

U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW



QUALITY CONTROL REVIEW SINGLE AUDIT OF THE STATE OF NEW MEXICO WORKFORCE SOLUTIONS DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2022

DATE ISSUED: MARCH 12, 2024
REPORT NUMBER: 24-24-002-50-598



March 12, 2024

INSPECTOR GENERAL'S REPORT

Jo Ann M. Chavez
Deputy Director Administrative Services Division and
Chief Financial Officer
State of New Mexico Workforce Solutions Department
401 Broadway NE
Albuquerque, NM 87102

Dear Ms. Chavez:

The purpose of this report is to formally advise you of the results of a Quality Control Review (QCR) the U.S. Department of Labor (DOL) Office of Inspector General (OIG) conducted on the single audit of the State of New Mexico Workforce Solutions Department, which was completed by Moss Adams LLP ("the Firm") under the Office of Management and Budget's (OMB) Title 2 C.F.R. Part 200 (Uniform Guidance)¹ for the year ended June 30, 2022.

Our objective was to determine if the audit was conducted in accordance with applicable standards, including generally accepted government auditing standards (GAGAS) and generally accepted auditing standards (GAAS), and met the requirements of OMB Uniform Guidance.

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we found non-unemployment insurance (UI) programs and expenditures were incorrectly included in the Schedule of Expenditures of Federal Awards (SEFA) UI total.

¹ Title 2 C.F.R. Part 200.0-200.521

Details on the results of our review are provided in the Enclosure. We appreciate the cooperation and courtesies the Firm extended to us during this review.

Sincerely,



Carolyn R. Hantz
Assistant Inspector General
for Audit

Enclosure

cc: Latonya Torrence
Director
Division of Policy, Review, and Resolution
Employment and Training Administration

Gregory Hitchcock
Audit Liaison
Office of Grants Management
Office of Management and Administration Service
Employment and Training Administration

Kory Hoggan
Partner
Moss Adams LLP

Enclosure

**Quality Control Review
Single Audit of the State of New Mexico Workforce Solutions Department
for the Year Ended June 30, 2022
(24-24-002-50-598)**

DOL OIG conducted a QCR of the single audit of the State of New Mexico Workforce Solutions Department for the year ended June 30, 2022. A QCR is performed to provide evidence of the reliability of the single audit to the auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act of 1990. The single audit conducted by the Firm covered three major programs: (1) DOL’s UI program, (2) DOL’s employment service cluster, and (3) the U.S. Department of Health and Human Services’ Temporary Assistance for Needy Families Program.² The Temporary Assistance for Needy Families Program was not reviewed as part of this QCR because it was a non-DOL program.

Table 1: Scope of the OIG’s QCR

DOL Major Program Sections Reviewed	Catalog of Federal Domestic Assistance (CFDA) Listing Number	DOL Major Funds Reported as Expended
UI	17.225	\$452,759,774
Employment Service Cluster	17.207 and 17.801	\$6,794,575
Total DOL Major Funds Reported as Expended		\$459,554,349

Source: State of New Mexico Workforce Solutions Department’s June 30, 2022, SEFA

For the year ended June 30, 2022, the State of New Mexico Workforce Solutions Department reported federal expenditures of \$511,061,104, which consisted of DOL funds totaling \$501,083,638 and non-DOL funds totaling \$9,977,466. The scope of the OIG’s QCR was the UI program and the employment service cluster, equaling \$459,554,349 of the \$501,083,638 in total DOL funds.³

The single audit is an organization-wide audit or examination of a non-federal entity that expends \$750,000 or more of federal assistance received for its operations.

² Major Programs are critical to the single audit process, as they are the programs for which the Firm will be performing additional internal control work on and ultimately issuing a compliance opinion on as part of the single audit.

³ The remaining \$41,529,289 in DOL funds were used for non-major DOL programs, which were not tested by the Firm as part of the single audit.

