



June 17, 2014

Matt Lazzeri, President
Region 3, Workforce Investment Board
c/o Job Growers Incorporated
625 High Street NE, Suite 305
Salem, OR 97301

Dear Mr. Lazzeri,

The final monitoring report for Program Years 2013 Workforce Investment Act Title I-B services in Region 3 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 Humelbaugh at 503 947-2404.

Sincerely,

Krissa Caldwell
Deputy Commissioner

Enclosure

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***FINAL* Monitoring Review Report**

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

Region 3

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, 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 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 3 at Job Growers Incorporated (JGI) office in Salem, Oregon from November 18 through 22, 2013. The CCWD relied on work, responses and other information provided during the Program Year 2013 monitoring conducted by Mark Neeley, Debra Welter, Rachel Soto, 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 report cites no observations and three findings.

Finding #1: The Federal Register 667.705 (c) states, "When a local workforce area is composed of more than one unit of general local government, the liability of the individual jurisdictions must be specified in a written agreement between the chief elected officials." The JGI does not current have a signed written agreement between their three chief elected officials. A new agreement will need to be drafted, agreed to and signed by the current chief elected officials since the prior one is no longer available.

Resolution: This finding has been resolved by the Chief Elected Officials' entering into an agreement dated/signed December 18, 2013 which specifies the liability of the individual jurisdictions in compliance with 20 CFR 667.705 (c).

Finding #2: We noted two transactions that did not comply with federal cost principles. Both transactions involved public relation expenditures promoting Job Growers. The charges were to Magoo's for \$50.70 (debit charge No. 081913, 8/19/2013) and Northern Lights for \$332.00 (check number 10306, 11/22/2013). Federal cost principles in Circular A-87 require that Public Relation costs be specific to activities or accomplishments directly relating to the federal grant programs. These types of costs designed solely to promote the governmental unit are unallowable. We were unable to determine from the documentation attached to the payment documents how these costs benefited specific WIA programs. Therefore, we have questioned these costs as being allowable costs against the WIA grants. However, we understand that these costs will continue to be incurred and because of this, we will seek guidance from DOL personnel to determine in what instances these types of costs can be allowable and documentation requirements necessary to make them allocable to the WIA grants. We will provide you with additional guidance in this area once we receive clarification from DOL.

Resolution: As it relates to the \$50.70 charge to Magoo's, we did not find adequate supporting documentation to show that the charge was allowable as a Public Relations cost under the cost principles and that it benefited the WIA programs. There is no documentation available that shows that the WIA programs benefited from the employees who wore T-shirts that said "JGI" and participated in the Great Salem Race. There is no cost/benefit relationship to the federal grant programs required under federal cost principles. Therefore, we are disallowing this charge. The \$50.70 charge was allocated to the WIA Admin Pool. We recommend that the full \$50.70 be removed as a charge to the WIA programs and be transferred to the General Fund.

Job Growers provided copies of the slide presentation at Northern Lights to support that the public relations costs benefited WIA programs. However, \$32 of the overall \$332.00 charge was used to purchase movie tickets for the event. We consider this charge to be an entertainment expenditure, and as such, it is an unallowable cost under federal cost guidelines. The ticket purchase was charged to the WorkSource Pool account for allocation to the WIA programs. We recommend the \$32 charge be removed as a charge to the WIA programs and be transferred to the General Fund.

Finding #3: We noted that for our expenditure sample, adequate and complete documentation was not always attached to the payment documents. For instance, we noted an incentive payment that did not have adequate documentation on how the payment was calculated. Also, we noted board meeting expenditures that did not include the agenda and list of attendees as part of the supporting documentation for the payment. Finally, we reviewed a payment to "Office of the Trustee" that did not have supporting documentation attached to the payment that described the reason for the expenditure and why it was being charged to federal grant funds. Source

documentation is the proof that costs reported to the granting agency are, in fact, allowable and allocable to the grant.

We recommend that fiscal staff review supporting documentation for each payment to make sure it is completed and adequately supports the charge to federal grants.

Resolution: Job Growers staff provided CCWD with a revised incentive payment form that shows how the incentive payment is calculated. Also, Job Growers will include Board agendas to support future meeting related expenditures. Finally, staff provided CCWD with the supporting documentation for the "Office of the Trustee" payment.

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. 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, BTWO 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.

JGI will have seven (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 Deputy Commissioner, who will make the final decision.

Draft report: December 9, 2013
Response to draft: January 9, 2014
Final report: June 17, 2014
Final appeal: June 24, 2014
Deputy Commissioner's decision: