



June 18, 2014

Seth Christensen, Chair
Region 4, Workforce Investment Board
c/o Community Services Consortium
545 SW Second St., Suite A
Corvallis, OR 97333

Dear Mr. Christensen,

The final monitoring report for Program Years 2013 Workforce Investment Act Title I-B services in Region 4 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 503-947-2414 or Karen Humbelbaugh at 503-947-2404.

Sincerely

Krissa Caldwell
Deputy Commissioner

Enclosure

Public Service Building

255 Capitol Street NE

Salem, Oregon 97310

Phone (503) 947-2401

Fax (503) 378-3365

www.oregon.gov/ccwd



FINAL Monitoring Review Report

Program Year 2013 (July 1, 2013 – June 30, 2014)

Region 4

To satisfy requirements for oversight and monitoring of Workforce Investment Act (WIA) Title I funds, the State of Oregon's Department of Community Colleges and Workforce Development's (CCWD) monitoring plan provides for on-site monitoring reviews of local workforce investment areas, sub recipients 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 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 4 at the two Community Services Consortium (CSC) offices located in Corvallis and Albany, Oregon on February 3 through February 5, 2014. CCWD staff relied on work, responses, documentation and other information provided during the Program Year 2013 monitoring visit which was conducted onsite in the Albany office by Mark Neeley, Debra Welter, and Rachel Soto, and in the Corvallis office by John Asher and Michael McCoy.

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 draft report cites two observations and one finding.

Observation #1 (Program Systems): In reviewing the supportive services policy and in light of the discussion during the PY12 exit conversation, the state continues to recommend that CSC reference CCWD's Workforce Investment Act Title 1B Policy on Statewide Supportive Services 589-30.12 dated June 13, 2012 which would further strengthen CSC's Adult and Dislocated Workers Supportive Services Policy dated February 23, 2010. In addition, it would enhance staff's understanding of CCWD's desired LWIA's supportive service payment practices.

Observation #2 (Financial Systems): During the PY12 review, it was noted that the “Financial Procedures Manual” had not been revised since 2005 and some policies and procedures may not accurately reflect current practices. As of the PY13 review, this still has not occurred. The state once again recommends that the Finance Director or other appropriate designee review all financial policies and procedures and update them as necessary prior to the next monitoring visit.

Finding #1 (Financial Systems): During the payment system expenditure review, it was noted that there is a lack of sufficient back-up documentation attached to purchase orders and payment vouchers. All of the 4 VISA Card Services credit card payments reviewed as part of the expenditure sample lacked sufficient documentation which would indicate if the charges were allowable and allocable. This type of documentation is critical when determining allowable costs. The same insufficiencies occurred on other types of payments vouchers and reimbursements.

Examples of insufficient documentation include the following:

- Lack of folio or other proof of stay – Traveler should attach the hotel receipt or folio to payment voucher prior to submission to fiscal. Several hotel stays included only the Expedia print-out of the reservation, not the receipt from the hotel showing the employee actually utilized the room and attended the training during the allotted time frame.
- Lack of coding on individual supporting documentation – Documents submitted for payment and attached to payment vouchers or purchase orders should indicate on each document which program they are being charged to and/or how program cost allocation was determined (75% DW and 25% Adult, for example). A summary sheet is not sufficient because there is no indication of which individual charges make up the total amount that was charged to each program.
- Lack of meeting agendas and/or sign-in sheets - Food and refreshments for meetings, trainings, restaurant meals and hotel reservations need to include an agenda, sign-in sheet or other documented reason for requesting reimbursement. A restaurant receipt showing only the total amount of the bill is not considered sufficient documentation.
- Charge slips for Meals – Several charge slips for meals indicate only a total VISA charge. This is not sufficient documentation to ensure that no alcohol was purchased or that the charge was allowable.
- Lack of packing slips or other proof of receipt – Reimbursement or payment requests for items ordered should include a packing slip, e-mail or other documentation showing the receipt and location of goods (Staples-office supplies, Apple Inc.-computers, etc.)

Many of the expenditure samples tested contained several of the above listed deficiencies. CCWD recommends that the "Financial Procedures Manual" be updated to reflect the need for the additional documentation requirements.

These findings do not result in questioned costs. Improvement is needed in providing adequate and complete documentation to support the charge to the federal programs.

DOL's Technical Assistance Guide (TAG) Part II Chapter II-3-Cost Principles details the costs principals used in determining cost allowability for ETA grants:

- Cost must be necessary and reasonable.
- Cost must be allocable.
- Cost must be authorized or not prohibited under Federal, state, or local laws or regulation.
- Cost must receive constant treatment by a grantee.
- Cost must not be used to meet matching or cost sharing requirements.
- Cost must be adequately documented.
- Costs must conform to ETA grant exclusions and limitations.

The adequate documentation should occur before the payment occurs. On several of the expenditures there is nothing to show that the charge is necessary and reasonable, allowable, and that it is allocated correctly. The program manager's signature for the entire Visa bill is not considered adequate documentation.

In addition, on food charges, DOL has listed the following guidance on documentation that should occur with food charges to ensure that they are allowable.

- Technical information must be exchanged. Supporting documents such as an agenda must substantiate this.
- Frequency: does the frequency of food expenditures pass the prudent person test? For example, are food expenditures weekly or quarterly?
- Reasonableness: is the food purchased extravagant or very modest for the geographic area? For example: \$ 15 box dinners are significantly different than \$45 catering per person. Without a sign in sheet or agenda it is difficult to tell the reasonableness of the purchase.
- "Extenuating circumstances": Is there a rationale that demonstrates that providing food is justifiable given the circumstances? Example : Is the food provided to non-compensated folks at dinner time after they have completed their other day jobs and had to travel to the meeting site? Members of the LWIB in Portland, for instance, who are not paid, have other day jobs, drive through the commute traffic for a 6 pm meeting after their day jobs. Example: Is the food provided to non-compensated folks at lunch at a location that has no nearby eateries? This must be adequately documented.

Resolution: CSC agrees to provide additional documentation for purchases, particularly for credit card purchases. Program and administrative staff at CSC will be provided training by Finance staff to assure that proper documentation is provided consistent with full documentation required by the IRS for travel and entertainment costs under an employer reimbursable plan.

During CCWD's visit, ten youth program participant files and ten non-youth participant files (made up of adult and dislocated worker participants) were tested, and all included appropriate eligibility documents and plan information. With the exception of those types of expenditures noted in Finding # 1, 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, WIA OJT, and work experience, tested cost allocation plans, cash draws, cash account reconciliations, program income, the 30% level requirement for Out-of-School Youth expenditures, and examined the non - expendable property inventory listing.

CSC will have seven (7) days from the date of the final report to prepare and submit a formal appeal to the finding. The appeal will be directed to the Deputy Commissioner, who will make the final decision.

Draft report: March 24, 2014

Response to draft: April 24, 2014

Final report: June 18, 2014

Final appeal: June 25, 2014

Deputy Commissioner's decision: