Audit of the Department of Employment Services Workforce Development Monitoring and Quality Assurance Procedures

September 11, 2013

Audit Team:
Dexter Monroe, Financial Auditor

A Report by the Office of the District of Columbia Auditor
Yolanda Branche, District of Columbia Auditor
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Acknowledgements

We would like to thank the staff of the Department of Employment Services Workforce Development Bureau and the Office of Program Performance Monitoring for their time, information, insight, and cooperation during the audit process.
The Office of the District of Columbia Auditor (Auditor) has completed its audit of the District’s Workforce Development Quality Assurance Procedures.

The objectives of the audit were to determine whether the Department of Employment Services (DOES):

- Adequately monitored and evaluated the performance of Workforce Development providers; and
- Obtained and reviewed supporting documentation prior to authorizing payment to Workforce Development providers.

The audit period covered fiscal years 2009, 2010 and 2011 (October 1, 2008 through September 30, 2011).

To accomplish our audit objectives, we reviewed the following:

- Applicable District and Federal laws and regulations
- Reports issued by the United States Department of Labor
- DOES Workforce Development Bureau financial data
- Workforce Development provider contracts and payment information

Additionally, we conducted interviews with management and staff from the DOES Workforce Development Bureau and Office of Program Performance Monitoring and the Office of the Chief Financial Officer.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Introduction

The Office of the District of Columbia Auditor (ODCA) completed an audit of the Department of Employment Services (DOES) contract monitoring and quality assurance procedures for vendors providing services in support of the District’s Workforce Development programs. This audit was conducted at the request of the former Councilmember Michael A. Brown.

According to their fiscal year (FY) 2012 Performance Accountability Report DOES had the following major accomplishments:

- Despite a still-sluggish national economy and historically high unemployment rates in the District, in November 2011 alone, the unemployment rate dropped by nearly half a percentage point. Although the District still has a long way to go, the number of private-sector jobs in the District has increased by 17,000 (or 3.7 percent) since the current Mayor took office.

- The One City • One Hire Program is connecting unemployed District residents with jobs: The new Department of Employment Services lead project has, in its first four months, placed more than 1,400 previously jobless D.C. residents in positions for which they are qualified — and in its second phase, is registering employment seekers who were previously unknown to DOES and connecting them with jobs and job-training opportunities. More than 350 employers have signed on to participate in the program and new ones are signing up almost daily. More District contractors are hiring District residents: The District of Columbia’s First Source Law requires city contractors to hire a certain percentage of city residents. In FY 2011, new legislation was signed by the Mayor to strengthen the District’s capacity to implement the First Source Law. The enforcement mechanism of the First Source law was elevated and as a result, this catapulted the District to a 51 percent hire rate in March 2011 for the first time in over a decade. In July 2011, the District achieved a new hire percentage rate of 74% — the highest percentage to date.

- DOES successfully reformed the Summer Youth Employment Program (SYEP). Unlike previous years – which were marred by huge cost overruns and significant programmatic glitches – in FY 2011 the program employed 14,062 youths, matched young people to jobs that suited their skills sets and career
goals, and had virtually no complications and came in under budget.
Objectives, Scope and Methodology

Objectives

The objectives of the audit were to determine whether the Department of Employment Services (DOES):

- Monitored and evaluated the performance of Workforce Development providers; and
- Obtained and reviewed supporting documentation prior to authorizing payment to Workforce Development providers for services rendered.

Scope

The audit period covered fiscal year (FY) 2009, FY 2010 and FY 2011 (October 1, 2008 through September 30, 2011).

Methodology

To accomplish our audit objectives we reviewed the following:

- Applicable District and federal laws and regulations
- Reports issued by the United States Department of Labor
- DOES Workforce Development Bureau financial data
- Workforce Development provider contracts and payment information

Additionally, we conducted interviews with management and staff from DOES Workforce Development Bureau and Office of Program Performance Monitoring, and the Office of the Chief Financial Officer.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Background

Workforce Development (WD) is an essential component in creating, sustaining and retaining a viable workforce within the District. According to the “Workforce Investment Act of 1998,” the purpose of Workforce Development is:

“...to provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation.”

The District has more than 30 WD programs and services that are managed by a dozen city agencies. The WD programs help prepare residents for work and assist residents in job searches and placement.

The mission of the Department of Employment Services (DOES) is to:

“plan, develop, and administer employment-related services to all segments of the Washington, DC metropolitan population. This mission is accomplished through empowering and sustaining a diverse workforce, which enables all sectors of the community to achieve economic and social stability.”

The DOES Workforce Development Bureau (Bureau) provides job seekers with various WD services and training that create pathways to job readiness, a new job, or new educational opportunities. Bureau services and training are funded through a combination of federal grants and local appropriations.

The DOES Office of Program Performance Monitoring (OPPM) provides technical assistance to the Bureau. According to OPPM’s Procedure Manual, “It is the expressed function of this office to: ensure that established policies and procedures to achieve program quality and outcomes meet the objectives of the Workforce Investment Act and applicable Regulations; to ensure that all service providers are complying with the provisions of their

\[1\] 29 USCS § 2811 (LexisNexis 2013)
contracts/agreements; and to ensure that funds disbursed for training services are in compliance with the specific terms of contracts/agreements."

The primary role of OPPM is to represent DOES in the negotiation, development, management, and closeout of contractual agreements with service providers. OPPM is required to evaluate the performance of service providers to ensure that services achieve established performance outcomes.

OPPM established formal policies and procedures to monitor Workforce Development Training. According to OPPM’s Policy and Procedure Manual, OPPM Workforce Development contract monitors were to conduct the following monitoring and quality assurance activities:

- Review service providers monthly activity reports and spreadsheets relating to: the total number of participants enrolled in the program; program start dates; projected end dates; completion dates; credentials obtained; and employment obtained, if applicable;
- Visit service provider facilities and review service provider’s records to ensure program compliance and performance;
- Provide technical assistance to service providers through discussions, workshops or formal instructional documents;
- Review and approve training program summary activity sheets, supporting documentation, expenditures, budgets and invoices; and
- Review closeout package documentation submitted by service providers, which provides a final account of all charges or expenditures accrued and details of the performance outcomes achieved during the course of the contract.
Audit Results

1. DOES Did Not Provide the Auditor With Contracts for Two Service Providers Who Were Paid a Total of $596,123

Title 27 DCMR § 1203.1 provides, “[t]he head of each office performing contracting or contract administration functions shall establish files containing the records of all contractual actions pertinent to that office’s responsibility.” Additionally, Title 27 DCMR § 1203.5 provides, “[t]he contract file shall document actions prerequisite to, substantiating, and reflecting contract payments.”

Title 27 DCMR § 1203.8 states, “[a] central control and, if needed, a locator system shall be established to ensure the ability to locate promptly any contract files.”

We selected a sample of 30 service providers for testing. We found that the Department of Employment Services (DOES) did not produce contracts for two of the service providers. Figure 1 presents the amount DOES disbursed to the two service providers without evidence of a signed contract.

**Figure 1**
**Funds Disbursed by DOES to Service Providers Without Evidence of a Signed Contract**

<table>
<thead>
<tr>
<th>No.</th>
<th>Types of Services Rendered</th>
<th>Total Amount Paid by DOES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nursing training and certification programs.</td>
<td>$91,683</td>
</tr>
<tr>
<td>2.</td>
<td>Training programs for IT Certifications, web design and paralegal training.</td>
<td>$504,440</td>
</tr>
<tr>
<td></td>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>$596,123</strong></td>
</tr>
</tbody>
</table>

