

STATE OF OHIO  
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF  
INVESTIGATION



**AGENCY: OHIO DEPARTMENT OF JOB AND FAMILY SERVICES**  
**FILE ID NO.: 2010-323**  
**DATE OF REPORT: MAY 10, 2012**

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*“Safeguarding integrity in state government”*

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STATE OF OHIO

# OFFICE OF THE INSPECTOR GENERAL

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RANDALL J. MEYER, INSPECTOR GENERAL

## REPORT OF INVESTIGATION

**FILE ID NUMBER:** 2010-323

**SUBJECT NAME:** Constructing Futures – Northwest Ohio

**POSITION:** American Recovery and Reinvestment Act of 2009 (ARRA) Grant

**AGENCY:** Ohio Department of Job and Family Services

**BASIS FOR INVESTIGATION:** Inspector General Initiative

**ALLEGATIONS:** Failure to exercise adequate oversight of grant

**INITIATED:** September 16, 2010

**DATE OF REPORT:** May 10, 2012

## **INITIAL ALLEGATION AND COMPLAINT SUMMARY**

In 2010, The Office of the Ohio Inspector General began a review of the Constructing Futures initiative as part of its responsibilities established under Ohio Revised Code (ORC) §121.53. This initiative utilized ARRA Workforce Investment Act (WIA) discretionary grant funding through the American Recovery and Reinvestment Act of 2009 (ARRA).

Each geographic region in Ohio where the program was being delivered has been under examination – Northwest, Central, and Southwest Ohio. This particular report focuses on the Northwest Ohio region. Separate reports will be issued for the Central and Southwest Ohio regions.

## **BACKGROUND**

### *The American Recovery and Reinvestment Act of 2009 (ARRA)*

The American Recovery and Reinvestment Act of 2009 was passed by Congress on February 17, 2009. The intent of ARRA was:

to create new jobs and save existing ones, spur economic activity and invest in long-term growth, and foster accountability and transparency in government spending. These goals were to be achieved by providing \$288 billion nationally in tax cuts and benefits for working families and businesses; increasing federal funds for entitlement programs, such as extending unemployment benefits, by \$224 billion; making \$275 billion available for federal contracts, grants, and loans; and requiring recipients of ARRA funds to report quarterly on how they were using the money. Among other areas, ARRA funds were targeted at infrastructure development and enhancement.<sup>1</sup>

From February 17, 2009, through December 31, 2011, the state of Ohio was awarded a total of \$8,665,883,150 in ARRA funds via 1,212 contracts, 8,228 grants and 49 loans.<sup>2</sup> The majority of these ARRA awards went to supplement current programs.

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<sup>1</sup> Source: <http://recovery.gov>.

<sup>2</sup> Source: <http://recovery.gov>.

### *Office of the Ohio Inspector General and ARRA*

The Ohio General Assembly enacted Ohio Revised Code (ORC) §121.53 effective July 1, 2009, which established a new position within the Office of the Ohio Inspector General responsible for evaluating the funds the state of Ohio receives through the American Recovery and Reinvestment Act of 2009. This statute requires the Office of the Ohio Inspector General to monitor state agencies' distribution of ARRA funds from the federal government and to investigate all wrongful acts or omissions committed by officers, employees, or contractors with state agencies that received funds from the federal government under ARRA. In addition, the Office of the Ohio Inspector General is required to conduct random reviews of the processing of contracts connected to projects paid for with ARRA money.

### *Workforce Investment Act*

The Workforce Investment Act (WIA) is a federal job training program created in an attempt to induce businesses to participate in the delivery of workforce development services. This is achieved through regional workforce investment boards made up of local government officials and representatives from private businesses. The WIA is overseen, on the federal level, by the U.S. Department of Labor, and on the state level, by the Ohio Department of Job and Family Services (ODJFS) Office of Workforce Development. The total WIA funding provided to ODJFS under ARRA was/is more than \$138 million. From this total, approximately \$20.7 million was allocated for five statewide initiatives – specifically, two programs which targeted youth, two programs for adults, and one pilot program.

