

Ohio

Department of Job and Family Services

John R. Kasich, Governor
Michael B. Colbert, Director

OFFICE OF
INSPECTOR GENERAL
2013 MAR 27 AM 8:16

March 27, 2013

Randall J. Meyer
Ohio Inspector General
30 East Broad Street, L-29
Columbus, Ohio 43215

Dear Inspector General Meyer:

The ODJFS response to the OIG Report of Investigation 2011-248, regarding the Constructing Futures grant operated in Southwest Ohio by the Easter Seals Work Resource Center (ESWRC), Laborer's Local 265 JATC and their sub-recipient entities, is attached.

If you have additional questions, please feel free to contact me at 614-466-3015.

Sincerely,



Robert L. Ferguson
ODJFS Chief Inspector
30 E. Broad Street, 32nd Floor
Columbus, Ohio 43215

cc: Bruce Madson, ODJFS Assistant Director
Sonnetta Sturkey, ODJFS Chief Operations Officer
John B. Weber, ODJFS Office of Workforce Development Deputy Director
Michelle Horn, ODJFS Office of Workforce Development Assistant Deputy Director

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**Department of
Job and Family Services**

John R. Kasich, Governor
Michael B. Colbert, Director

March 27, 2013

Randall J. Meyer
State of Ohio
Office of the Inspector General
James A. Rhodes State Office Tower
30 East Broad Street – Suite 2940
Columbus, OH 43215-3414

Dear Inspector General Meyer,

This letter is in response to the Office of the Inspector General's report (file ID# 2011-248) alleging failure to exercise adequate oversight of the Constructing Futures grant operated in Southwest Ohio by the Easter Seals Work Resource Center (ESWRC), Laborer's Local 265 JATC, and their sub-recipient entities. The funding for this project was obtained by Ohio Department of Job & Family Services (ODJFS) from the United States Department of Labor (USDOL) under the authority of the American Recovery and Reinvestment Act (ARRA). In its report, the Office of the Ohio Inspector General (OIG) recommended that ODJFS should:

1. Review questioned costs to determine compliance under the terms of the grant requirements and request repayment.
2. Ensure consistent guidelines are maintained even in the event of a change in grant managers.
3. Ensure grantees are providing documents in accordance with applicable federal grant guidelines.
4. Ensure monitoring visits occur during the grant period instead of at the end or after the grant has ended so grantees have an opportunity to correct non-compliance.

ODJFS Response to OIG Recommendations

Recommendation 1

Review questioned costs to determine compliance under the terms of the grant requirements and request repayment.

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ODJFS Response

As described below, ODJFS has reviewed the questioned costs noted in the OIG report and determined some purchases were in fact allowable under the terms of the grant requirements, while others require repayment of some or all of the costs identified by OIG.

- *Invoice Totals* – ODJFS has obtained purchase, payroll and benefit documentation that supports each of the issues identified within this section. No costs have been determined unallowable, or will be collected from this section.
- *Supportive Services: Retention dinners* – Sub-grantees operating the Constructing Futures project held periodic dinners where guest speakers from the construction industry would share information to educate and motivate the participants. The federal cost principles applicable to the non-profit organizations may be found in 2 CFR, part 230. Per the selected items of cost under these cost principles:

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.

ODJFS has obtained documentation affirming that the purpose of the retention dinners was in fact the dissemination of technical information to participants and that these events were necessary and reasonable. Information on apprenticeship opportunities and applying for employment was disseminated at these events. ODJFS has therefore determined that the costs are allowable. In future projects of this nature, ODJFS will require prior approval of events such as retention dinners.

- *Stipends: Training classes* – ODJFS has reviewed the expense documentation from sub-grantees supporting the issuance of stipends, which included signatures by the participants to verify they are eligible to receive the stipends paid for attendance. The training providers also tracked attendance daily and provided the attendance records documenting that those who received stipends were in attendance. Using attendance sheets coupled with a participant signature collected at a later date would not necessarily preclude the provider from issuing a stipend. No regulations or grant restrictions could be identified specifying that signature sheets obtained on the date of the event are the only method permissible for documenting participation. ODJFS has therefore determined that these costs are allowable.
- *Stipend: Maintenance work* – One participant received a \$600 stipend for maintenance work at an apartment complex. While the participant happens to share a last name with the Executive Director of one of the sub-recipient providers, ODJFS was informed by the legal counsel for the provider that the two individuals are unrelated. As the payments were not related to training, ODJFS has already reconciled the \$600 with the sub-grantees. The sub-grantees credited ODJFS for the \$600 on subsequent invoices. Therefore the \$600 questioned in the OIG report has already been repaid and there is no remaining overage to collect.

