



**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
OFFICE OF WORKFORCE DEVELOPMENT
WIA GRANT AUDIT REPORT**

September 16, 2014

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Introduction

The Office of the County Auditor reviewed the grant infrastructure for the Housing and Human Services' (HHS) Office of Workforce Development (OWD). The review was conducted to address the District 6 Commissioner's concerns regarding the administration of OWD's grant funds.

Background

The OWD, a division of Housing and Human Services, is located at One Margaret Mitchell Square, Suite 500, Atlanta, Georgia. The OWD provides career development, employment, and supportive services to Fulton County (County) residents. The mission of the OWD is to aid the County's residents and employers in developing and sustaining a workforce that acquires viable wages and benefits, thus strengthening their families and neighborhoods. The OWD services and programs are currently offered at the following six locations:

- Adamsville Regional Health Center
- Central Resource Career Center (does not offer WIA services)
- Neighborhood Union
- North Fulton Career Center
- South Fulton Career Center
- Youth Employment Service Center

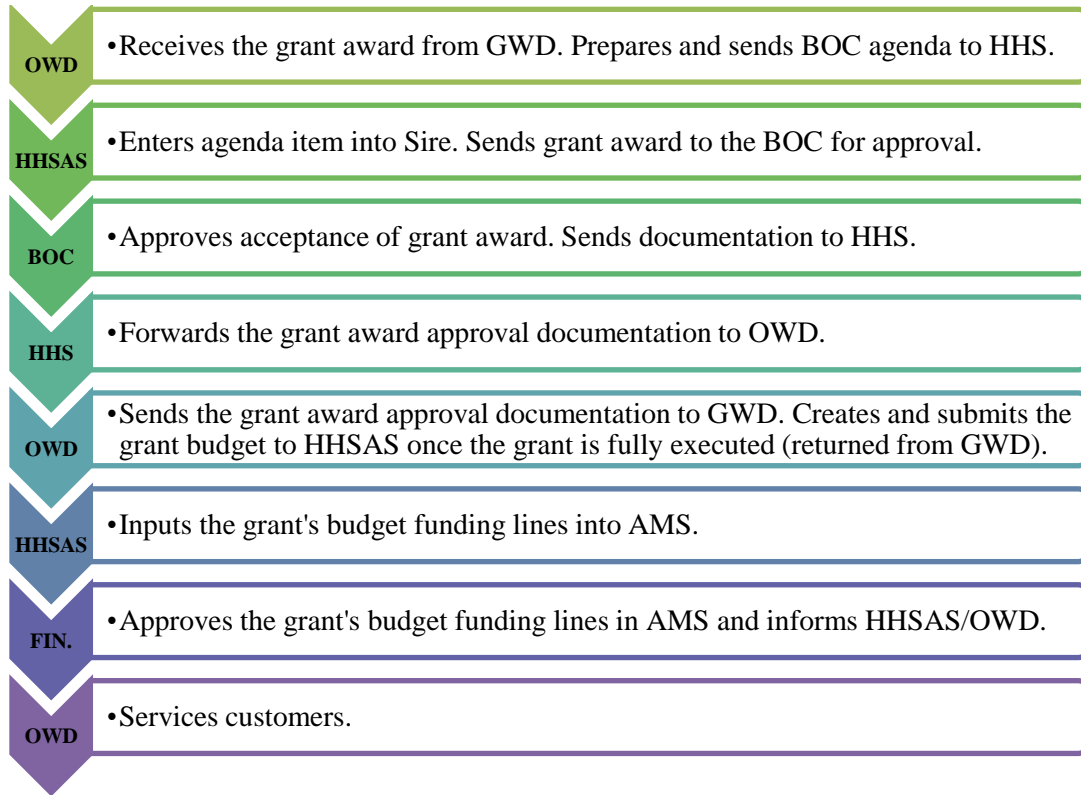
In April 2000, Fulton County's Department of Human Services was designated by the Governor's Workforce Development (GWD) as the Administrative entity for the U.S. Department of Labor's National Job Training Program. As such, under the Workforce Investment Act of 1988 (WIA), the grant awards are a two-year continuation grant to the Local Workforce Investment Area (LWIA). The Fulton County Board of Commissioners (BOC) voted to accept this designation and the continuing authority of the multi-year grant. These grant funds provide County residents assistance in obtaining and maintaining unsubsidized employment that leads to self-sufficiency. The grant programs are consistent with the BOC's goals to provide cost effective human services to sustain the quality of life in the County and provide programs that support the development of families.