Usually conducted annually, a single audit has three main objectives:

1. Perform an audit of the entity’s financial statements and report on a separate SEFA in relation to the Entity’s financial statements.
2. Conduct a compliance audit of federal awards expended during the year as a basis for issuing additional reports on compliance related to major programs and on internal control over compliance.
3. Follow-up on prior audit findings by performing procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee.

RESULTS

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we found non-UI programs and expenditures were incorrectly included in the SEFA UI total.

NON-UI PROGRAMS AND EXPENDITURES INCORRECTLY INCLUDED IN SEFA UI TOTAL

The State of New Mexico Workforce Solutions Department incorrectly included six non-UI programs and expenditures in the SEFA UI total (see Table 2).

Table 2: Non-UI Programs and Expenditures Included in SEFA UI Total

Non-UI Programs	CFDA Listing Numbers	Funds Reported as Expended
Labor Force Statistics	17.002	\$832,569
Trade Adjustment Assistance Workers	17.245	\$2,062,426
Work Opportunity Tax Credit Program	17.271	\$136,447
Temporary Labor Certification for Foreign Workers	17.273	\$90,887
Workforce Data Quality Initiative	17.261	\$38,835
Apprenticeship USA	17.285	\$361,540
Total Funds Reported in UI Total on SEFA		\$3,522,704

Source: State of New Mexico Workforce Solutions Department’s June 30, 2022, SEFA

OMB Uniform Guidance, 2 C.F.R. 200.510(b)(3), states that, at a minimum, the schedule must provide total federal awards expended for each individual program and the CFDA number or other identifying when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

The State of New Mexico Workforce Solutions Department incorrectly identified the UI program as a cluster of programs on the SEFA. Also, the Firm did not adequately verify the total UI federal expenditures were properly presented on the SEFA.

As a result, the UI total on the SEFA was overstated by \$3,522,704. When federal programs are not properly totaled and presented on the SEFA, it does not provide for uniform report presentation or allow users to more efficiently and effectively use the data contained on the SEFA. The SEFA, which was prepared by the State of New Mexico Workforce Solutions Department and is considered supplementary information to the financial statements, is also a key part of the reporting package as required by OMB Uniform Guidance. In addition, the SEFA serves as the primary basis for the Firm to determine which programs will be audited as part of the single audit.

OIG RECOMMENDATION

We recommend the Firm work with the State of New Mexico Workforce Solutions Department to revise and reissue the single audit report to ensure non-UI programs and expenditures are not included on the SEFA UI total.

THE FIRM'S RESPONSE

The Firm objected to the report's characterization of the finding as the incorrect inclusion of non-UI programs and expenditures in the SEFA UI total, and they also disagreed that the State of New Mexico Workforce Solutions Department identified the UI program as a cluster of programs on the SEFA. However, the Firm agreed to communicate the recommendation to the State of New Mexico Workforce Solutions Department. If the State of New Mexico Workforce Solutions Department decides to revise and resubmit its single audit reporting package, the Firm will assist them in that process, as appropriate. According to the Firm, the most recent SEFA for the year ended June 30, 2023 was presented without the subtotal, and the State of New Mexico Workforce Solutions Department informed the Firm that future filings will not include this subtotal. The Firm's response to the report is contained in Appendix B.

OIG'S Conclusion

As demonstrated in Exhibit 1, the SEFA incorrectly presented the UI program as cluster and incorrectly included six non-UI programs and expenditures in the SEFA UI total. Although the Firm disagreed with the report wording, it agreed to work with the State of New Mexico Workforce Solutions Department to take corrective actions.