- *Training* – As stated in the OIG report, sub-grantee Allied Construction Industries (ACI) hired the Winston Family Group to provide training without entering into a written contract. ACI is a construction trade association, which has often utilized ACI members who are experts in their field as trainers. Past practice has been for ACI to acquire the training services based on informal agreements with its members. ODJFS agrees with the OIG report that written contracts are critical documents under federally funded projects for specifying the services to be provided and maximum costs to be incurred. ODJFS has examined the information regarding training and assessed the reasonableness of the costs. The costs will not be collected as they supplied certifications and were reasonable in cost. In future projects of this nature, greater emphasis will be placed on the importance of securing written agreements in the training and technical assistance provided by ODJFS to its grantees.
- *Other Program Costs: Cell phones* – As mentioned in the OIG report, two service providers – Straight 2 the Heart and ACI –invoiced the entire cost of cell phones without substantiating the phones were solely for grant purposes. ODJFS has now received affirmation that these phones were used solely for the purpose of providing services under this grant and the amount of the charges was deemed necessary and reasonable. In the formal interview with OIG, Lenore Cross stated Straight 2 the Heart operated only one project, Constructing Futures, at this time, so there were no other funding streams available, or appropriate to pay for expenses or fund services. The two cell phones that ACI provided with Constructing Futures dollars were for the Project Manager and Coordinator, who worked entirely on Constructing Future activities. (Incidentally, ACI also incurred landline expenses in the operation of this grant, but chose not to invoice for those costs as an in-kind contribution to the project.) ACI terminated the cell phone service at the end of the grant period. In future projects of this nature, ODJFS will enact more stringent requirements for the documentation that must be submitted with invoices showing that phone charges are allocable to the grant and that the charges were actually paid (not past due).
- *Other Program Costs: Gift cards* – During training sessions, project participants were asked to complete a math test. Those who passed the test were entered into a drawing and could win a gift card to a home improvement store where they could purchase job-related tools in support of their career goals. The OIG report refers to these items as “door prizes.” Because these gift cards were only issued to participants in attendance who passed the test, ODJFS considers these expenditures to be incentives for attendance and demonstration of skill mastery. As an allowable expense, ODJFS has determined not to collect this cost.
- *Other Program Costs: Networking event and graduation dinners* – ODJFS has obtained documentation from the sub-recipient showing that the primary purpose of these graduation dinners was the dissemination of technical information to participants and that these events were necessary and reasonable. As mentioned above, per 2 CFR 230, the costs of meetings and conferences including meals are

allowable in these situations. ODJFS has therefore determined not to collect the costs of these activities.

- *Other Program Costs: Parks Accounting Service* – ODJFS has documented that Dwight Parks, who does business under the name “Parks Accounting Service,” is a Certified Public Accountant. The costs of accounting, bookkeeping, and auditing services are allowable as mentioned in the OIG report. Therefore ODJFS is not collecting the \$750 paid to this vendor.
- *Facility Charges* – After requesting additional information on the facility costs of two of the spaces occupied by this project, ODJFS discovered that the sub-recipient had not entered into written lease agreements with the respective landlords. Written agreements including leases are required for federally funded projects in order to determine in advance the terms and costs. Therefore ODJFS will collect the \$4,200 and \$5,525 (for total lease costs of \$9,725) identified in the OIG report.
- *Administrative Staff Wages and Benefits* – ODJFS was unable to obtain written agreements for the training services provided by the organizations mentioned in the OIG report or the signed timesheet for administrative oversight costs incurred by Urban League. In future projects of this nature, training and technical assistance will be provided to the sub-recipients to ensure they understand the importance of securing signed agreements for all services and that documentation of hours worked must be signed by employee and supervisor. Monitoring will be conducted early in the project lifecycle to ensure proper agreements and controls are in place.
- *Staff Wages and Benefits: Urban League* – One of Urban League employees consistently charged 30 percent of his time to this grant. ODJFS has now obtained documentation that he in fact spent more than 30 percent of his time on this grant, but only charged a flat 30 percent (except for one month when he charged only 10 percent). If the employee had charged his actual time worked on this project, the cost to this grant would have been higher. ODJFS has therefore determined not to collect the \$18,129.31 identified in the OIG report for this individual’s personnel costs.
- *Staff Wages and Benefits: ACI* – Spreadsheets documenting the staff hours spent on service delivery under this project were maintained by ACI, but as noted in the OIG report, the provider did not document the total hours including time spent on other, non-grant activities and failed to secure supervisory signatures on the timesheets of the organization’s top official. The solution in the OIG report was to simply question the entire personnel charges of \$75,318.11. While ODJFS agrees that the tracking of all staff time (whether grant-related or not) and signatures verifying timesheets are important for ensuring personnel costs are allowable, requiring the sub-grantee to repay salary and benefit expenses due to an accounting omission would be an overreach. ODJFS has no reason to doubt that the staff time charged to this grant was spent on services to the identified

eligible participants even though the sub-grantee cannot document the hours spent on non-grant activities. In the future, ODJFS will provide more training and technical assistance to its grantees to ensure proper accounting practices, including the need to track all of the project staff time and effort, are followed. ODJFS has determined not to collect ACI's staff wages and benefits.