Source: Review of Service Provider payment information provided by DOES

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2 Auditor notes that D.C. Code Mun. Regs. title 27§1200 et.seq (LexisNexis 2013) was repealed and replaced in its entirety by publication in 58 D.C. Reg. 011077 (December 23, 2011) All documents reviewed by the Auditor were executed before December 23, 2011, when the applicable language used in this report for D.C. Code Mun. Regs. title 27§1203 was still in full force and effect. Recommendations made by the Auditor were made pursuant to D.C. Code Mun. Regs. title 27§1204 (LexisNexis 2013) which became effective on December 23, 2011.
Without the required contracts or a complete and accurate contract file, neither DOES nor the Auditor could determine whether the two payments, totaling $596,123, made to service providers were appropriate and complied with the terms and conditions of the contract.

Recommendations:

We recommend that the Director of the Department of Employment Services:

1. Develop and implement a complete and accurate central filing system that complies with applicable record keeping provisions of the Chief Procurement Officer.3

2. Develop and implement a contract quality control function and periodically review contract files to ensure compliance with applicable sections of the DCMR.

2. DOES Did Not Provide The Auditor With Evidence That Payments Totaling $1,152,408 Were Properly Reviewed And Approved

The DOES Office of Program Performance Monitoring (OPPM) requires that a Program Activity Summary Sheet (PASS) be prepared for each Blanket Purchase Agreement (BPA) or contract agreement. The PASS details the amount of the contract budget, itemized expenditure cost by category, and total cumulative cost (year-to-date) by program activity. OPPM required staff to review the PASS to verify and compare the itemized expenditures to the terms of the BPA or contract agreement, the total number of participants enrolled, and the supporting documentation submitted by the service provider. Once reviewed and approved, the OPPM staff was to sign and date the PASS.

We reviewed 801 Program Activity Summary Sheets and purchase orders pertaining to payments to service providers and vendors. We found 55 instances, representing a total of $1,152,408 in payments, in which OPPM staff did not properly document their review and authorization with required signatures prior to payment.

**Recommendation:**

We recommend that the Director of the Department of Employment Services:

3. Implement the appropriate internal controls over the payment process by requiring that DOES staff review charges and verify that services were rendered prior to making payment. Additionally, DOES staff must ensure that a Program Activity Summary Sheet is completed properly and maintained for every Workforce Development Contract or Blanket Purchase Agreement.
3. DOES Did Not Implement Adequate Separation of Duties for 33 Payments Totaling $667,649

The Office of the Chief Financial Officer's (OCFO) Office of Financial Operations and Systems Policy 10402001.70 (D) states, “Disbursement duties are segregated so that no one person has complete access to the entire disbursement process.”

During our review of 801 Program Activity Summary Sheets and purchase orders pertaining to payments to service providers and vendors, we found that for 33 purchase orders, totaling $667,649 in payments, the same employee received and approved the payment of the goods and services in the District’s Procurement Automated Support System (PASS). The receipt and approval of goods and services by the same employee violated the policies of the OCFO and exposed the District to possible fraud.

**Recommendation:**

We recommend that the Director of the Department of Employment Services:

4. Develop and Implement appropriate internal controls that require proper segregation of duties to ensure that a single employee does not receive and approve receipt of goods or services.
4. The DOES Office of Program Performance Monitoring Did Not Properly Evaluate and Monitor the Quality of Services for Three Workforce Development Training and Employment Providers that Received A Total of $300,791

The Workforce Investment Act of 1998 (WIA) mandates that the District monitor the performance of training providers receiving WIA funds for compliance with the WIA regulations, service delivery, achievement of program performance standards, and customer satisfaction. OPPM is responsible for conducting the District's oversight and monitoring activities relative to WIA employment and training services providers. DOES OPPM Contract Monitors were required to conduct at least one site visit annually for each service provider.

We reviewed OPPM monitoring reports for FYs 2009, 2010 and 2011. We found that for three services providers, who received a total of $300,791, DOES did not conduct annual site visits.

