



U.S. Department of Labor  
Employment and Training Administration  
Region 2 - Philadelphia

# **How to Stay out of Jail: Top Ten Audit Findings**

*New and Improved*

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***Recalibrating the Workforce System***



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# Inadequate Internal Controls

- Motivation, Opportunity, Personal Characteristics
- Balance risk and control
- Provide a reasonable assurance
- Help an organization meet objectives

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# What are Necessary Elements of Internal Controls

- Written Employee Handbook
- Written Purchasing Manual
- Written Standard Operating Procedures
- Ethics training for employees
- Conflict of Interest Policy
- Adequate supervision

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# High Risk Areas

- Petty cash
- Assets with alternate uses
- Consultant payments
- Travel expenditures
- Payments to non-vendors
- Sole source
- Payroll
- Equipment
- Confidential information
- Passwords

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# Mismanagement of Personnel Expenditures

- Not based on documented payrolls
- Not approved by a responsible official
- Not supported by personnel activity reports
- Does not account for all time
- Not an after-the-fact determination
- Not prepared at least monthly

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# Ineffective System for Accruals and Obligations

- Obligations that go out for more than the period of the grant
- Obligations without intent of liquidating
- Obligations that only deal with educational expenses

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# Inappropriate or Unapproved Cost Allocation Methodologies

- Not Written Down
- Not Approved
- Using multiple bases that cause distortion
- Using bases not related to the cost
- Not treating costs consistently over time
- \*\*\*Wrongly charging grants\*\*\*

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# Using Grant Funds to Market Your Organization

- What is marketing?
- What is outreach?
- What is allowable?
- What are examples of things that are not?

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# Inappropriate Expenditures

- Does not support grant goals
- Occurred before or after the grant period
- Goes against circulars
- Entertainment or alcohol
- Violates the “prudent person rule”
- Not necessary
- Not reasonable

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# Ineffective System of Managing Cash

- It's there, just draw it down
- No support for the draw
- Drawing down too much money
- Keeping funds too long
- Losing track of funds

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# Don't Bother Writing Things Down

- Poor records
- Poor record retention
- No written policies
- Using undocumented past practice(s)
- Using pencil on formal documents
- No signed approvals

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# Other Ways to Get in Trouble

- No approval for equipment purchase
- Insufficient procurement documentation
- Not justifying a sole source
- Not reporting
- Not reporting accurately

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