



Department of
Job and Family Services

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

OFFICE OF
INSPECTOR GENERAL
2012 JUL 30 PM 3: 02

July 30, 2012

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 regarding the Constructing Futures grant operated by Northwest Ohio Construction Education Center (File ID number 2010-323) is attached.

If you should 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 43216

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

30 East Broad Street
Columbus, Ohio 43215
jfs.ohio.gov



**Department of
Job and Family Services**

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

July 30, 2012

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

Dear Inspector General Meyer:

This letter is in response to the Office of the Inspector General's report alleging failure to exercise adequate oversight of the Constructing Futures grant operated by Northwest Ohio Construction Education Center File ID No: 2010-323. Thank you for granting the Ohio Department of Job and Family Services (ODJFS) an extension to respond to the recommendations found in the report. In the report, the Office of the Ohio Inspector General (OIG) recommended that ODJFS should:

1. Review the questioned costs to determine if they meet the grant requirement and request repayment.
2. Review the leveraging support documentation and determine if repayment is necessary.
3. Ensure consistent guidelines are maintained if there is a change in grant managers.
4. Ensure grantees are providing documents in accordance with applicable federal grant guidelines.
5. Ensure in-kind support is reviewed throughout the grant period and include penalties for failure to meet the requirements.
6. 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 items.

Background:

President Obama signed the American Recovery and Reinvestment Act (ARRA) into law on February 17, 2009. One month later on March 18, 2009, the U.S. Department of Labor (USDOL) issued Training and Employment Guidance Letter (TEGL) No. 14-08 to provide guidance on the implementation of the Workforce Investment Act and Wagner-Peyser Act Funding awarded through ARRA. This TEGL stressed four important policy guidelines two of which were increasing workforce system capacity and service levels, and the timely spending of funds and implementation of activities. The TEGL also stressed the USDOL's desire for states to strive for its strategic vision, including increased partnerships in registered apprenticeship and expanding

30 East Broad Street
Columbus, Ohio 43215
jfs.ohio.gov

An Equal Opportunity Employer and Service Provider

the delivery of these services. The recommended strategies in the TEGL (page 11) requested leverage of and support for registered apprenticeship programs. The TEGL also encouraged states to expand services by including additional training providers and community organizations in the delivery of employment and training programs.

In response to the guidance issued by the USDOL Employment and Training Administration, the Ohio Department of Job and Family Services (ODJFS) set forth a plan to implement ARRA expeditiously and in the spirit of USDOL's intent to expand employment and training services in Ohio, while still maintaining transparency and accountability. One of the signature programs ODJFS designed was the Constructing Futures initiative, which was a program to bring low-income adults and dislocated workers into a pre-apprenticeship program to help them have the skills needed to bridge into the state's registered apprenticeship program. This initiative was launched with the release of a request for proposals that solicited proposals from qualified apprenticeship sponsors. The ODJFS program design also required partnership with the workforce system and evidence of partnership through the use of leveraged resources.

The ODJFS procurement process was successful whereby a number of proposals from eligible entities were received and subsequently subgrants were awarded. Northwest Ohio Construction Education Center (NOCEC) received a grant from ODJFS in the amount of \$550,000 to carry out the pre-apprenticeship employment and training services described in its proposal.

In order to provide proper oversight of the Constructing Futures program, ODJFS took a number of actions to support the accountability, performance and transparency of the program.

- ODJFS conducted a full day of training for Constructing Futures grantees on December 22, 2009. This training included components on eligibility, data collection, fiscal requirements and monitoring. Grantees were provided with a CD including electronic copies of the federal regulations.
- Technical assistance was provided throughout the grant period to each sub-grantee on a case-by-case basis answering specific questions and providing clarification on both programmatic and fiscal implementation of the grant.
- Program monitors from ODJFS conducted an onsite review of NOCEC.
- Fiscal monitors conducted an onsite financial management review of NOCEC.
- ODJFS conducted a statewide video conference to provide training on ARRA Section 1512 reporting requirements. As part of this training ODJFS provided templates to grantees to simplify reporting and provide consistency.
- Fiscal monitors conducted an additional review of NOCEC to test for compliance of ARRA Section 1512 reporting requirements.

ODJFS offers the following information in response to OIG recommendations one, two, four and six.

Response to OIG Findings and Questioned Costs

Staff Wages and Benefits

ODJFS communicated the fiscal requirements for managing these federal dollars through the ODJFS Subgrant agreement, grantee training, and through additional communication and technical assistance to the grantee.