**Recommendation:**

We recommend that the Director of the Department of Employment Services:

5. Develop and implement internal controls that ensure that DOES conducts required annual site visits to each service provider.
Findings and Recommendations Summary

The Auditor identified the following four findings:

1. DOES did not provide the Auditor with contracts for two service providers vendors who were paid a total of $596,123.
2. DOES did not provide the Auditor with evidence that payments totaling $1,152,408 to contractors were properly reviewed and approved.
3. DOES did not implement adequate separation of duties for 33 payments totaling $667,649.
4. The DOES Office of Program Performance Monitoring did not properly evaluate and monitor the quality of services for three Workforce Development training and employment providers that received a total of $300,791.

To correct the deficiencies identified in the audit report, the Auditor directed the following five recommendations to the Director of the Department of Employment Services (DOES):

1. Develop and implement a complete and accurate central filing system that complies with applicable record keeping provisions of the Chief Procurement Officer.4
2. Develop and implement a contract quality control function, and periodically review contract files to ensure compliance with applicable sections of the DCMR.
3. Implement the appropriate internal controls over the payment process by requiring that DOES staff review charges and verify that services were rendered prior to making payment. Additionally, DOES staff must ensure that a Program Activity Summary Sheet is completed properly and maintained for every Workforce Development Contract or Blanket Purchase Agreement.
4. Develop and Implement appropriate internal controls that require proper segregation of duties to ensure that a single employee does not receive and approve receipt of goods or services.

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5. Develop and implement internal controls that ensure that DOES conducts required annual site visits to each service provider.
Conclusion

The mission of the Department of Employment Services (DOES) is to plan, develop and administer employment-related services to all segments of the Districts population. Our audit found that DOES did not consistently monitor and evaluate the performance of the Workforce Development providers or obtain and review supporting documentation prior to authorizing provider payments. Overall, we noted deficiencies pertaining to compliance with regulations and ineffective internal controls. Specifically, we found DOES:

- Could not provide contracts for two service providers vendors who were paid a total of $596,123,
- Did not provide evidence that payments totaling $1,152,408 to contractors were properly reviewed and approved,
- Did not implement adequate separation of duties for 33 payments totaling $667,649, and
- The Office of Program Performance Monitoring did not properly evaluate and monitor the quality of services for three Workforce Development training and employment providers that received a total of $300,791.

It is important to note that since the completion of the audit, a new Director, Lisa Mallory, was appointed to lead DOES. Ms. Mallory advised the Office of the District of Columbia Auditor that DOES has taken significant steps toward implementing the recommendations presented in this report.

We are hopeful that DOES will continue to implement all of the audit recommendations. In so doing, DOES will increase the efficiency of operations, ensure compliance with rules and regulations and improve the delivery of key employment services to the residents of the District of Columbia.

Sincerely,

Yolanda Branch
District of Columbia Auditor
Agency Comments


The Auditor received written comments from the Department of Employment Services on August 14, 2013. We are pleased to learn that DOES concurred with our findings and recommendations. The DOES response is included with this report.
August 14, 2013

Yolanda Branche
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street, NW Suite 900
Washington, DC 20005

RE: Audit of the Department of Employment Services Workforce Development Monitoring and Quality Assurance Procedures

Dear Ms. Branche:

Thank you for furnishing the Department of Employment Services (DOES) with your draft report, “Audit of the Workforce Development Monitoring and Quality Assurance Procedures” covering audit period October 1, 2008 through September 30, 2011.

As you know, workforce development has been a priority for the Gray Administration. Mayor Gray charged DOES to begin agency transformation in spring 2011, and this has resulted in the establishment of at least 120 agency-wide policies, forms, and administrative orders. Additionally, to date DOES has connected over 6,700 District residents to employment opportunities with 916 employer partners who have joined the One City • One Hire initiative. Mayor Gray also revitalized the formerly dormant Workforce Investment Council (WIC) by appointing a Chairman, private and public sector members and an experienced Executive Director.