EXHIBIT 1: UI PROGRAM INCORRECTLY PRESENTED AS A CLUSTER ON THE SEFA

**State of New Mexico Workforce Solutions Department
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Agency/ Pass-Through Agency	Federal Assistance Listing Number	Amount Passed Through to Subrecipients	Federal Participating Expenditures
U.S. Department of Labor:			
Labor Force Statistics	17.002	\$ -	\$ 832,569
Unemployment Insurance	17.225	-	452,759,774
Trade Adjustment Assistance Workers	17.245	-	2,062,426
Work Opportunity Tax Credit Program	17.271	-	136,447
Temporary Labor Certification for Foreign Workers	17.273	-	90,887
Workforce Data Quality Initiative	17.261	-	38,835
Apprenticeship USA	17.285	-	361,540
Total Unemployment Insurance		-	456,282,478
Employment Service Cluster:			
Employment Services	17.207	-	5,798,475
Disabled Veteran's Outreach Program	17.801	-	559,656
Local Veteran's Employment Representative Program	17.801	-	436,444
Total Employer Service Cluster		-	6,794,575
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	6,324,436	8,017,235
Workforce Investment Act Youth Activities	17.259	9,333,579	10,732,073
Workforce Investment Act National Dislocated Workers	17.277	691,904	701,132
Workforce Investment Act Dislocated Workers	17.278	12,660,255	18,556,145
Total Workforce Investment Cluster		29,010,174	38,006,585
Total U.S. Department of Labor		29,010,174	501,083,638
U.S. Equal Employment Opportunity Commission:			
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	-	96,248
Total U.S. Equal Employment Opportunity Commission		-	96,248
U.S. Department of Homeland Security:			
FEMA Other Needs Assistance	97.050	-	57,622
Total U.S. Department of Homeland Security		-	57,622
Passed-Through NM Human Services Department			
Temporary Assistance for Needy Families	93.558	-	7,225,637
Total Passed-Through NM Human Services Department		-	7,225,637
U.S. Corporation for National and Community Service:			
State Commissions	94.003	-	182,151
AmeriCorps	94.006	2,313,908	2,415,808
Total U.S. Corporation for National and Community Service		2,313,908	2,597,959
Total Federal Awards Expended		\$ 31,324,082	\$ 511,061,104

See notes to the schedule of expenditures of federal awards.

APPENDIX A: SCOPE AND METHODOLOGY

OBJECTIVE

Our objective was to determine if the audit was conducted in accordance with applicable standards, including GAGAS and GAAS, and met the requirements of OMB Uniform Guidance.

SCOPE

We performed a QCR of Moss Adams LLP's single audit of the State of New Mexico Workforce Solutions Department's financial statements, SEFA, reports required by GAGAS, and OMB Uniform Guidance for the year ended June 30, 2022. Our QCR of Moss Adams LLP covered \$459,554,349 in federal expenditures for the DOL major programs UI and employment service cluster. We performed our work remotely.

METHODOLOGY

We reviewed the single audit report using the Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Desk Reviews of Single Audit Reports and reviewed the supporting audit documentation using the CIGIE Guide for Quality Control Reviews of Single Audits. These guides were developed to ensure compliance with the requirements of OMB Uniform Guidance (including the compliance supplement), GAGAS, and the American Institute of Certified Public Accountants (AICPA) Audit Guide on "Government Auditing Standards and Single Audits." We reviewed the financial statements, compliance, and internal control reporting; SEFA; and Schedule of Findings and Questioned Costs. We also held discussions with the Firm to accomplish the required steps.

Specifically, we reviewed:

- Auditor Qualifications
- Independence
- Professional Judgment/Due Professional Care
- Quality Control
- Fieldwork
- Schedule of Federal Awards
- Determination of Major Federal Programs
- Schedule of Findings and Questioned Costs

- Summary of Prior Audit Findings
- Financial Statement Risk Assessment
- Financial Statement Identification and Evaluation of Audit Findings
- Communication of Financial Statement Audit Findings
- Compliance with AICPA Standards
- Considerations Related to Audit of Major Federal Program
- Sampling - Major Federal Program (Internal Control and Compliance)
- Testing of Internal Control Over Compliance
- Testing for Compliance with Direct and Material Compliance Requirements

We also reviewed the Firm's peer review applicable to the period of the audit.