### *Constructing Futures*

In April 2009, ODJFS announced the department would allocate \$4 million of the ARRA Workforce Investment Act funding to the Constructing Futures initiative, a new program for Ohio. The intent of the initiative was to create pre-apprenticeship programs, which included remedial education, supportive services, and training, that could lead to the acceptance into full apprenticeship programs in such fields as electrical, plumbing, and construction. The Constructing Futures initiative placed emphasis on minority and female participation, as they were typically underrepresented in trade programs. The grant period was from January 2010 to June 2011.

Funding was allocated through a competitive request for proposal (RFP) process. An RFP was issued in June 2009; however, because of prospective applicant feedback, it was canceled and a second RFP was issued in September 2009. Applicants had to be part of a collaborative partnership, including representatives from each of the following groups:

- Registered apprenticeship sponsors;
- Authorized area entities in the WIA employment and training system;
- Technical and/or academic programs in the university system of Ohio;
- Adult Basic Literacy and Education (ABLE) program sponsors; and
- Non-profit community-based organizations specializing in career development.

Each partnership had to identify a registered apprenticeship sponsor as the lead entity responsible for administration and reporting, as well as a member organization which would serve as the program's fiscal agent.<sup>3</sup> The fiscal agent would be responsible for coordinating and collecting expenditure information from the other partner organizations, and submitting a consolidated invoice to ODJFS for reimbursement. When payment was received, the fiscal agent would then distribute the necessary funding to the other partners. Payroll costs related to the preparation of the invoice were allowed to be charged to the grant.

Partnerships could charge expenditures related to outreach, training materials and supplies, and other administrative costs to the oversight of the program. Additionally, partnerships could charge for expenditures relating to participant stipends. These stipends were paid to participants in the form of checks, cash, or gift certificates if they attended the required training classes and continued with the program.

Partnerships were also required to provide 25 percent in leveraging support. This support could be in the form of cash, in-kind<sup>4</sup> or a combination of both. Specifically, of the total initiative expenditures, 25 percent would be contributed by the partnership through goods or services not already charged to the grant.

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<sup>3</sup> Source: Constructing Futures Request for Proposal #R-1011-15-8031.

<sup>4</sup> In-kind support is defined as goods, service, commodities or other items not categorized as cash items.

## **BACKGROUND**

Article III, part G, of the grant agreement states the sub-grantee acknowledges their obligations under Office of Management and Budget (OMB) Circulars A-110, A-122, and A-133, as well as 29 CFR 35<sup>5</sup>. In particular, the Office of the Ohio Inspector General utilized Section 2 CFR 230 Appendix A: Section 4.a., which states:

[a]cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it is incurred specifically for the award; benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Section 2 CFR 230 Appendix B: Section 8.m., was also reviewed concerning salaries and wages. In particular, this section requires supporting documentation for payroll charges reflecting actual work performed. These payroll reports must account for all hours an employee worked, including hours not related to the grant.

## **INVESTIGATIVE SUMMARY**

The Northwest Ohio program was composed of the following organizations and awarded \$550,000 in grant monies related to the Constructing Futures initiative:

- Insulators Local #45 – Lead Sponsor
- Northwestern Ohio Construction Education Center – Fiscal Agent
- Alliance of Construction Professionals
- Penta Adult Career Center
- Four County Career Center
- WSOS Community Action Commission, Inc.
- Area 9 Lucas County Workforce Investment Board

The Office of the Ohio Inspector General obtained copies of the invoices and supporting documentation from Northwestern Ohio Construction Education Center (NOCEC) related to the

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<sup>5</sup> CFR stands for Code of Federal Regulations. OMB Circular Guidance is detailed in 2 CFR Part 230.

Constructing Futures grant, including copies of documentation showing the monetary value expended for in-kind support by NOCEC.

