

***WORKFORCE DEVELOPMENT COUNCIL  
SNOHOMISH COUNTY***

Workforce Investment Act  
Subrecipient Monitoring  
Program Year 2007

DRAFT

## Introduction

Clark Nuber performed monitoring of subrecipients who received Workforce Investment Act (WIA) funding from the Workforce Development Council Snohomish County (WDC) during the 2007 program year. Subrecipient monitoring was performed over the following subrecipients, locations and program areas:

<b>Contractor</b>	<b>Areas Monitored</b>	<b>Program</b>	<b>Location</b>
Lakewood School District	Fiscal, Equal Opportunity, Participant File	In School Youth	Lakewood School District
Edmonds School District	Fiscal, Equal Opportunity, Participant File	In School Youth	Edmonds School District
Everett Public School District	Fiscal, Equal Opportunity, Participant File	Drop Out Prevention	Everett Public School District
Center for Career Alternatives	Fiscal, Equal Opportunity, Participant File	Out of School Youth, Adult and Dislocated Worker Programs	Youth Opportunities Center, Everett and Lynnwood Worksource Centers
Arbor Education and Training	Fiscal, Participant File	Adult and Dislocated Worker Programs	Everett and Lynnwood Worksource Centers

Monitoring of the subrecipients was performed in the three primary practice areas as described below:

- **Fiscal Monitoring** - Monitoring of the subrecipient's financial systems was performed to ensure compliance with WIA requirements, including compliance with the applicable Office of Management and Budget Circulars. The Fiscal Monitoring Questionnaire provided by WDC identified key financial system areas to be reviewed, listed relevant questions and identified where sample tests of transactions were to be performed. Our monitoring of the subrecipient's financial systems included inquiry of their financial staff, inspection of documents and testing of a sample of transactions.
- **Equal Opportunity Monitoring** – As noted above, for some subrecipient's we performed monitoring procedures related to compliance with WIA's Equal Opportunity requirements. The Equal Opportunity Questionnaire provided by WDC identified the key areas and questions to be asked and evaluated during the monitoring. Separate questionnaires were used in the monitoring of School Districts and Worksource Center operations. Our monitoring of the subrecipient's equal opportunity activities included inquiry of site staff and inspection of documents.
- **Participant File Monitoring** - Sample testing of participant files was performed to ensure proper determinations of eligibility and documentation of program service delivery were present in the participant files. Participant file reviews were performed using a participant file review checklist provided by WDC with predetermined sample sizes at each program location.

### **Reporting of Exceptions**

As a result of the subrecipient monitoring performed, we documented a number of exceptions and recommendations. Categorization of the items noted was made as a way of identifying those items requiring corrective action by the subrecipients and other exceptions that would be considered observations and may not require follow up by the subrecipient or WDC. Management of WDC retains the responsibility to determine the final classification of items noted. A summary of the classifications are as follows:

- **Questioned Costs:** Those which may be a possible violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the use of Federal funds; where costs at the time of the review were not supported by adequate documentation; or where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
- **Compliance Exception:** Non-compliance with federal laws and/or regulations. An exception creates a risk to the resources and/or services of a program.
- **Observation:** The reporting of a condition that may be positive or a risk to the program's services or resources.

### **Monitoring Documentation**

The information contained in our monitoring report to management is a summary of findings and observations noted in our completion of detailed monitoring questionnaires, sample testing workbooks and inspection of documentation. For each of the subrecipients monitored, the supporting questionnaires, worksheets and documents are available on the WDC Year 2007 client portal.

The comments and recommendations noted in this report are the result of inquiries, inspection of documents and sample testing of 2007 program year transactions during our on-site visits. The management of WDC was responsible for determining the sufficiency of the subrecipient monitoring tests performed. Our responsibility was to evaluate responses to the monitoring questionnaires provided by WDC and, where requested by WDC, perform sample testing of transactions using testing attributes agreed to by WDC.

## OVERALL SUMMARY

As a result of performing the 2007 program year subrecipient monitoring, we identified several common observations. These observations are the result of a common misunderstanding of the program requirements and could be corrected by WDC communicating to the subrecipients the program requirements and providing suggestions on how the subrecipients may correct their current processes to ensure continued compliance.