Since 2011, DOES and the WIC have been working collaboratively to create quality assurance procedures to monitor the District’s training providers. DOES strengthened the agency’s quality assurance methods and monitoring through grant-making authority, the creation of a grant and contracting unit within the agency and by increasing the frequency of monitoring of training providers from quarterly to monthly, to name a few improvements. The WIC also created a Task Force to develop and adopt formal policies establishing the requirements and procedures for initial and subsequent determinations of training provider eligibility. Recommendations from this Task Force are underway, including issuance of new policies which will be effective in October 2013.

Effective quality assurance and proper monitoring of the District’s training providers to include central filing systems, standard operating procedures, proper internal controls, and adequate separation of duties is essential to ensuring good stewardship of public resources and the best service to District residents. Please see the agency’s comments to the recommendations in the requested Summary Sheet enclosed. Many of the recommendations are already underway or completed.
We look forward to continuing to implement these recommendations as part of the agency’s transformation. If you have any questions or require additional information, please do not hesitate to contact me at 202-671-1900 or via email at lmm@dc.gov.

Sincerely,

Lisa Maria Mallory
Director

Enclosure
Audit of the Department of Employment Services Workforce Development Monitoring and Quality Assurance Procedures

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<th>Recommendation</th>
<th>Agency Agrees</th>
<th>Agency Disagrees</th>
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<tr>
<td>1. Develop and implement a complete and accurate central filing system that complies with all applicable record keeping provisions of the Chief Procurement Officer.</td>
<td>Agrees. The Office of Contracting &amp; Procurement’s (OCP) Procurement Automated Support System (PASS) serves as the primary filing system for all procurement transactions that DOES administers. PASS contains the requisition for the obligation of funds against the Blanket Purchase Agreements (BPA), it also houses the purchase orders that are the fully approved funding documents, invoices that are submitted and processed against the BPAs, and receipts showing that DOES has in fact received the services that the agency is being billed for. In addition to PASS, DOES maintains a physical case file for each individual ITA that includes all intake documents for the participant, as well as, the purchase order that the ITA is tied to. All funding documents and certifying documents are also housed in this file. This central filing system does not distinguish between a training provider and a college or university. The two providers in question are universities. Consistent with District policy at the time the audit period covers, college/university accreditation served as the major vehicle to ensure appropriateness and allow payment for workforce training at universities. Also during this audit period (2008-2011), the Workforce Investment Council was not fully functional. In late 2011, however, Mayor Gray revitalized the WIC by appointing a Chairman and</td>
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Executive Director.

Consistent with requirements under the federal Workforce Investment Act (WIA) and District law, the WIC adopted formal policies in July 2013 establishing the requirements and procedures for initial and subsequent determinations of training provider eligibility. The new policy covers postsecondary institutions, registered apprenticeship programs, and other public and private providers of training services seeking to receive District ITA funds. It will become effective on October 1, 2013.

Finally, DOES strengthened its grants and procurement processes beginning in January 2012 by creating a new Contracts, Grants and Compliance Office Unit which is staffed by grants and contract professionals. The agency received grant-making authority in 2012 and subsequently issued Standard Operating Procedures (SOP) in August 2012 and began to award competitive grants via 10 grant opportunities and issued 66 grants to 46 unique vendors totaling approximately $6.5 million dollars. The Unit followed the rules and regulations of the Office of Contracting & Procurement and its own SOPs in awarding the grants.

<table>
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<tr>
<th>2. Develop and implement a contract quality control function and periodically review contract files to ensure compliance with applicable sections of the DCMR.</th>
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<tr>
<td>In July 2012, OPPM created a quality control mechanism that monitors the following documents to ensure contract files comply with DCMR Title 27, Chapter 12 - Purchase Order (PO) (identifying customer attached to PO), Transmittal Coversheet (Associate Director (AD) initials indicates approval), Procurement Automated</td>
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Support System (PASS) receipt (indicating receipt of invoice drawing on the associated PO), Vendor invoice document (AD initials/approves), Expense Authorization Form (EAF) (identifies customer, vendor, training cost), System of Accounting and Reporting (SOAR) printout (notes customer, PO, and payment date & amount).