*Staff Wages and Benefits*

Colleen Thornton, executive director and Kristen Dewey, administrative assistant of NOCEC each charged their wages and benefits to the grant. A review of the documents provided showed that from January 2010 to February 2011, Dewey charged 100 percent of her time to the grant. During that the same period, Thornton charged 100 percent of her time to the grant, except in the following instances:

- 1) February 2010 – claimed 75 percent of her time; and
- 2) January 2011 – claimed 60 percent of her time, but a review of the actual amount charged to the grant indicated 100 percent of her time was claimed.

Thornton and Dewey were interviewed and both indicated they had duties other than those related to the Constructing Futures grant. Both stated they did not track the amount of time spent on grant and non-grant activities. However, the Office of the Ohio Inspector General obtained Thornton's and Dewey's personal activity logs beginning in September 2010 which documented hours related to the grant. A review of these logs appeared to show Thornton and Dewey began reporting actual hours worked instead of recording estimates starting in March 2011. It should be noted that Thornton and Dewey stopped this practice of charging 100 percent of their payroll time against the grant after the Office of the Ohio Inspector General interviewed them and both were made aware of the potential violation of the terms of the grant agreement.

As both Thornton and Dewey admitted to performing other duties not related to the Constructing Futures grant, and improperly charged 100 percent of their payroll time as an expenditure of these grant funds, \$119,902.63 in staff wages and benefits were identified as questioned costs charged to the grant from January 2010 to February 2011.

Federal grant guidelines require supporting documentation showing all activities for which an employee is compensated. This includes both grant and non-grant related activities. Thornton and Dewey did not begin appropriately documenting and apportioning their payroll time on a

timesheet, or personal activity log, until September 2010 when ODJFS provided the form to the organization. From January 2010 to September 2010, Thornton and Dewey did not maintain a proper accounting of their time as required by 2 CFR 230 Appendix B: Section 8.m. – support of salaries and wages. Additionally, the investigation revealed that Thornton signed her own personal activity logs as both the employee and approver when someone else within the organization should have approved Thornton's activity logs.

During interviews conducted by the Office of the Ohio Inspector General, Dewey stated part of her job duties included website and brochure development. However, three invoices where her services were also billed separately were found during an examination of the documentation obtained from NOCEC. Since Dewey charged 100 percent of her time to the grant, and website and brochure development were part of her assigned duties, these three invoice charges should not have been billed to the grant. The questioned cost of the three invoices totaled \$1,811.

#### *Administrative Wages and Benefits*

Kelly Nordin, director of financial administration for Associated General Contractors (AGC), maintained the financial records for the Constructing Futures grant. AGC had a contract with NOCEC to handle the center's bookkeeping prior to awarding of this grant. In her interview, Nordin stated she was responsible for the financial accounting records for 28 individual accounts. She indicated she used a software application called Peachtree to maintain these accounts, except for the Constructing Futures grant, where she used Excel because the grant activity was minimal.

Nordin stated she did not keep track of her time related to the grant and estimated her time at 30 percent. Her estimate increased to 35 percent from September 2010 to February 2011. Nordin also did not maintain a personal activity log until September 2010. Even then, the log only documented her hours per month and not by pay-period, as Thornton and Dewey tracked their time.

Nordin did not maintain a proper accounting of her time as required by 2 CFR 230 Appendix B: Section 8.m. – support of salaries and wages. As Nordin did not track her time related to the grant, \$30,329.27 was identified as questioned costs charged to the grant.

#### *Facility Costs*

As part of the budget narrative, NOCEC designated approximately 100 square feet of office space as facility costs to be charged to the grant. Documentation showed NOCEC charged \$1.39 per square foot for 224 square feet of space, which was a discounted rate of 50 percent. In an interview with the Office of the Ohio Inspector General, Thornton stated the room charged to the grant was used for other purposes and she could not ascertain how often the room was used for grant-related activities. Since the exact usage of the room as it related to the grant could not be determined, 2 CFR 230 Appendix A: Section 4.a. was violated, and \$5,287 was identified as questioned costs charged for the duration of the grant.

#### *Phone Charges*

NOCEC had four phone lines at their facilities – one each for the fax machine, security system, fire alarm, and regular phone line. According to Thornton, NOCEC charged 50 percent of the amount owed on each phone line billed to the grant. Similar to the facility costs, the exact usage of the phone lines as it related to the grant could not be determined, 2 CFR 230 Appendix A: Section 4.a. was violated, and \$1,542.36 was identified as questioned costs charged to the grant.

According to documents provided by ODJFS, charges could not be posted to the grant until the grant agreement was signed by all parties and a purchase order was issued<sup>6</sup>. From information obtained from the state accounting system, a purchase order was issued by ODJFS to NOCEC on January 6, 2010. A review of the invoices provided by NOCEC and charged to the grant showed expenditures for phone services from December 15, 2009, to January 14, 2010. These expenditures totaled \$104.94 (at the 50 percent rate) and the entire amount was charged to the grant. These phone services were provided before the date the purchase order from ODJFS was issued and, therefore, outside the period allowed for reimbursement.

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<sup>6</sup> Purchase orders are documents detailing the amount to be spent with a particular vendor within a fiscal year. Purchase orders are maintained in the state accounting system.

Additionally, the review revealed an invoice for phone service dated May 2010 in the amount of \$22.31. Using NOCEC’s methodology, \$11.15 should have been charged to the grant. Instead, NOCEC billed the grant the monthly charge of \$120.14 (at the 50 percent rate). This resulted in an overpayment of \$108.99 and was identified as a questioned cost charged to the grant.

*Consultant*

A consultant was hired to review program guidelines and requirements, provide forms, complete reports, and meet invoice requirements necessary for the grant. The salary for this consultant was to be reimbursed by the grant to NOCEC at a rate of \$110 per hour. A review of the invoices provided to NOCEC show two charges determined to be outside the scope of the Constructing Futures initiative. These charges include a half-hour to attend a press conference at the University of Toledo for the naming of the new Hub of Solar Innovation, and two hours related to a conference call on the Workforce Advocacy agenda and Workforce Innovations grant. The consultant’s time charged for these activities was 2.5 hours at \$110/hour, totaling \$275, and was identified as questioned costs charged to the grant.

*Total Questioned Costs*

The total questioned costs related to this investigation are:

<b>Category</b>	<b>Amount</b>
Staff Wages and Benefits	\$121,713.63
Administrative Wages and Benefits	\$30,329.27
Facility Costs	\$5,287.00
Phone Charges	\$1,756.29
Consultant	\$275.00
<b>TOTAL</b>	<b>\$159,361.19</b>

*WSOS Community Action Commission, Inc.*

WSOS provided supportive services for the program through outreach, case management, assessments, and offer job placement assistance. The agency also gave stipends to participants in the program as allowed under the grant guidelines. At the end of each month, WSOS would submit to NOCEC an invoice for charges related to the grant, which was incorporated into the overall monthly invoice sent to ODJFS. A review of the supporting documents to NOCEC showed that little to no detail was specified related to various charges. Worksheets showing

hours charged to the grant were only provided for the first few months, and there was no supporting documentation to substantiate that the participants earned the stipends they received. When requested, WSOS provided documents for the months not originally submitted to NOCEC. While there was little information as to what documentation should be provided each month, the lack of detail made it difficult to determine if the charges were allowable under grant guidelines.

The following table shows the amounts paid to WSOS Community Action Commission, Inc. by category:

<b>Category</b>	<b>Amount</b>
Outreach	\$9,611.53
Staff Assisted Job Search Activities	\$27,594.41
Assessments	\$26,080.78
Workshops	\$44,609.56
Job Readiness	\$27,190.87
Case Management	\$67,146.73
Supportive Services	\$12,491.51
Trainee Stipends	\$19,300.00
<b>TOTAL</b>	<b>\$234,025.39</b>

*Leveraging Support*

According to the grant guidelines, organizations were to provide 25 percent of leveraging support in the form of cash, in-kind support, or a combination of the two. NOCEC and its partnering organizations maintained an in-kind support documentation worksheet detailing the support provided on a quarterly basis. Combining the amounts of these worksheets together revealed a total of \$100,301.86 claimed as in-kind support. In reviewing the specific charges, it was noted WSOS claimed mileage at \$0.50 per mile instead of the \$0.45 per mile allowable under the grant. Recalculating the original in-kind support total (\$100,301.86) with the correct, reduced mileage rate resulted in a revised total of in-kind support of \$99,773.46. Comparing the total grant expenditures paid by ODJFS to this revised total of in-kind support shows only approximately 20 percent of in-kind support rather than the required 25 percent that should have been provided ( $\$99,773.46 / \$508,019.39 = 19.6$  percent).