- ODJFS provided a CD containing the federal circulars at the grantee training in December 2009.
- The requirement for Personal Activity Reports (PARs) was subsequently communicated to the grantee, via email, following submission of its first invoice in early February 2010.
- ODJFS developed an optional template Personal Activity Report for grantees that did not have their own form or an electronic time keep system to capture the information. It was made available to grantees who requested this guidance.
- Over the course of reviewing invoices, ODJFS reviewed the Personal Activity Report being used by the grantee and determined it did not contain all the information we required. As a result, ODJFS sent its template form to the grantee to use or to treat as a sample to update its own form. The ODJFS Personal Activity Report template was provided to the grantee in August 2010.

In addition to providing training, communicating documentation requirements, providing a copy of the federal requirements and providing a sample form, ODJFS also conducted onsite monitoring of the grantee on three separate occasions.

The ODJFS Bureau of Monitoring Services conducted a financial management review for the period of January 2010 through March 2011.

- Auditors reviewed the NOCEC policies and procedures over the preparation, distribution and accounting of payroll for staff activities.
- Auditors prepared an internal control narrative and internal control questionnaire.
- ODJFS performed detailed testing on payroll for the quarter sampled for the audit (10/1/10 – 12/31/10).

For the quarter sampled, auditors found that the sample PARs provided by ODJFS were being used by the grantee. While the Executive Director was found to have signed her own personal activity report, there was a compensating control in place because payroll was reviewed by both Associated General Contractors (entity performing bookkeeping/payroll duties) and the Vice President.

The Bureau of Monitoring Services also sampled payroll and PARs a second time while conducting the ARRA 1512 Monitoring Review. The auditor found PARs were being used at that time as well.

The Office of Workforce Development has reviewed information related to the \$1,811 of questioned costs related to website and brochure development activities. Through follow-up communication, NOCEC has clarified that while brochure and website development were among the array of activities that fall under Ms. Dewey's job responsibilities, she was unable to complete all development within her normal work schedule in the timeframe desired. In order to accomplish the development of the materials within the desired time frame, NOCEC had researched possible vendors and gathered pricing information to determine what a reasonable cost would be to contract out the design work. The quotes received for brochure development ranged from \$600 to \$900. Likewise for the website development the quotes averaged to \$114.20 per hour. Rather than contract out the work to an outside vendor, NOCEC decided it would be more cost effective and prudent to outsource the design work to Ms. Dewey at a rate below what the vendors had offered. As such, the price paid for the outreach materials was not an unreasonable price. However, since these duties were part of the regular duties of this employee NOCEC should have documented the rationale and need to outsource the work and explain why the

decision to outsource was selected rather than have the employee complete this work during her normally scheduled hours at the normal rate of pay. Since the contracted hours paid to this employee were paid at a higher rate than her regular wages, ODJFS will work with NOCEC to recoup the difference of the hourly rate paid to the individual for development of these materials and what the cost would have been if they had paid her for this effort through the payroll process. NOCEC will be directed to provide ODJFS with a breakout of what the costs to the grant would have been if they had processed this work as a payroll cost (including any overtime if applicable) versus the \$1,811 that was charged to the grant, so an exact amount can be calculated and repaid.

While NOCEC did not use the suggested Personal Activity Template Form the entire grant period or perhaps not in the time period sampled by OIG, ODJFS auditors determined that NOCEC was documenting time attributed to the project and the costs charged by NOCEC were reasonable and allocable to the Constructing Futures Grant. With the exception of recouping approximately \$1,100 in excess payments for the brochure development, ODJFS disagrees with the remaining questioned costs regarding Staff Wages and Benefits that are cited in the OIG report.

Facility Costs:

The ODJFS Bureau of Monitoring Services reviewed NOCEC's facility costs during the onsite review. ODJFS auditors determined the costs charged to the Constructing futures grant to be reasonable. The costs charged to the program were less than actual costs incurred by NOCEC as NOCEC discounted the amount billed to ODJFS and did not charge the Constructing Futures program for portions of other space that benefited the program such as a portion of office space used by the employees who worked on the grant or the fiscal office. While the report states that a staff person at NOCEC stated the Constructing Futures room was used for other purposes on some occasions, those occasional uses were immaterial and adjusting the cost by the additional unbilled space would more than compensate. ODJFS has determined not to question the facility costs.

Phone Charges:

The ODJFS Bureau of Monitoring Services examined the allocation of phone costs during its review. While the 50 percent charged does not give an exact usage or itemize the phone costs, it appeared reasonable at the time of the audit. Further, ODJFS did review the phone charges questioned in the OIG report.

