California Labor and Workforce Development Agency

Employment Development Department
State of California

Arnold Schwarzenegger
Governor

September 16, 2010
22:428:srg:1100

Ms. Carol Coen, Executive Director
Workforce Institute, San Jose/Evergreen
Community College
600 South Bascom Ave., Suite 101
San Jose, CA 95128-2601

Dear Ms. Coen:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Workforce Institute (WI), San Jose/Evergreen Community College's administration of its Workforce Investment Act (WIA) ARRA Greater South Bay Green Jobs Corps (GSBGJC) Project. Ms. Shannon Gonzalez, Mr. Jim Tremblay, and Mr. Christopher Lewis conducted this review from April 5, 2010 through April 8, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by WI with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with WI representatives and ARRA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA/ARRA GSBGJC Project; a review of WI's response to Sections I and II of the Program On-Site Monitoring Guide; applicable policies and procedures; and a review of documentation retained by WI for a sample of expenditures and procurements.

We received your response to our draft report on July 29, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 1, 2, 3, 6, 7 and 8 cited in the draft report, no further action is required and we consider these issues resolved.

The WI's response adequately addressed findings 4, and 5 cited in the draft report, and no further action is required at this time. However, these issues will remain open until we verify your implementation of your stated corrective action plan during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) number 10102, and 10103.

BACKGROUND

Workforce Institute (WI) is part of the San Jose/Evergreen Community College District; an institution of higher education. The WI, as the sole provider, currently provides WIA intensive services under contract with Work2Future, the Local Workforce Investment Board (LWIB) for the greater San Jose area and Gilroy. In June 2009, WI was awarded $937,873 under the Green Job Corps Initiative, to provide 94 at-risk older youth and adult participants with entry level careers in the green economy, from June 1, 2009 through March 31, 2010.

For the period ending March 2010, WI reported that it spent $56,734.91 and enrolled 94 participants. We reviewed 30 of the 94 participants enrolled in the WIA Green Jobs for the period ending March 31, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, WI is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: program eligibility, individual service strategy (ISS), and participant reporting. The findings that we identified in these areas, our recommendations, and WI's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR 667.600(a) states, in part, that each grant recipient must establish and maintain a procedure for grievances and complaints.

Workforce Services Directive (WSD) 08-4 states, in part, that a copy of a signed acknowledgment by the participant of the

grievance and complaint procedures shall be included in each participant's case file.

WSD 07-6 states, in part, that a copy of a signed acknowledgment by the participant of the nondiscrimination and equal employment opportunity procedures shall be included in each participant's case file.

Observation: We reviewed ten participant case files from the Santa Cruz County Workforce Investment Board (WIB). All ten files were missing a signed acknowledgment of the grievance, complaint, nondiscrimination, and Equal Employment Opportunity (EEO) procedures. As of the date of this report, this information has not been received.

Recommendation: We recommended that WI ensure that all Santa Cruz participants have signed the grievance, complaint, nondiscrimination, and equal employment opportunity procedures acknowledgment form. Once completed, WI should provide copies of the completed forms to CRO.

WI Response: The WI stated the Santa Cruz participants had signed the grievance, complaint and nondiscrimination/equal opportunity procedures acknowledgement forms at the time of their enrollment. However, these forms had been kept in a separate file and were not available during the monitoring review. The WI project supervisor met with the Santa Cruz WIB to review the documents and stress the need to keep the forms in the individual participant's files. The signed acknowledgement forms were included in their response.

State Conclusion: We consider this finding resolved.

<u>FINDING 2</u>

Requirement: 20 CFR 667.300(a) states, in part, that all grant recipients must report financial and participant data in accordance with instructions issued by the Department of Labor.

20 CFR 667.300(b)(2) allows the State to impose different reporting requirements.

WSD 09-11 states in part, all grant recipients are required to submit monthly and quarterly expenditure reports into the Job

Training Automation (JTA) system either electronically or manually.

WIA Directive (WIAD) 02-14 states in part, all subgrantees in receipt of WIA 15-Percent funds must provide monthly expenditure and participant reports. Monthly reports are always due the 20th of the month following the report period. The exception is when a quarterly report is due for March, June, September, and December.

Observation: The WI is not reporting to JTA on a monthly or quarterly basis. As of April 7, 2010, there is no participant report in JTA and only one expenditure report. The WI's financial manager sends expenditure reports to the district office, who then forwards a hard copy of the information to the Employment Development Department (EDD) for input into the JTA system. There has been one expenditure request sent to the district office for this grant and we reviewed WI's internal receipt of this request to confirm. WI currently does not have the capability to input directly into the JTA system due to technical issues with electronically communicating with the EDD computer system.

