State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

March 30, 1010

Mario Ernst, CEO
TLD Distribution Company
505 South Seventh Avenue
City of Industry, CA 91746

Dear Mr. Ernst:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET06-0257 for the period April 5, 2006 through April 4, 2008.

The report indicates that TLD Distribution Company complied with the terms of the Agreement and the California Unemployment Insurance Code.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Muskarn Ferguson, Customer Service Manager and Special Projects Coordinator

TLD DISTRIBUTION COMPANY

Agreement No. ET06-0257

Final Audit Report

For The Period

April 5, 2006 through April 4, 2008

Report Published March 30, 2010

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AUDITOR'S REPORT

Summary

We performed an audit of TLD Distribution Company, Agreement No. ET06-0257, for the period April 5, 2006 through April 4, 2008. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period October 5, 2009 through October 8, 2009.

The Employment Training Panel (ETP) paid the Contractor a total of $231,580. Our audit supported that $231,580 is allowable.

Background

TLD Distribution Company (TLD) was originally founded in the 1950s and purchased by the current owners out of bankruptcy in 2001. Since then, TLD has become a profitable business providing bar and restaurant supplies to California, Nevada, New Mexico, Arizona, and Hawaii.

This Agreement was the second between ETP and TLD. With the assistance of ETP funds, this training project sought to allow TLD to invest $500,000 to replace an outdated computer software program with a new JD Edwards system to run daily business operations. This investment would allow TLD to remain competitive in their respective marketplace and meet increasing customer demands. The proposed training plan targeted the entire TLD workforce in Computer Skills training. Therefore, this Agreement provided for training in Computer Skills specifically designed to integrate the JD Edwards system into their business operations.

This Agreement allowed TLD to receive a maximum reimbursement of $240,000 for retraining 60 employees. During the Agreement term, the Contractor placed 58 trainees and was reimbursed $231,580 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of TLD. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that TLD complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Training documentation supports that trainees received the training hours reimbursed by ETP and met the minimum training hours identified in the Agreement.
- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion

Our audit supported TLD complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of $231,580 is allowable.

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: October 8, 2009

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET06-0257 and should not be used for any other purpose.