## **CONCLUSION**

Colleen Thornton stated in her interview that each regional partnership went through training and received information from the Ohio Department of Job and Family Services on how the grant was to operate in December 2009. However, during the course of the grant, there were four ODJFS grant managers who each asked for different information and different ways of presenting the information each month. This led to confusion on what was allowable and what the reporting agencies were to include each month. In particular, Thornton claimed she called ODJFS and complained about the excessiveness of the request, and was told a shorter list of documentation could be provided with the understanding the rest was to be kept for audit purposes.<sup>7</sup> The Office of the Ohio Inspector General asked if ODJFS had conducted any audit visits and Thornton stated one had been scheduled for the summer of 2010 but it was canceled until a later date. According to records obtained from ODJFS, field work and a monitoring visit were conducted in June 2011 and a report was issued after July 2011.

Based on a review of the documentation and grant requirements, the following are the findings related to the investigation:

<b>Category</b>	<b>Requirement/Other Matters</b>	<b>Accordingly, there is reasonable cause to believe...</b>
Staff Wages and Benefits	Employees charged 100 percent of their time to the grant even though they performed other duties	Wrongful act or omission occurred
	Documents related to wages were not maintained in accordance with federal guidelines	Wrongful act or omission occurred
	Executive director signed and approved her own activity logs	Appearance of impropriety occurred
	Duplicative charges for services	Wrongful act or omission occurred
Administrative Wages and Benefits	Employee did not document actual hours worked related to the grant	Wrongful act or omission occurred
	Documents related to wages were not maintained in accordance with federal guidelines	Wrongful act or omission occurred
Facility Costs	Could not determine the usage of the room related to grant activities	Wrongful act or omission occurred
Phone Charges	Charges made outside the grant period	Wrongful act or omission occurred
	Failure to follow methodology	Wrongful act or omission occurred

(continued)

<sup>7</sup> During Thornton's interview, she could not remember who she spoke to at ODJFS.

Consultant	Charges outside the scope of the grant program	Wrongful act or omission occurred
WSOS	Lack of detailed supporting documentation	Appearance of impropriety occurred
Leveraging Support	Did not meet required 25 percent	Wrongful act or omission occurred

### **RECOMMENDATIONS**

The Office of the Ohio Inspector General makes the following recommendations and asks the Ohio Department of Job and Family Services to respond within 60 days with a plan detailing how the recommendations will be implemented. The Ohio Department of Job and Family Services should:

- 1) Review the questioned costs to determine if they meet the grant requirements 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.

### **REFERRAL**

The Office of the Ohio Inspector General will forward an investigative referral package for consideration to:

- 1) The United States Department of Labor as the grantor agency of the WIA-ARRA grant.
- 2) The Ohio Auditor of State as the agency responsible for the state of Ohio Single Audit and the audit of the Ohio Department of Job and Family Services.



STATE OF OHIO  
**OFFICE OF THE INSPECTOR GENERAL**

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RANDALL J. MEYER, INSPECTOR GENERAL

**NAME OF REPORT: Ohio Department of Job and  
Family Services**  
**FILE ID #: 2010-323**

**KEEPER OF RECORDS CERTIFICATION**

**This is a true and correct copy of the report which is required to be prepared  
by the Office of the Ohio Inspector General pursuant to Section 121.42 of the  
Ohio Revised Code.**

A handwritten signature in black ink, appearing to be "Jill Jones".

**Jill Jones  
KEEPER OF RECORDS**

**CERTIFIED  
May 10, 2012**

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