Recommendation: We recommended that WI submit all required monthly and quarterly reports in accordance with applicable requirements.

WI Response: The WI indicated that WI staff has received training on JTA reporting processes and now has the capability to enter data into JTA. Participant data is now being entered into JTA and uploaded to EDD in accordance with the reporting requirements. All monthly and quarterly financial data is also being entered into JTA rather than faxing it directly to EDD for input.

State Conclusion: We were able to verify that WI is meeting the reporting requirements by checking participant and expenditure reports in JTA. We consider this finding resolved.

FINDING 3

Requirement: WIA 189(h) states, in part, the secretary shall ensure that each individual participating in any program or activity established under this title, or receiving any assistance or benefit under this title, has not violated Section 3 of the Military Selective Service Act by not presenting and submitting to registration as required pursuant to such section.

Training and Employment Guidance Letter (TEGL) 08-98 states, in part, Section 604 of the WIA, as amended, requires the Secretary of Labor to insure that each individual participating in any WIA program, or receiving any assistance under the Act, has not violated the requirements of Section 3 of the Military Selective Service Act (MSSA). This section requires that every male citizen, and every other male residing in the United States must register with the Selective Service System between their 18th and 26th birth dates.

WIAD 02-14 states, in part, program operators must verify the following for all individuals served in the WIA program: Right-to-work in the United States, Selective Service registration compliance as it applies to male applicants, and age.

Observation: We selected 35 participant case files for review from the JTA participant roster WI sent to the CRO. We observed one participant case file did not contain right-to-work documentation, and the Selective Service registration was missing from the case file of a 22 year-old male participant.

Recommendation: We recommended that WI obtain valid right-to-work documents and Selective Service registration for the participant and send a copy to CRO.

WI Response: The WI stated the missing work documentation and selective service registration both pertained to one participant. This participant was entered into JTA in error; the client expressed initial interest in participating in the program but never returned to enroll. The only WIA service this participant received was eligibility determination. The WI is unable to obtain the required documentation because the participant cannot be located at this time. The WI is aware of the requirements to obtain valid right-to-work documents and Selective Service registration for each participant and includes these documents for general eligibility.

State Conclusion: We consider this finding resolved.

<u>FINDING 4</u>

Requirement: 20 CFR 663.240(a) states, in part, an individual must receive at least one intensive service, such as the development of an

individual employment plan with a case manager, before they can receive training services.

20 CFR 663.240(b) states, in part, the case file must contain a determination of need for training services, as identified in the individual employment plan (IEP) or through a comprehensive assessment.

20 CFR 663.245 states, in part, the individual employment plan is an ongoing strategy jointly developed by the participant and case manager that identifies the participant's employment goals, the appropriate achievement objectives, and the appropriate combination of services for the participant to achieve goals.

Observation: The comprehensive assessment, ISS, was incomplete on all 35 participant case files we reviewed. The assessments did not appear to include the participant's input on planned services.

The 25 participant case files we reviewed from Work2Future, the Santa Clara location, only included the ISS cover page, and the ISS form was missing the expected activities sheet. The ten participant case files we reviewed from the Santa Cruz location were missing the entire ISS forms.

Recommendation: We recommended that WI develop a mechanism and submit a corrective action plan to CRO to ensure that all participants are properly evaluated, create a process that allows for the completion of a comprehensive assessment (ISS), and documented inclusion of the participant in the creation of the employment and training plan.

WI Response: The WI stated they updated its ISS form to include WIA activities as part of the planned activities. These services were discussed and agreed upon by both the case manager and participant. Each participant file has been updated to include these planned activities and the case notes reflect the participant's input on the mutually agreed upon plan of services.

State Conclusion: The WI's response should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, WI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10102.

FINDING 5

Requirement: 20 CFR 663.800 states, in part, service providers must develop a policy on supportive services that ensures resources and service coordination.

20 CFR 663.805 states, in part, supportive services can only be provided to individuals who are unable to obtain supportive services through other programs and when they are necessary to enable individuals to participant in program activities.

Observation: We reviewed WI's policy and procedures and found there are no procedures on when and how participants are eligible to receive supportive services. For example, 15 of the 35 case files reviewed indicated that the participants received bus passes but there were no documentation to show the participants needed these services.

Recommendation: We recommended that WI develop a Supportive Services policy that states how all supportive service requirements are met and submit a CAP to CRO that clearly outlines these policies.

