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April 24, 2013

James Paulson, Chair
Region 2 Workforce Investment Board
c/o Work Systems Incorporated
1618 SW 1st Ave., Suite 450
Portland, OR 97201

Dear Mr. Paulson,

The final monitoring report for Program Year 2013 Workforce Investment Act Title I-B services in Region 2 is attached.

Please extend our thanks to staff for their work in preparing materials for our visit, and for their assistance during our review.

If you or your staff have any questions, please contact me at 503-947-2433, or Karen Humelbaugh at 503-947-2404.

Sincerely,

Camille Preus
Commissioner

Enclosure



***FINAL* Monitoring Review Report**

Program Year 2012 (*July 1, 2012 – June 30, 2013*)

Region 2

To satisfy requirements for oversight and monitoring of Workforce Investment Act (WIA) Title IB funds, the State of Oregon's Department of Community Colleges and Workforce Development's (CCWD) monitoring plan provides for annual on-site monitoring reviews of local workforce investment areas, subrecipients and contractors. The state's monitoring system ensures that program policies and outcomes meet the objectives and regulations of WIA, and determines if compliance with WIA requirements has been demonstrated. The annual on-site monitoring also allows for determination as to whether a local workforce investment area is making acceptable progress in addressing any deficiencies, and to ensure compliance with the nondiscrimination and equal opportunity requirements of the WIA. The monitoring review also addresses the local area's compliance with the Department of Labor's (DOL) uniform administrative requirements.

Staff from CCWD conducted its review of Region 2 at Work Systems, Inc. office in Portland, Oregon from March 4 to March 8, 2013. CCWD staff relied on work, responses, and other information provided by Work Systems Inc. for Program Year 2012 monitoring conducted by Mark Neeley, Mike McCoy, John Asher, and Todd Nell.

This report cites the results of our tests of compliance and review of policies and processes, and includes, defined as:

- *Observations: In the course of the review, the audit team discovered areas that raised some measure of concern. Such concerns may be easily alleviated, and the audit team made every effort to discuss solutions with the appropriate staff to minimize concern.*
- *Findings: Findings are items or issues that are of significant concern or that indicate the violation of a guiding principle, regulation or rule. The monitoring team requested additional information beyond the initial review questions to determine whether the issue discovered was an abnormality of the review process or a valid violation.*

This report cites one finding and one observation.

Finding – Subrecipient Monitoring

It was found that there had been an insufficient amount of fiscal and program monitoring conducted by WSI on sub-recipients in PY 2011. The monitoring schedule does not include all contractors and applicable program year(s) subject to review. We recommend that WSI review the completeness of the monitoring schedule to ensure that all contractors and applicable review periods are included and provided CCWD with a revised monitoring schedule for both fiscal and program review.

Resolution

WSI has proposed to adopt a risk based analysis to determine the frequency by which they will conduct program and administrative/fiscal subrecipient monitoring. This analysis will determine whether their sub recipients will be monitored on a 12 month or 18 month schedule. The initial analysis will be completed in July 2013.

We agree that a risk based approach works best for WSI considering the number of contracted subrecipients they have and the available staff to perform both the program and administrative/fiscal monitoring.

In order for this risk based approach to be an effective tool in determining the nature, timing, and extent of sub recipient monitoring, we recommend that WSI documents the following steps:

- Establish policies and procedures that fully explain how this risk based approach is to work including enhancements to the current monitoring schedule that includes for each sub recipient when the monitoring visit started; when completed; and what Program Year(s) were included in the review.
- For the risk area criteria for both program and administrative/fiscal monitoring, the policies and procedures need to determine how each risk area is weighted and scored to arrive at an overall placement of the subrecipient on either the 12 or 18 month review cycle.
- For the initial risk analysis, we recommend that an additional focus/risk area include a weighting factor that considers when the last monitoring visit/program year review was conducted. Those subrecipients that have not been reviewed recently would be assigned a higher risk factor than those recently reviewed. This will help in transitioning from the prior subrecipient monitoring plan approach to the new risk based model approach.

Please provide us with the written policies and procedures and results of the initial risk based model approach when completed in July 2013.

CCWD's ability to seek a waiver from the US DOL if questioned costs were identified within WSI's contractors is dependent in part on WSI's ability to demonstrate substantial compliance with the requirements of WIA Section 184. FISCAL CONTROLS; SANCTIONS. (d)(2)&(3). Imbedded in these requirements is monitoring for accountability at reasonable intervals and the taking of prompt and appropriate corrective action upon becoming aware of violations of the Act.

Our recommendations should bridge the gap in /lack of monitoring conducted by WSI's of its sub-recipients/contractors as identified during this year's monitoring should CCWD need to request a waiver.

Observation

Our review of WSI's General Ledger showed the addition of a new server and related, necessary equipment (CDW-G/IT R398184) costing \$6,379.79. It was also observed that the correct procurement process was followed per WSI's Procurement Policy on the acquisition of this server and WSI had prior approval from CCWD to purchase the server. However, this server has not been added to the nonexpendable property subsidiary records.

Per 29 CFR 95.34 (f) on Equipment, the recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

- (1) Equipment records shall be maintained accurately and shall include the following information :
 - i. A description of the equipment.
 - ii. Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - iii. Source of the equipment, including the award number.
 - iv. Whether title vests in the recipient or the Federal Government.
 - v. Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - vi. Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - vii. Location and condition of the equipment and the date the information was reported.
 - viii. Unit acquisition cost.
 - ix. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates DOL for its share.

Please provide CCWD with an updated subsidiary property listing after this server is recorded.

WSI has provided us with the required property information for this purchase.

During CCWD's visit, twenty youth program participant files and thirty three non-youth participant files (made up of Adult, Dislocated Worker & SESP participants) were tested, and all included appropriate eligibility documents and plan information. The fiscal components of the review guide provided information and details which confirm that the fiscal system of expenditure authorization and record keeping is sufficient to provide reasonable accounting control over assets, liabilities, revenues, and expenditures in connection with those funds. Staff studied samples of payroll and cash disbursements, training, supportive services, incentives, OJT and work experience. We also tested cost allocation plans, cash draws, cash account reconciliations, program income, quarterly reports, Youth Out-of-School

expenditure levels, and examined the nonexpendable federal property inventory listing.

WSI will have 7 days from the date of the final report to prepare and submit a formal appeal to any findings. The appeal will be directed to the Commissioner, who will make the final decision.

Draft report:	March 8, 2013
Response to draft:	April 11, 2013
Final report:	April 24, 2013
Final appeal:	May 1, 2013
Commissioner's decision:	