The GWD Board annually reviews, revises and approves OWD's policies and procedures. OWD's policies and procedures are also updated and approved on a quarterly basis by the Local Area Board. The most recent policy and procedure revisions were made effective January 1, 2013. The WIA Plan, a program guide for OWD, was approved in June 2014.

For the WIA grant awards, OWD is responsible for programmatic operations and the financial operations portion is administered by HHS's Administrative Support Division (HHSAS), located at 137 Peachtree Street, Atlanta, Georgia. The WIA grant awards do not require an annual grant application or county match. Although the grants are automatically renewed every two years, the BOC Chairperson must sign the grant award for authorizing OWD to submit to GWD for acceptance of the grant funds. The grant funding period begins on July 1st and ends two years

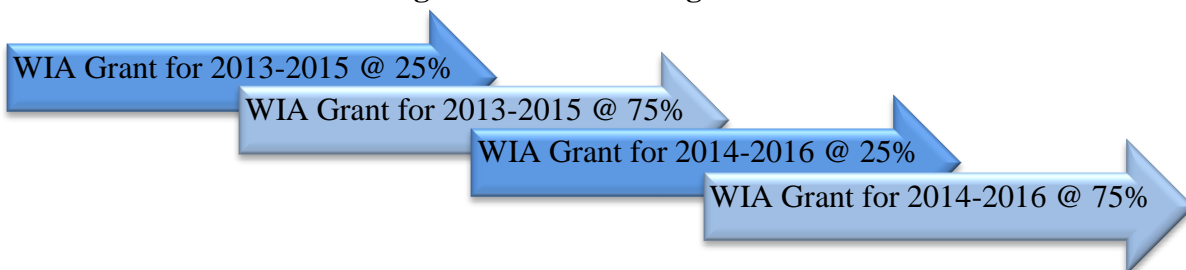
later on June 30th. The process that the OWD utilizes to establish its WIA grant funding is listed in the following eight steps:

The Office of Workforce Development’s WIA Grant Establishment Process



For the budget year 2014, the BOC approved the elimination of the OWD general fund. Thus, OWD is currently operating solely on the WIA funds of four programs: (1) Adult; (2) Dislocated Worker; (3) Rapid Response; and (4) Youth. All WIA programs have specific program funding eligibility requirements. However, all program customers must meet the following basic eligibility requirements: program appropriate age, US citizenship or naturalization and selective service registration. The automatically renewable WIA program grant funding overlaps one another and covers a two-year period and is distributed to OWD in two allotments (see the illustration below). The first funding allotment distributed during the first quarter of the grant period is 25% of the total grant award and the second allotment distributed during the second quarter of the grant period is 75% of the total grant award. The Youth Program is the exception and is distributed to OWD in its entirety.

WIA Program Grant Funding Distribution



In August 2013, GWD proposed the recapture of \$330,353 in unspent Youth funding due to OWD’s failure to meet the expenditure/obligation requirements. OWD petitioned GWD to retain the Youth funds. Consequently, in September 2013, GWD drastically decreased its proposed recapture amount by \$264,000 and only recaptured \$66,353 in Youth funding. As a result of this recapture, a request was made to examine OWD’s grant administration. To date, no additional WIA program funding is proposed for recapture.

Adult Program

The Adult Program encompasses workforce investment services, initiatives that provide workforce preparation and career development services, and help employers find skilled workers. Activities promote and facilitate an integrated public workforce system through which a full array of services are offered. The program provides employment and training services that address the individuals in need of training, retraining and skill upgrades. Additionally, investments in the Adult Program are targeted to move workers into post-secondary educational pipelines and career pathways to prepare more workers to enter into and advance in good jobs in the high growth and emerging occupations of the global economy. OWD’s funding for the Adult Program for the period 2013 thru 2015 is depicted in the following table:

ADULT PROGRAM		
For the grant period 2013 thru 2015		
% of Funds Distributed	Funds Awarded	Funds to be Obligated @ 65%
25%	\$ 27,066	\$ 17,592
75%	930,498	604,824
Total	\$957,564	\$622,416