We received great cooperation in performing the monitoring. Program personnel responsible for ensuring the equal opportunity and participant file compliance were knowledgeable of the programs' requirements and overall appeared to be dedicated to continued compliance. The fiscal personnel were generally knowledgeable about the fiscal requirements of the program and were able to provide us with the documentation needed to support amounts billed. Continued compliance with the program requirements is dependent upon procedures in place at the subrecipients and the employees' training on the WIA policies and procedures. Any change in program personnel, especially at the manager level, could have a negative impact on program compliance. WDC's level of subrecipient compliance monitoring should reflect the increased compliance risk of staff turnover. For example, a new finance director was recently hired at CCA. As a result, we would recommend WDC provide more scrutiny over monthly program invoices.

### **Fiscal Monitoring Results**

- During our testing of the payroll disbursement sample, we noted that wage costs allocated to the subagreements were supported by timesheets documenting the time spent on various WIA grants. However, in reviewing the sampled timesheets we noted that the allocation of employees' time between programs did not change from pay period to pay period. It should be communicated to agencies that employees are to document actual time worked on each *subagreement* under contract with the agency.
- Aspects of policies and procedures were missing for the agencies' corporate policies and procedures. Though most agencies had the principle policies required of them (procurement, equipment, etc.) their policies did not include all of the required WIA items, such as having a formal procurement dispute provision. We would recommend WDC remind the agencies of the required WIA policy provisions.
- Exceptions were noted in reviewing the agencies' listing of WDC equipment items held and used. The agencies' equipment records did not always identify the physical location (for example, Lynnwood or Everett Worksource Center) of the equipment item. There were also a number of exceptions noted in the reconciliation of the agencies' WDC equipment listing to the actual fixed asset listing maintained by WDC.

### **Equal Opportunity Monitoring Results**

- Only one minor observation was noted in the monitoring of equal opportunity requirements. It was evident that WDC effectively communicated the equal opportunity requirements and had invested time with program personnel training them on the requirements.

### **Participant File Monitoring Results**

- Confidential information kept in primary file
- There were notable problems with follow-through and service gaps of ninety days or more
- Several different versions of the Data Sharing Form were being used

**CENTER FOR CAREER ALTERNATIVES  
SUBRECIPIENT MONITORING  
2007 PROGRAM YEAR**

**Monitoring Overview**

Clark Nuber performed subrecipient monitoring of the Center for Career Alternative's (CCA) compliance with the subagreements identified below. The subagreements encompassed CCA's operation of the Out of School Youth and Adult and Dislocated Worker programs located at the Youth Opportunities, Lynnwood Worksource and Everett Worksource Centers. The monitoring covered the program period from July 1, 2007 to June 30, 2008 for the following subagreements:

- 07-CCA-L-703-WD
- 07-CCA-L-702-WA
- 07-CCA-E-701-WD
- 07-CCA-E-700-WA
- 07-CCA-0-711-WY

Fiscal monitoring of CCA's financial systems was performed on-site at CCA's administrative offices with the equal opportunity and file monitoring being performed at each of the worksource centers operated by CCA.

**Fiscal Monitoring Results**

Though no compliance findings or questioned costs were identified, we noted several observations and recommendations. We found CCA's financial records to be organized and received good cooperation from the finance staff.

Description	Item Classification
1. During our testing of the payroll disbursement sample, we noted that wage costs allocated to the subagreements were supported by timesheets documenting the time spent on various WIA grants. However, in reviewing the sampled timesheets we noted that the allocation of employees' time between programs did not change from pay period to pay period. As it is unlikely that an employee would spend the same amount of time between the various programs from pay period to pay period, we would encourage CCA employees ensure that their timesheets reflect actual time worked on the various WIA grants.	Observation
2. It was noted the director of finance had full access to CCA's accounting system, as well as, CCA's check stock. This increases the risk of unauthorized disbursements. To mitigate this risk, we would recommend that a senior member of management (executive director or deputy director) receive and perform a detailed review of CCA's unopened bank statements prior to being forwarded to the finance department for reconciliation.	Observation
3. In determining whether costs charged to the grant are allowable, access to and knowledge of the allowable cost principles contained in the Office of Management and Budget (OMB) Circular A-122 are important. During our site visit, it was not clear that the former director of finance had OMB Circular A-122 available or had received training on federal allowable cost principles.	Observation

