

**Audit Results From
CAFR and Single Audit Procedures**

Department of Labor and Workforce Development

**For the Year Ended
June 30, 2003**

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
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**Department of Labor and Workforce Development
For the Year Ended June 30, 2003**

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**Department of Labor and Workforce Development
For the Year Ended June 30, 2003**

EXECUTIVE SUMMARY

This report contains no findings.

The scope of our audit procedures at the Department of Labor and Workforce Development was limited. During the audit for the year ended June 30, 2003, our work at the Department of Labor and Workforce Development focused on the Employment Security Trust Fund, a major fund in the *Comprehensive Annual Financial Report* of the State of Tennessee. Our audit of the fund included determining whether the department had an adequate system of internal control over financial reporting. We also performed certain audit procedures to obtain reasonable assurance about whether the State of Tennessee's financial statements were fairly presented. In addition, our work at the Department of Labor and Workforce Development focused on one major federal program: Workforce Investment Act cluster. We audited this federally funded program to determine whether the department complied with certain federal requirements and whether the department had an adequate system of internal control over the program to ensure compliance. The Department of Labor and Workforce Development had no findings.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

May 6, 2004

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable James G. Neeley, Commissioner
Department of Labor and Workforce Development
Andrew Johnson Tower, 8th Floor
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith are the results of certain limited procedures performed at the Department of Labor and Workforce Development as a part of our audit of the *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2003, and our audit of compliance with the requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement.

Our review of management's controls and compliance with laws, regulations, and the provisions of contracts and grants resulted in no findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

03/107



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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December 15, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have performed certain audit procedures at the Department of Labor and Workforce Development as part of our audit of the financial statements of the State of Tennessee as of and for the year ended June 30, 2003. The scope of our work included the Employment Security Trust Fund, a major fund in the *Comprehensive Annual Financial Report* of the State of Tennessee. Our objective was to obtain reasonable assurance about whether the State of Tennessee's financial statements were free of material misstatement. We emphasize that this has not been a comprehensive audit of the Department of Labor and Workforce Development.

We also have audited certain federal financial assistance programs as part of our audit of the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. The following table identifies the State of Tennessee's major federal program administered by the Department of Labor and Workforce Development. We performed certain audit procedures on this program as part of our objective to obtain reasonable assurance about whether the State of Tennessee complied with the types of requirements that are applicable to each of its major federal programs.

**Major Federal Program Administered by the
Department of Labor and Workforce Development
For the Year Ended June 30, 2003
(in thousands)**

CFDA Number	Program Name	Federal Disbursements
17.258	Workforce Investment Act cluster	\$60,856
17.259		
17.260		

Source: State of Tennessee's Schedule of Federal Financial Assistance for the year ended June 30, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have issued an unqualified opinion, dated December 15, 2003, on the State of Tennessee's financial statements for the year ended June 30, 2003. We will issue, at a later date, the State of Tennessee *Single Audit Report* for the same period. In accordance with *Government Auditing Standards*, we will report on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain laws, regulations, and provisions of contracts and grants in the *Single Audit Report*. That report will also contain our report on the State of Tennessee's compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

As a result of our procedures, we have reported other less significant matters involving the department's internal control and instances of noncompliance to the Department of Labor and Workforce Development's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,



Arthur A. Hayes, Jr., CPA,
Director

STATUS OF PRIOR AUDIT FINDINGS

State of Tennessee *Single Audit Report* for the year ended June 30, 2002

Three audit findings pertaining to the Department of Labor and Workforce Development were included in the *Single Audit Report*. The updated status of these findings as determined by our audit procedures is described below.

Resolved Audit Findings

The current audit disclosed that the Department of Labor and Workforce Development has corrected the previous audit findings concerning recording grant-funding information in the state's property records, maintaining adequate documentation of the information used to certify participants' eligibility for the Workforce Investment Act program, and monitoring the activities of two Information Technology Professional Services contractors.