NOCEC first billed ODJFS for phone charges on invoice #2. The backup documentation shows an invoice date of January 14, 2010. The local telephone costs list dates of January 15, 2010, through February 14, 2010, and subtotal to \$145.68. The Federal Regulatory Fees on this same invoice cover the period of December 15, 2009, through January 14, 2010. The invoice also listed \$19.38 in Taxes and Surcharges. ODJFS agrees that it would have been appropriate for NOCEC to prorate the Federal Regulatory Fees prior to allocating \$104.94, 50 percent of the \$209.87 invoice, to the Constructing Futures program. However the amount of the overcharge was not material. It would be possible to go back and corroborate the exact amount, however; it does not appear that this additional effort would be worth the time and expense to achieve a greater deal of accuracy for such an insignificant amount.

The OIG report also stated that the May 2010 invoice for NOCEC listed only \$22.31 as being owed to the telephone service provider, but they billed ODJFS \$120.14. This discrepancy was strictly a timing issue as NOCEC's phone bill for February 14, 2010, was \$428.81, and NOCEC only billed ODJFS \$109.47. ODJFS determined the \$120.14 billed by NOCEC was accurate as it included the \$22.31 amount in the May 4, 2010, invoice, plus the additional costs NOCEC had

not yet billed for the prior billing period. Over the life of the grant NOCEC paid a total of \$3,511.59 of phone costs. ODJFS had already determined a 50 percent allocation to be reasonable. At the 50 percent allocation rate, NOCEC could invoice ODJFS for \$1,755.80. Total phone charges billed to the Constructing Futures program were \$1,756.26. ODJFS has determined that a collection effort to recover the .49 cents would be cost prohibitive.

Consultant Fees:

The OIG report questions \$275.00 paid to NOCEC to reimburse its consultant for meetings attended, which OIG believed to be outside the scope of the Constructing Futures project. ODJFS had questioned the costs when the invoice was first received and required NOCEC to provide a narrative explanation of the activities and their benefit to the Constructing Futures program. ODJFS also held a conference call to discuss this with NOCEC. The meetings related to the Workforce Advocacy Agenda/Workforce Innovations and the press conference related to the University of Toledo being named the Hub of Solar Innovation. ODJFS determined that because it was requiring grantees to seek leverage from other sources and to coordinate pre-apprenticeship employment and training activities, the two meetings and press conference were related to the activities of the Constructing Futures program and directly benefitted the grant. ODJFS reviewed this matter before paying these costs and determined at that time that the costs were necessary, reasonable and allocable to the program.

Leveraging Support:

The main purpose of establishing a leverage requirement was to encourage collaboration among the organizations taking part in the initiative. It should be noted that the leverage requirement was not a federal requirement, but rather an ODJFS program office requirement. Since ODJFS instituted the requirement, it also has the ability to waive the requirement.

ODJFS had reviewed NOCEC's leverage as part of the quarterly and closeout reporting requirements of the grant. ODJFS agrees that NOCEC did not meet 100 percent of the leverage requirement. The insufficient amount of leverage attributed to the grant and the ODJFS rationale and decision to waive the balance of the leverage requirement are documented in the grantee's file with the approved variance request and is attached to this response. While the targeted amount of leverage funding from NOCEC's Constructing Futures project was not met, the objective of fostering collaboration among the participating entities was.

Closing:

NOCEC partnered with the Alliance of Construction Professionals of Northwest Ohio (ACP), Four County Career Center, Penta Adult Career Center, WSOS Community Action Commission Inc. (WSOS), and the Workforce Investment Board of Lucas County to implement a pre-apprenticeship training program for unemployed adults, veterans, women and minority populations. In an effort to connect construction-related unions and employers with the target population, the partnership provided education and training services with the ultimate end goal of providing opportunities to enroll in registered apprenticeship programs, become employable and secure employment.

Overall the program served 91 participants with more than 50 percent coming from either female or minority populations. The number of participants served was above the number NOCEC had projected, which was 80. Of the participants served, 64 percent received basic education services, 95 percent received supportive services, and 78 percent completed training. Of those who completed training, 52 percent either transitioned to employment or a registered apprenticeship program.

ODJFS believes it managed the Northwest Ohio Construction Education Center grant prudently, efficiently and appropriately. Grantees were provided with information on the federal requirements and received training by ODJFS program, fiscal and monitoring staff. ODJFS conducted three separate monitoring reviews at NOCEC to evaluate the grantee's performance. While ODJFS agrees there may be opportunity to expand the level of training, technical assistance and oversight, ODJFS believes that it exercised more than adequate oversight of the \$550,000 Constructing Futures grant issued to NOCEC, and that the procedures employed by the agency were fully compliant with the requirements of the Office of Management and Budget (OMB) Circular A-133.

Sincerely,



Michelle L. Ball
Contract Manager – Constructing Futures Initiative
Ohio Department of Job and Family Services
Office of Workforce Development