Dislocated Worker Program

The Dislocated Worker Program, under Title I of the WIA, is designed to provide quality employment and training services to assist eligible individuals in finding and qualifying for meaningful employment and to help employers find the skilled workers they need to compete and succeed in business. WIA dislocated worker services are designed to meet employer needs by helping job seekers upgrade skills, obtain employment, improve job retention, and increase earnings. The customers receive intensive services, vocational training, life skills training, child care services, transportation assistance, job readiness, and job placement. Eligibility requirements for this program are those who: (1) have formal verification of employment dislocation and (2) either live in Fulton County or displaced by a Fulton County employer. OWD’s funding for the Dislocated Worker Program for the period 2013 thru 2015 is depicted in the following table:

DISLOCATED WORKER PROGRAM		
For the grant period 2013 thru 2015		
% of Funds Distributed	Funds Awarded	Funds to be Obligated @ 65%
25%	\$ 147,566	\$ 95,917
75%	1,341,910	872,242
Total	\$1,489,476	\$968,159

Rapid Response Program

The Rapid Response Program is a special grant under the Dislocated Worker Program, which is designed to extend beyond basic response and distribution of reemployment information. The program aims to mitigate the impacts of a layoff and return employees back to the workforce as quickly as possible which includes not only providing access to reemployment services such as job assistance and training opportunities, but also partnering with other organizations that can assist in the transition. Eligibility requirements for this program are Fulton County residents who: (1) have participated in a rapid response session with more than 24 employees laid off at one time, and (2) the employer has notified the Governors’ Office of Workforce Development. Currently, no Rapid Response Program funds have been expended. OWD’s funding for the Rapid Response Program for the period 2013 thru 2015 is depicted in the following table:

RAPID RESPONSE PROGRAM		
For the grant period 2013 thru 2015		
% of Funds Distributed	Funds Awarded	Funds to be Obligated @ 65%
25%	\$ 31,382	\$20,398
75%	125,527	1,593
Total	\$156,909	\$101,991

Youth Program

The Youth Enrichment Services Program includes: tutoring; study skills training and instruction leading to completion of secondary school (including dropout prevention); alternative school services; mentoring by appropriate adults; paid and unpaid work experience (such as internships and job shadowing); summer employment opportunities that are linked to academic and occupational learning; occupational skills training; leadership development; appropriate supportive services; and follow-up services. Eligibility requirements for this program are Fulton County residents who: (1) are ages 14-21; (2) low-income; and (3) have an approved barrier (such as school dropout, basic literacy skills deficiency, homeless, runaway, foster child, pregnant, parent, an offender or need help completing an educational program or securing and maintaining a job). OWD’s funding for the Youth Program for the period 2013 thru 2015 is depicted in the following table:

YOUTH PROGRAM		
For the grant period 2013 thru 2015		
% of Funds Distributed	Funds Awarded	Funds to be Obligated @ 65%
100%	\$987,797	\$642,068
Total	\$987,797	\$642,068

OWD’s WIA Grants’ Financial Overview

LWIAs are obligated to spend 80% of the WIA grant funds annually by June 30th. Pursuant to WIA Section 128(c) and Section 133(c), GWD may recapture and reallocate any funds that have not been expended or obligated. However, due to the “federal government shut-down”, OWD applied for and received a waiver of the 80% requirement and are now obligated to spend 65% of

the WIA funds by June 30, 2014. All of OWD’s WIA grants with the exception of Rapid Response, operate under similar obligation regulations. The Rapid Response Program is not subjected to the 65% obligation requirement. The following table depicts OWD’s WIA grant program expenditures and obligations for the period 2013 thru 2015 as of June 30, 2014.

OWD WIA GRANT PROGRAM EXPENDITURES AND OBLIGATIONS				
Grants for the period 2013 thru 2015				
<i>Status as of June 30, 2014</i>				
	Adult	Dislocated	Youth	Totals
Expenditure:	\$ 24,629	\$ 85,341	\$429,931	\$ 539,902
Obligation:	820,976	977,932	342,683	2,141,591
Total Expenditure & Obligation	\$845,605	\$1,063,274	\$772,615	\$2,681,493
Total Needed for 65%				\$2,232,643

OWD’s WIA Grants’ Performance Measures

GWD tracks the performance measures of each LWIA and issues a quarterly report. The LWIA’s performance is calculated using the following formula:



OWD has nine performance measures to meet. GWD negotiates with OWD to establish local performance targets to help achieve state goals. For the 3rd Quarter of 2014, Fulton County “exceeds” its target in 6 performance measures and “meets” its target in the remaining 3 performance measures. The details of Fulton County’s WIA performance measures and targets are in the following table.

