

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.: 2011-247
DATE OF REPORT: SEPTEMBER 12, 2012

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REPORT OF INVESTIGATION

FILE ID NUMBER: 2011-247

SUBJECT NAME: Constructing Futures – Central 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: May 31, 2011

DATE OF REPORT: September 12, 2012

INITIAL ALLEGATION AND COMPLAINT SUMMARY

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 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 Central Ohio region. The Northwest Ohio report was issued on May 10, 2012, (File ID 2010-323) and a separate report will be issued for the Southwest Ohio region.

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.¹

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.² The majority of these ARRA awards went to supplement current programs.

¹ Source: <http://recovery.gov>.

² 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 and 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.³ 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-kind⁴ support 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.

³ Source: Constructing Futures Request for Proposal #R-1011-15-8031.

⁴ In-kind support is defined as goods, services, commodities or other items not categorized as cash items.

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 35.⁵ 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 Central Ohio program was composed of two organizations, Associated Builders and Contractors, Inc. (ABC) and the Construction Trades Network (CTN). ABC was awarded \$399,988 and CTN was awarded \$799,611.

ABC was composed of the following partners:

- Associated Builders and Contractors, Inc. – Lead Sponsor
- Central Ohio Workforce Investment Corporation (COWIC) – Fiscal Agent
- Columbus State Community College for Workforce Development
- Eastland-Fairfield Career and Technical Schools
- Columbus Urban League

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

CTN was composed of the following partners:

- Electrical Training Center (ETC) – Lead Sponsor
- Central Ohio Workforce Investment Corporation (COWIC) – Fiscal Agent
- Delaware Job Network
- South Central Ohio District Council of Carpenters Joint Apprenticeship Committee
- Local 24 Sheet Metal Workers Joint Apprenticeship and Training Committee
- Local 50 Heat and Frost Insulators Joint Apprenticeship and Training
- Columbus State Community College
- Ohio University
- Godman Guild
- Center for New Directions

The Office of the Ohio Inspector General obtained copies of the invoices and supporting documentation from COWIC, the fiscal agent for ABC and CTN, related to both Constructing Futures grants. The Office of the Ohio Inspector General also spoke to individuals employed by COWIC, ABC, and ETC. Before this review was completed, the Ohio Department of Job and Family Services issued monitoring reports related to both grants. In particular, the Office of the Ohio Inspector General noted ETC did not keep accurate payroll reports as required under the terms of the federal grant. This absence of records was also noted in the ODJFS monitoring report, and the Office of the Ohio Inspector General will not issue additional findings or questioned costs related to this matter.

ABC Expenditures

The Office of the Ohio Inspector General's review of expenditures made by ABC noted five instances involving improper charges to the grant, including a newspaper subscription, two travel reimbursements with no backup documentation or invoice, and two mileage reimbursements calculated at an incorrect rate. As the charges totaled less than \$100, these are not listed as a questioned cost.

Phone Charges by CTN

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.⁶ From information obtained from the state accounting system, a purchase order was issued by ODJFS to COWIC (the fiscal agent for CTN) on January 6, 2010. Invoices provided by COWIC showed charges to the grant for phone services from December 16, 2009, to January 15, 2010. While these phone expenditures totaled \$560.61, the majority was spent before the date the purchase order from ODJFS was issued and, therefore, outside the period allowed for reimbursement.

Additionally, a review of the phone charges showed 100 percent of the invoice was charged to the grant. Since additional documentation was not provided to itemize the exact usage of the phone as it related to the grant, 2 CFR 230 Appendix A: Section 4.a. was violated, and \$1,613.62 (excluding the expenditures listed above) was identified as questioned costs charged to the grant.

Leveraging Support by CTN

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. According to budget documents submitted as part of the request for proposal response, CTN planned on utilizing \$91,800 as in-kind funds in the form of trainee wages.⁷ In documents provided to ODJFS listing sources of leveraging support at the end of the grant period, \$60,927.70 in trainee wages was shown. However, in reviewing the monthly invoices submitted to ODJFS for reimbursement the Office of the Ohio Inspector General noted CTN requested and received payment totaling \$49,526.64 for the same trainee wages.

As these wages were used as leveraging support, CTN was not entitled to these reimbursements and should reimburse ODJFS for these costs. If these wages are removed from the leveraging

⁶ 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.

⁷ In addition to stipends for participants attending the required classes, participants could also receive wages for work related to internships within the applicable construction field. These wages were allowable reimbursable costs under the grant guidelines.

support total instead of reimbursing ODJFS for these costs, CTN would fall below the 25 percent threshold required under the terms of the grant.⁸

Total Questioned Costs

The total questioned costs and reimbursable amounts related to this investigation are:

Category	Amount
Phone Charges – Questioned Costs	\$2,174.23
Trainee Wages – Reimburse to ODJFS	\$49,526.64
TOTAL	\$51,700.87

CONCLUSION

Similar to comments made by the partnership in Northwest Ohio, the partnerships in Central Ohio stated employees of each agency received training and information from the Ohio Department of Job and Family Services in December 2009 on the requirements to properly expend the money provided under the terms of the grant. However, during the course of the grant period, there were numerous changes in personnel at ODJFS and conflicting information was provided to the partnerships. This led to confusion and conflicting guidance on what was allowable and what information the reporting agencies were to provide ODJFS each month. In addition, monitoring visits by ODJFS were not conducted until after the grant period expired, even though the partnerships were told the visits would occur as grant activities were underway.

Based on a review of the documentation and grant requirements, the Office of the Ohio Inspector General identified the following findings related to the investigation:

Category	Requirement/Other Matters	Accordingly, there is reasonable cause to believe...
Phone Charges	Charges made outside the grant period	Wrongful act or omission occurred
	Failure to follow federal grant requirements	Wrongful act or omission occurred
Leveraging Support	Reimbursed for expenses listed as leveraging support	Wrongful act or omission occurred

⁸ Total leveraging support was listed as \$185,927.70 and the total amount reimbursed under the grant was \$697,183.89. Removal of the wages would reduce the leveraging support to \$136,401.06; making the new adjusted total 20 percent (\$136,401.66 / \$697,183.89).

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 compliance under the terms of the grant requirements and request repayment.
- 2) Ensure consistent guidelines are maintained in the event of a change in grant managers.
- 3) 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.

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.



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**NAME OF REPORT: Ohio Department of Job and
Family Services**
FILE ID #: 2011-247

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.**

Jill Jones
KEEPER OF RECORDS

CERTIFIED
September 12, 2012

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