WI Response: The WI has created a Supportive Services Manual for the program. The manual has been reviewed with the participants, will be posted on WI's program website in August 2010, and was included in WI's response.

State Conclusion: The WI's response should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, WI's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10103.

FINANCIAL MANAGEMENT REVIEW RESULTS

While we conclude that, overall, WI is meeting applicable WIA requirements concerning financial management; we noted an instance of noncompliance in the area of expenditure reporting. The finding that we identified in this area is specified below.

FINDING 6

Requirement: 29 CFR 95.20 states, in part, that the Department of Labor requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis.

WSD 09-11 states, in part, all WIA grant recipients are required to report expenditures an accrual basis and must submit quarterly expenditure reports. Quarterly expenditures (including accruals) and obligations must be reported to EDD on a cumulative basis and a separate expenditure report must be filed for each line item or grant code. To improve the monitoring of WIA expenditure levels, all Subrecipients in receipt of WIA 15-Percent Governor's Discretionary funds must provide monthly expenditure financial reports. Monthly expenditures (including accruals) and obligations must be reported on a cumulative basis and a separate expenditure report must be filed for each line item or grant code. Accruals do not need to be split out for monthly reports as required with the quarterly reports.

Observation: During our initial interview with WI's financial manager, it was discovered WI does not report on an accrual basis. He stated it is against district policy to report accruals. The district generally uses other non-WIA funds to pay expenses and then request reimbursement from EDD for those accrued expenses.

We validated this by reviewing invoices and contracts. These documents stated payments were either due or paid, but had not been reported. Also, the JTA expenditure report did not have accruals reported.

Recommendation: We recommended that WI start reporting accruals to JTA. If the district does not allow reporting on an accrual basis, WI should develop an alternative method and submit a CAP to CRO outlining this process.

WI Response: The WI stated that although the San Jose/Evergreen Community College District's accounting office does not accrue expenses on a monthly basis, WI's finance department now accrues expenses monthly as of April 2010. The accrued figures are included in WI's monthly/quarterly expenditures and in the monthly narratives finances section.

State Conclusion: We were able to verify this information by checking JTA expenditure reports and consider this finding resolved.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, WI is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: procurement policy and procedures and price analysis. The findings that we identified in these areas, our recommendations, and WI's proposed resolution of the findings are specified below.

FINDING 7

Requirement: 29 CFR 95.44 and 95.45 states, in part, all recipients shall establish written procurement procedures that shall provide avoiding the purchasing of unnecessary items, making an analysis of lease and purchase alternatives to determine which would be the most economical and practical procurement, and some form of documented cost or price analysis.

Observation: The WI's policy and procedures do not contain references to avoiding purchasing unnecessary items, analysis of lease vs. purchase option, and requirements for cost and price analysis.

Recommendation: We recommended that WI submit a CAP to CRO stating how the above referenced requirements will be included in their procurement policy and procedures.

WI Response: The WI stated they are now documenting purchases, requiring three quotes or a cost price analysis and indicating the purchase is necessary. If equipment is purchased, a lease vs. purchase analysis is performed. Each project supervisor will be provided a written copy of the procurement policy and procedure. This policy was included in WI's response.

State Conclusion: We consider this finding resolved.

FINDING 8

Requirement: 20 CFR 667.200(c) states, in part, that all recipients must follow the Federal allowable costs principles that apply to their type of organization.

29 CFR 95.45 states, in part, that some form of cost or price analysis shall be made with every procurement action. This analysis may be accomplished in various ways, including the comparison of price quotations, market prices, or other similar evidence.

Observation: In order to properly determine if WI was following the WIA purchasing requirements, we reviewed the following small purchases:

- Work World - $1,768.40 for participant work belts and uniforms.
- Triad - $1,620 for employment screening and background checks.
- Dell Computer - $3,091.34 for JTA software licenses.
- Home Depot - $4,817.15 for the purchase of tools and materials for participants.

We found only one price quote for each purchase and no documentation of a cost or price analysis.

Recommendation: We recommended that when WI is determining the need for materials or services, they follow the above-listed requirements and obtain a cost or price analysis. We also recommend that WI provide CRO with a price analysis for the above items.

WI Response: The WI stated the procurement policy and procedure referenced in finding 7 will be followed when determining the need for materials and services. The WI has completed a price analysis for the above items. The price analysis documents were included in their response.

State Conclusion: We consider this finding resolved.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 14, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is WI's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain WI's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Balbir Dhillion, Governing Board of Trustees
Sanae Cockrill, MIC 50
Kathy Meyer, MIC 50