4. CCA's procurement policies and procedures do not include a procurement dispute provision.	Observation
5. The listing of WDC property and equipment used and maintained by CCA does not document the facility location of the item, though the physical location (front desk, job search area, etc.) is identified. To ensure proper tracking of property and equipment, we recommend that CCA identify the facility location of the items.	Observation
6. In reviewing CCA's WIA inventory listing, we identified several equipment items that CCA had documented as being "on loan" from WDC. However, WDC did not have these items documented in their WIA Inventory records. In accordance with OMB Circular A-110, CCA should perform a physical inventory of equipment items noted on the WIA inventory listing at least biennially and ensure that the proper designation is made as to whether CCA holds title to the equipment items or whether the items are on loan from WDC.	Observation
7. The subagreements include a clause requiring that if the agency is to recover indirect costs from the grant that the agency must have a negotiated indirect cost rate. Though an indirect cost recovery was negotiated and included in the subagreement budget, we noted that CCA did not have a negotiated indirect cost rate agreement for the program year. However, we did note that an indirect cost rate of 8.1% was consistently used in the subagreement budgets.	Observation

#### **Equal Opportunity Monitoring Results**

As noted below, no exceptions were noted as a result of monitoring the sites' compliance with equal opportunity requirements. Staff at the sites are knowledgeable of the equal opportunity requirements and have processes in place which should ensure continued compliance.

- Youth Opportunities Center – No exceptions or other recommendations were identified
- Everett Worksource Center – No exceptions or other recommendations were identified
- Lynnwood Worksource Center – No exceptions or other recommendations were identified

#### **Participant File Monitoring Results**

Sample testing of Youth Opportunity participant files were completed at the Youth Opportunities Center. A total of 26 participant files were tested.

The following observations were made as a result of the participant file testing performed

- No in-depth objective assessment on file and missing the social security number on the CCA Waiver form (not a WIA form)
- Confidential information contained in primary file

The above summary was taken from the workbook documenting participant files tested (CCA File Review Summary).

**ARBOR EDUCATION AND TRAINING  
SUBRECIPIENT MONITORING  
2007 PROGRAM YEAR**

**Monitoring Overview**

Clark Nuber performed subrecipient monitoring of Arbor Education and Training's (Arbor E&T) compliance with the subagreements identified below. The subagreements encompassed Arbor E&T's operation of the Adult and Dislocated Worker programs located at the Lynnwod Worksource and Everett Worksource Centers. The monitoring covered the program period from July 1, 2007 to June 30, 2008 and for the following Workforce Investment Act subagreements:

- 07-AET-E-704-WA
- 07-AET-E-705-WA
- 07-AET-E-706-WA
- 07-AET-E-707-WA
- 07-AET-O-722-W10

Fiscal monitoring of Arbor E&T's financial systems was performed off-site at Clark Nuber's offices with Donna Guliana providing all original documentation needed for testing. Participant file reviews were also performed on-site at the Everett and Lynnwod Worksource Centers. As a result of the subrecipient monitoring performed, we have summarized our observations below.

**Fiscal Monitoring Results**

We found Arbor E&T's financial records to be well organized. Utilizing a fund accounting approach, Arbor E&T is able to monitor each subagreement's expenditures and complete the monthly invoices based on cost data accumulated in each fund. Arbor E&T's finance policies and procedures were comprehensive and well documented.

Description	Item Classification
1. During our testing of indirect cost allocations, we noted that Arbor E&T used the approved indirect cost rate and indirect cost base (personnel+operating-resource allocation) in recovering overhead from the program. However, we noted per review of the subagreement that indirect costs can only be recovered from personnel costs and not from other operating costs. As such, it appears that the base (calculation noted above) used in determining the budgeted indirect costs differed from the allowable base (personnel costs only) noted in the subagreement. We also noted the subagreements did not include requirements for Arbor E&T's calculation of the agreement's <i>profit</i> line item.	Questioned Costs
2. Arbor does not have written audit resolution policies and procedures.	Administrative Issues
3. Based on inquiries of management it was noted that Arbor E&T's procurement policies and procedures do not include the following provisions: <ul style="list-style-type: none"> <li>• policies and procedures to ensure minimal use of non-competitive sole source procurements</li> <li>• the agency does not have written selection procedures for procurement</li> </ul>	Administrative Issues