- *Staff Wages and Benefits: Straight 2 the Heart* – One employee, the president of a non-profit organization that was a sub-grantee of this project, was budgeted to work up to 20 hours per week, but due to the unexpected workload and inability to secure additional contractors, had to work far more hours. The employee in question stated in a formal interview with OIG that Straight 2 the Heart had no other funded projects in play during the time of the Constructing Futures project, so payroll expenses at 40 hours are being allowed. A president of a company would normally be paid on a salaried and not an hourly rate. Therefore the wages that were paid to this individual in excess of the maximum allowed per week, valued at \$15,953.30, will be collected and returned to USDOL to ensure the personnel charges funded by the grant were allowable.
- *Staff Wages and Benefits: 1099 contractors* – ODJFS awaits any further information or recommendations related to the OIG's request for a review by the Ohio Bureau of Workers' Compensation on the status of 1099 contractors employed by this project.

Below is a summary of the amounts to be collected from this provider and returned to USDOL.

Questioned Cost	Amount
Facility Charges	\$9,725.00
Staff Wages and Benefits – Straight 2 the Heart	\$15,953.30
Total to be collected	\$25,678.30

ODJFS will issue a letter to the sub-recipient responsible for implementation of the Constructing Futures project requesting re-payment of this amount, which will be returned to USDOL.

Recommendation 2

Ensure consistent guidelines are maintained even in the event of a change in grant managers.

ODJFS Response

In order to provide adequate administration of the ARRA projects, ODJFS expanded staffing levels through the hiring and training of intermittent staff. Staff assigned to the grant did change over time as permanent full-time staff replaced the limited-term intermittent employees.

One of the goals for the Section Chief of the Grants Management Unit this year is to develop a plan for managing contracts within the Office of Workforce Development and to make recommendations to the Deputy Director. The Section Chief will more clearly define roles and responsibilities for Contract Managers and Grant Managers based in part on recommendations issued by OIG in the Constructing Futures reports. Additional opportunities for coaching and technical assistance are also being developed to ensure consistent guidelines as staff understandably transition in and out of their current roles.

Recommendation 3

Ensure grantees are providing documents in accordance with applicable federal grant guidelines.

ODJFS Response

ODJFS will ensure all required documentation is submitted with the invoices per applicable federal grant guidelines. It will institute a three-pronged review process with the Grant Manager, Contract Manager, and Grants Management Section Chief that is guided by a check list of key elements for review. Staff will review the submitted documentation to ensure costs are necessary and reasonable, all line items of expense are allowable and approved in the contract, all required documentation is attached, and totals are properly summed.

Recommendation 4

Ensure monitoring visits occur during the grant period instead of at the end or after the grant has ended so grantees have an opportunity to correct non-compliance.

ODJFS Response

ODJFS monitors all sub-recipients in accordance with federal guidelines, which do not necessarily mandate on-site visits for all sub-grants. As mentioned under Recommendation #2 above, the Section Chief over the Grants Management Unit is developing a recommendation to the Deputy related to management of grants and contracts within the office. Although on-site visits are not warranted for all of the agreements that the ODJFS Office of Workforce Development enters into, part of this recommendation will include a process for on-site visits to occur when warranted by the nature of the project, with increasing frequency of visits if the project is new or concerns have been identified.

ODJFS wishes to thank the OIG for its review of this and other recent projects and the recommendations for improvement. ODJFS believes it managed this project and other ARRA-funded initiatives as prudently, efficiently, and appropriately as possible, and improved the lives of many Ohioans in the process. Grantees were provided with information on the federal requirements and received training from ODJFS program, fiscal, and monitoring staff.

Randall J. Meyer, Inspector General
Office of Inspector General

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Some grantees were new to federally-funded workforce development programs, so some learning curve for mastering the complex technical aspects of operating a federal grant is understandable, and ODJFS hopes it has helped to build capacity in various communities. While ODJFS agrees that there may be opportunities to expand the level of training, technical assistance, and oversight, ODJFS believes that it exercised more than adequate oversight of the project, especially given the short timeframes for implementation and launch of ARRA-funded projects.

Sincerely,

A handwritten signature in blue ink, appearing to read "John B. Weber". The signature is fluid and cursive, with a prominent initial "J" and "W".

John B. Weber
Deputy Director, Office of Workforce Development
Ohio Department of Job & Family Services