the Department reissued Workforce Development System Technical Advisory #06-19 in December 2006. During our review we determined that the advisory incorporates the WIA program documentation requirements set forth by the Federal government.

### **Recommendation 5**

*Periodically confirm that WIA data is correctly entered, and that staff and contractors maintain appropriate source documentation in participant fields.*

Status - Implemented

Agency Action - Since the original audit, the Department has conducted DEV reviews at all 33 local centers. During the on-site reviews staff checks data elements for accuracy and reviews source documentation for completeness. If there are no discrepancies the data element "passes," if not it "fails." For each data element that fails the reason for failure is noted in the review and recommendations are made for improvement. The results of the reviews are documented in the form of Data Validation Summaries. The Department provided us with several Data Validation Summaries which showed several data elements that failed validation, the reason for the failure, and the recommendations for improvement.

### **Recommendation 6**

*Develop and implement written data validation procedures that conform to Handbook requirements and clearly define the responsibilities of validators and Department managers. Procedures should include, but not be limited to, provisions requiring:*

- *validators to validate all data elements on the Federal validation worksheets;*
- *validators to return completed worksheets within a Department-established timeframe that allows time for review; and*
- *Department managers to review worksheets so worksheets with non-validated data elements can be returned to the local services areas for completion.*

Status - Partially Implemented

Agency Action - In response to our audit, the Department issued a memo in October 2005 which gave some direction on the correct procedures to follow when conducting DEV reviews, including guidance on how and when to notify local areas during the review. Our review of this memo showed that the procedures do not state the specific responsibilities of validators and/or Department managers regarding validation of data elements or review of worksheets and as such do not provide reasonable assurance that validators and Department managers' roles and responsibilities have been clearly defined.

### **Recommendation 7**

*Comply with USDOL's requirement to provide the list of sampled participants to local services areas no more than one to two days before the on-site review.*

Status - Implemented

Agency Action - In response to our audit, the Department has taken steps to comply with USDOL requirements to provide a list of sampled participants to local service areas no more than one to two days before on-site review. The Department has issued several emails reiterating the two day notification policy. For example, an email with the procedures for two day notification was issued October 19, 2005 and another was sent November 29, 2006 that contained a link to the Handbook and a reminder of the two day notification policy. The Department provided us with copies of several Data Validation Summaries showing that each center was notified of the files selected for review two days before the DEV review was performed and copies of all email notifications.

### **Recommendation 8**

*Randomly test completed data validation worksheets to confirm that validator's conclusions are derived using Handbook methodologies and are supported by proper documentation.*

Status - Implemented

Agency Action - Since the original audit, the Department has conducted DEV reviews at all 33 local centers. During the on-site reviews staff checks data elements for accuracy and reviews source documentation for completeness. If there are no discrepancies the data element

"passes," if not it "fails." For each data element that fails the reason for failure is noted in the review and recommendations are made for improvement. The results of the reviews are documented in the form of Data Validation Summaries. The Department provided us with Data Validation Summaries which showed several data elements that failed validation, the reason for the failure, and the recommendations for improvement.

### **Recommendation 9**

*Require that validators in all local service areas validate the social security numbers of participants who voluntarily provide them.*

Status - Implemented

Agency Action - Each quarter the agency performs checks for invalid social security numbers. A computer query is run which identifies invalid social security numbers then the invalid numbers are downloaded into a text file and maintained in an error report folder. Copies of the error report are sent to local centers whose staff are directed to make corrections to data before the next quarter. The Department provided us with the results of its most recent check which identified 553 invalid social security numbers as well as correspondence to the local centers requesting they correct the erroneous data.

### **Recommendation 10**

*Analyze Data Validation Test results to identify and correct specific problems with the WIA reporting process.*

Status - Not Implemented

Agency Action - The Department does not analyze or trend the results from the DEV reviews. Consequently, local officials will not have the information needed to correct the causes of systemic problems that could exist.

### **Recommendation 11**

*Share the results of the Data Validation Test and the Department's analysis with local service areas so they can identify and correct the causes of the data elements and prevent such errors from recurring.*

Status - Partially Implemented

Agency Action - The Department currently shares the results of the DEV reviews with the local centers. However, since the Department does not analyze or trend completed DEV reviews, there is no analytical information to share with the local centers.

Major contributors to this report were Todd Seeberger and Heather Pratt.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of Department of Labor for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Richard K. Sturm  
Audit Manager

cc: Donald Filkins (DOL)  
Lisa Ng (DOB)