<p>transactions</p> <ul style="list-style-type: none"> <li>• agency does not have a written procurement dispute process</li> <li>• agency does not have written procedures to require that a cost or price analysis is performed for each procurement action</li> <li>• procurement procedures do not cover local board or employee conflicts of interest</li> </ul>	
<p>4. In performing tests of a sample of invoices, we noted several employees charged to the programs had actual hours documented on the employee's timesheet (documented by program/location) that did not agree to hours documented in the Cost Allocation Worksheet used in charging the employee's wage and benefit costs to the various subagreements. Allocation of gross wages for the two employees involved was consistently documented as being equally split between the two locations. However, the employees' timesheets documented that hours worked at each location, in total, did not equate to an equal split between the two locations resulting in an underrecovery of costs from certain subagreements and an overrecovery from others. The full amount of the employees' costs were charged in full to the subagreements with WDC.</p> <p>Differences between hours documented in the timesheets and those used in the Cost Allocation worksheet also resulted in errors made in the allocation of wages between the two programs at each location. As a result of the exception identified, Arbor E&amp;T performed an analysis of the employees' cost allocation for the period noting only a one percent error in the allocation of wages between the Adult and Dislocated Worker <i>programs</i>, regardless of the specific <i>location</i>.</p>	Questioned Costs
<p>5. In several cases, it appeared that vacation leave was disproportionately added to one of the programs at a location. To accurately allocate vacation wages, it is recommended that only hours worked be documented in the Cost Allocation Worksheet. The resulting allocation percentage would then be applied to allocate vacation wages.</p>	Observation
<p>6. As a result of reviewing an employee's time allocation over four pay periods, we noted the employee's daily hours were allocated between the two programs exactly the same for each pay period tested. Though we understand that employee timesheets may include a standardized allocation of hours between the two programs, we would encourage that employees accurately track how their actual time is spent each pay period.</p>	Observation
<p>7. Per procedures performed, it was represented to us that Arbor E&amp;T does not have Property Policies and Procedures that address WDC/WIA equipment held by Arbor E&amp;T and used in their operations.</p>	Administrative
<p>8. In comparing Arbor's WIA equipment listing to WDC's equipment listing, we noted that all WDC equipment items listed by Arbor as being held at the Worksource Lynnwood facility were not included in WDC's equipment listing. We would recommend that Arbor perform biennial physical inventory observations of WDC equipment held at the various locations to inventory records maintained by WDC.</p>	Administrative

**Participant File Monitoring Results**

Sample testing of Adult and Dislocated Worker participant files were completed at both the Lynnwood and Everett Worksource Centers. The following sample sizes were tested:

<b><u>Location</u></b>	<b><u>Program</u></b>	<b><u>Number of Files Tested</u></b>
Lynnwood Worksource Center	Adult Worker Program	13
Lynnwood Worksource Center	Dislocated Worker Program	17
Everett Worksource Center	Adult Worker Program	27
Everett Worksource Center	Dislocated Worker Program	34

Overall, we found the eligibility determination and completion of documentation to be excellent. Client need was also well documented with the proper documentation being retained for distinguishing between client types. The following observations were made as a result of the participant file testing performed

- Several different versions of the Data Sharing form were being used.
- In Everett, the confidential files were not well organized and there were some inconsistencies in whether certain kinds of client information were treated as confidential within the same file.
- There were notable problems with follow-through and service gaps of ninety days or more. “Left message on VM” was a common case note after Arbor E&T took over, and while this common case note was consistently documented on a monthly basis, the client contact seemed to go no further.
- Better follow-up on employment and graduation credentials is needed to increase credit for the positive outcomes (better than OM exits).
- Some clients had no apparent target graduation date.
- We recommend adding the training assessment tool to the client file so that case managers can tell at a glance if there is documentation missing, such as attendance or grades.

The above summary was taken from the workbook documenting participant files tested (WDCSC Arbor ET Files).

**LAKWOOD SCHOOL DISTRICT  
SUBRECIPIENT MONITORING  
2007 PROGRAM YEAR**

**Monitoring Overview**

Clark Nuber performed subrecipient monitoring of the Lakewood School District's (LD) compliance with the subagreement identified below. The subagreement encompassed LD's operation of the In School Youth program located at sites within the Lakewood School District. The monitoring covered the program period from July 1, 2007 to June 30, 2008 and for the following Workforce Investment Act subagreement:

- 07-LSD-O-709-WY

Monitoring of LD's financial system and equal opportunity activities were performed on-site at LD's administrative offices. Participant file reviews were performed on-site at the program's administrative site. Employees of the program were knowledgeable and experienced with the WIA requirements as they related to both equal opportunity, as well as, the participant file requirements. As a result of the subrecipient monitoring performed, we have summarized our observations below.