CRITERIA

- OMB Uniform Guidance, Title 2 C.F.R. Part 200
- 2021 OMB Compliance Supplement
- AICPA Audit Guide on Government Auditing Standards and Single Audits
- Clarified Statements on Auditing Standards (AU-C)
- GAGAS, 2018 Revision

APPENDIX B: FIRM'S RESPONSE



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Albuquerque, NM 87110

March 1, 2024

Ms. Carolyn R. Hantz
Assistant Inspector General for Audit
U.S. Department of Labor
Office of the Inspector General
200 Constitution Avenue, NW Room S-5506
Washington, DC 20210

Dear Ms. Hantz,

Moss Adams LLP provides this response to the U.S. Department of Labor, Office of Inspector General (OIG) draft report "Quality Control Review Single Audit of State of New Mexico Workforce Solutions Department for the year ended June 30, 2022" (Report Number 24-24-002-50-598) furnished to us February 5, 2024.

As discussed at the exit conference, we object to your characterization of your finding throughout your report, including the recommendation, as incorrect inclusion of non-UI programs and expenditures in the SEFA UI total, and we disagree that the State of New Mexico Workforce Solutions Department (NMWSD) identified the UI program as a cluster of programs on the SEFA.

In its schedule of expenditures of federal awards, NMWSD inappropriately included a subtotal labeled Total Unemployment Insurance following seven individual programs with individual ALNs, including the properly presented Unemployment Insurance program (ALN 17.225). This subtotal did not include any indication that this was being presented as a total for a cluster, and nowhere in the schedule of expenditures of federal awards was the Unemployment Insurance program labeled or treated as a cluster.

Additionally, in its data collection form, NMWSD separately listed each of these seven individual programs, including the Unemployment Insurance program (ALN 17.225), and did not identify the Unemployment Insurance program as a cluster.

The inclusion of the subtotal had no impact to the identification of major programs, nor did it have any impact to the performance of the compliance audit related to NMWSD's federal awards.

You also requested us to respond to your recommendation that we work with NMWSD to revise and reissue the single audit report to ensure non-UI programs and expenditures are not included in the SEFA UI total. We understand this to mean that you would like NMWSD to remove the inappropriate subtotal on its SEFA for the year ended June 30, 2022.

Assurance, tax, and consulting offered through Moss Adams LLP. ISO/IEC 27001 services offered through Cadence Assurance LLC, a Moss Adams company.
Investment advisory services offered through Moss Adams Wealth Advisors LLC.



Ms. Carolyn R. Hantz
Assistant Inspector General for Audit
U.S. Department of Labor
Office of the Inspector General
March 1, 2024
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Presumably you would also like NMWSD to resubmit its single audit reporting package for the year ended June 30, 2022, to the Federal Audit Clearinghouse. In response to the question "How do I resubmit my record at the GSA FAC?" the Federal Audit Clearinghouse web site currently states:

"We are actively working on improved resubmission features for FAC records, and they will be available in the future. For now, if you need to resubmit your GSA record, please submit a new record at FAC.gov. Please note that this will affect your FAC Acceptance date and may potentially change your risk profile for future single audit submissions."

As you may be aware, this is different than how resubmissions to the FAC were treated when it was housed at Census, when the original FAC Accepted Date was retained. We note that the NMWSD original submission was to the Census FAC (it was not a "GSA record"), however this answer also applies to resubmitting a Census FAC submission to the GSA FAC.

Kory Hoggan, Moss Adams LLP partner, will communicate your recommendation to NMWSD management by March 8, 2024, as well as the consequences of resubmitting a single audit reporting package to remove a subtotal on the SEFA. If NMWSD management decides to revise and resubmit its single audit reporting package by June 30, 2024, we will assist them in that process, as appropriate. The SEFA for the year ended June 30, 2023 was presented without the subtotal, and NMWSD has informed us that future filings will not include this subtotal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kory Hoggan', followed by a horizontal line.

Kory Hoggan, CPA, Partner, for
Moss Adams LLP

APPENDIX C: ACKNOWLEDGEMENTS

Key contributors to this report were:

Sean Gilkerson, Audit Director
Grover Fowler, Jr., Assistant Director
Mark Lemke, Senior Auditor
Patrick Trager, Auditor
Brittany Arias, Writer-Editor

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