As of July 2012 and moving forward, the documentation required for the approval and authorization of invoice payments has been expanded to include the items listed above, in addition to submission of signed copies of the training customer’s time and attendance/progress reports covering the invoicing period. This documentation allows for the confirmation of customer attendance and assists with the monitoring of customer progress throughout the training. At the same time, DOES and WIC policies relative to the Recovery of WIA Tuition and Training Funds have been created or revised so payment must be supported by customers satisfactory performance and attendance in the training for all providers.

As noted above the WIC approved Policy No. 2013-009, “Eligible Training Providers,” on July 9, 2013. The new policy requires that all organizations seeking to become Eligible Training Providers (ETP) submit a detailed application – including past performance data and program costs - for WIC review and approval. The policy requires all providers to meet minimum annual performance levels relating to program completion, employment, retention,
and earnings for all WIA-funded individuals in order to be recertified as ETPs. The policy also defines “demand occupations” for which training may be provided in the District, based on projected job openings and likely earnings potential. The WIC will use this information to create training provider “report cards” that will make performance data for all ETPs available to jobseekers and the general public.

Consistent with the requirements of DC Code §32-1607, the WIC and DOES will develop standard operating procedures and training materials relating to the new policies, with a goal of fully implementing the new policies by October 1, 2013. Additionally, informational sessions for current and potential training providers will be held to educate them on the new policies and ensure they have the necessary guidance to meet eligibility and performance requirements.

<p>| 3. Implement the appropriate internal controls over the payment process by requiring that DOES staff review charges and verify that services were rendered prior to making payment. Additionally, DOES staff must ensure that a Program Activity Summary Sheet is completed properly and maintained for every Workforce Development Contract or Blanket Purchase Agreement. | Agree. DOES Office of Program Performance Monitoring (OPPM) and OCFO work collaboratively to ensure the payment process for vendors meets the Office of Contracting &amp; Procurement rules in the PASS system. As the Receiver of goods and/or services, DOES authorizes the invoice by signing it, dating it, inputting the PO number and the Receipt Number from PASS. Next, the Receiver must go into PASS and complete a Receipt of the goods/services by accepting the amount on the invoice that has been received. This Receipt is submitted in PASS and the Receiver’s supervisor must approve this transaction in PASS. The documentation proving goods were |</p>
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<tr>
<td>4. Develop and Implement appropriate internal controls that require proper segregation of duties to ensure that a single employee does not receive and approve receipt of goods or services.</td>
<td>Agree. In February 2012, DOES created a Contracting and Procurement policy as part of the process to implement agency grant-making authority. The policy establishes separate roles for receiver and approver. DOES will immediately remind employees with access to PASS of the existing policy. Also, as part of the yearly review, DOES will add clarifying language to further specify that the receiver and the approver cannot be the same person. Additionally, DOES and OCFO will share and enforce said policy.</td>
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<tr>
<td>5. That DOES conducts required annual site visits for each service provider.</td>
<td>Agreed. Beginning in July 2012, DOES began to increase the frequency of training provider monitoring from quarterly to monthly to review provider documents more closely. OPPM also created or</td>
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The WIC currently conducts site visits as part of the application process for training providers seeking to be added to the District’s ETP list. The WIC and DOES will continue to collaborate to streamline data collection, reporting, and site visits for all training providers to include at least one site visit per year beginning in September 2013.
Auditor’s Response to Agency Comments

The Auditor appreciates the comments provided by the Department of Employment Services. We are pleased to learn since the completion of the audit, DOES has taken positive steps towards implementing some of the findings and recommendations presented in the report.