**Fiscal Monitoring Results**

Description	Item Classification
1. Currently, the accounting technician has access to the payables system, checks, and prepares the bank reconciliations. This lack of segregation of duties increases the risk of error and fraud in the accounts payable function.	Observation
2. During our testing of non-payroll disbursements, we noted that for certain reimbursed expenses invoiced by the Arlington School District, LD does not require backup for the expenditure. The example noted was an employee's gas expenses, and the only support for the expenditure was an invoice from the Arlington SD with a general ledger printout of the expenditures to be reimbursed.	Observation

**Equal Opportunity Monitoring Results**

No exceptions or other recommendations were identified

**Participant File Monitoring Results**

Sample testing of In School Youth participant files were completed at the program's administrative facility. A total of 14 participant files were tested.

The following observations were made as a result of the participant file testing performed

- Completed Individual Education Plan (IEP) not included in the file
- Files were missing the updated Data Sharing Form with signatures

The above summary was taken from the workbook documenting participant files tested (Lakewood File Review Summary).

**EDMONDS SCHOOL DISTRICT  
SUBRECIPIENT MONITORING  
2007 PROGRAM YEAR**

**Monitoring Overview**

Clark Nuber performed subrecipient monitoring of the Edmonds School District's (ED) compliance with the subagreement identified below. The subagreement encompassed ED's operation of the In School Youth located at sites within the Edmonds School District. The monitoring covered the program period from July 1, 2007 to June 30, 2008 and for the following Workforce Investment Act subagreement:

- 07-EDS-O-708-WY

Monitoring of ED's financial system, equal opportunity activities and participant files were performed on-site at ED's administrative offices. Employees of the program were knowledgeable and experienced with the WIA requirements as they related to both equal opportunity, as well as, the participant file requirements. As a result of the subrecipient monitoring performed, we have summarized our observations below.

**Fiscal Monitoring Results**

Description	Item Classification
1. Although the finance manager is very experienced and knowledgeable, she does not maintain a readily accessible copy of the OMB Federal circulars.	Observation
2. Staff was not aware of whether or not the district had a formal written audit resolution plan.	Observation
3. During non-payroll disbursement testing, we noted that on the November 2007 invoice, indirect costs were calculated on personnel costs AND participant costs combined, resulting in a reimbursement of \$177, compared to an allowable recovery of \$159 if participant costs were to be excluded. Other months the rate was properly charged on personnel costs alone.	Questioned Cost

**Equal Opportunity Monitoring Results**

No exceptions or other recommendations were identified

**Participant File Monitoring Results**

Sample testing of In School Youth participant files were completed at the program's administrative facility. A total of 8 participant files were tested.

The following observations were made as a result of the participant file testing performed

- No data sharing forms kept in file, although files contained signed document acknowledging receipt of data sharing form
- Test results not included on In-Depth Objective Assessments

The above summary was taken from the workbook documenting participant files tested (Edmonds Public Schools File Review Summary).

**EVERETT PUBLIC SCHOOLS  
SUBRECIPIENT MONITORING  
2008 PROGRAM YEAR**

**Monitoring Overview**

Clark Nuber performed subrecipient monitoring of the Everett Public Schools' (EPS) compliance with the subagreement identified below. The subagreement encompassed EPS' operation of the Drop Out Prevention located at sites within EPS. The monitoring covered the program period from July 1, 2007 to June 30, 2008 and for the following Workforce Investment Act subagreement:

- 07-EDS-O-708-WY

Monitoring of EPS' financial system were performed at EPS' administrative office. Equal opportunity activities and participant files were performed on-site at EPS' program location. Employees of the program were knowledgeable and experienced with the WIA requirements as they related to both equal opportunity, as well as, the participant file requirements. As a result of the subrecipient monitoring performed, we have summarized our observations below.

**Fiscal Monitoring Results**

No exceptions or other recommendations were identified

**Equal Opportunity Monitoring Results**

Description	Item Classification
1. No complaint log was available for review by us during our on-site visit.	Observation

**Participant File Monitoring Results**

Sample testing of Drop Out Prevention participant files were completed at the program's facility. A total of 8 participant files were tested. The following observations were made as a result of the participant file testing performed

- No Initial Objective Assessments
- No In-Depth Objective Assessments
- No evidence of a service strategy
- No documentation of follow-up services
- Grades and IDs not kept up to date
- I-9 documentation not kept consistently
- Many registration forms aren't filled out at Section 2 to verify transmittal to WDC
- No support for benchmark score on Risk Status Assessment
- Need new Data Sharing forms with line for signature and date to keep on file

The above summary was taken from the workbook documenting participant files tested (Everett Public Schools File Review Summary).