Fulton County’s WIA Performance Metrics							
Performance Measure	Performance Group	1st Quarter	2nd Quarter	3rd Quarter	PY To Date	Negotiated Level	Status
Entered Employment Rate	Adults	64.9%	64.3%	48.5%	58.3%	70%	Meet
	Dislocated Workers	78.1%	73.5%	75.7%	75.7%	76%	Meet
Retention Rate	Adults	78.6%	100%	90.6%	89.1%	85%	Exceed
	Dislocated Workers	81.8%	80%	80.8%	81%	91%	Meet
Average Earnings	Adults	\$14,038	\$20,887	\$13,836	\$15,064	\$12,000	Exceed
	Dislocated Workers	\$25,034	\$20,887	\$17,524	\$21,533	\$21,000	Exceed

Fulton County's WIA Performance Metrics							
Performance Measure	Performance Group	1st Quarter	2nd Quarter	3rd Quarter	PY To Date	Negotiated Level	Status
Placement in Employment or Education	Youth (14-21)	75%	85.7%	100%	81.2%	59%	Exceed
Attainment of Degree or Certification	Youth (14-21)	88.9%	20%	0%	60%	50%	Exceed
Literacy or Numeracy Gains	Youth (14-21)	0%	60%	50%	55.6%	35%	Exceed

Objective

The objective of our audit was to identify and review the WIA grants awarded to OWD after 2012 and determine:

- If the existing grant infrastructure is adequate to begin the timely administration of the grant award and to identify any impediments in the process, if any;
- If milestones were met (funding obligations and performance metrics);
- If financial & programmatic reporting were timely; and
- If any funds were at risk of being recaptured by GWD.

Scope

The period covered by this audit is July 1, 2013 through June 30, 2014.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. To accomplish our objectives, we:

- Identified and reviewed policies, procedures, applicable laws, codes, regulations and board resolutions;
- Interviewed and performed walkthroughs with key personnel;
- Analyzed grant budget establishment procedures, invoices, payment processing and authorizations required to issue payments and obligate funding;
- Utilized Fulton County's Asset Management System (AMS) to identify the source of funding, award amounts, vendor payments, and potential de-obligated amounts; and
- Reviewed a random sample of program customers to verify program eligibility.

Generally Accepted Government Auditing Standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Recommendations

Finding 1 – Delays in the grant establishment process

Best practices recommend that the procedures required for establishment of grants should operate at maximum efficiency to ensure the timely receipt of funding. Our audit revealed that the OWD grant establishment process is deficient, causing extreme delays in grant revenue recognition. Failure to establish grant funding in a timely manner impedes WIA program operations and OWD’s ability to obligate funds before the grant award expires. Our audit revealed that the grants with 75% funding distribution took the least amount of time to be established (an average of 84 days) and the grants with 25% funding distribution took an average of 173 days. The Youth Grant took the longest amount of time to be established, a total of 245 days.

Through additional analysis, we were able to identify that the “budget set-up” procedure severely impeded OWD’s grant establishment process. This procedure took the longest amount of time to complete, an average of 56 days. Our discussions with HHSAS revealed that there were WIA grant funds still available and eligible for use in the old grant budget, thus there was no urgency for HHSAS to set-up the new grant budget. As of 2014, HHSAS sets-up the WIA grant budgets upon receipt from OWD.

Recommendation

We recommend OWD immediately inform HHS’s management of any potential impediments in the grant establishment process. HHS management should then ensure that all parties involved in the OWD grant establishment process are aware and work diligently to rectify all deficient procedures within a timely manner. If unable to resolve the deficiency, HHS’s management should immediately inform the County Manager.

Finding 2 – OWD Division Manager does not control the financial operations of the WIA grants

Program Managers are responsible for the successful programmatic and financial execution of their assigned grant program. Within OWD, one employee serves in a dual capacity as the Program Manager and Division Manager under the title of OWD Division Manager. The WIA programmatic staff reports directly to the OWD Division Manager; however, the WIA financial staff does not. The Accountant assigned to and funded by WIA is located in HHSAS and reports to the HHS Director of Administrative Services. Consequently, the OWD Division Manager has no control over the daily financial operations of the WIA grants. Failure to provide the OWD Division Manager control of the WIA grants’ financial execution has caused delays in HHS’s response to GWD audits and in the grants’ AMS funding establishment.

Recommendation

We recommend that HHS’s management either assume full responsibility of the WIA grants’ financial execution or relinquish the management of the WIA Accountant to the OWD Division

Manager in order to support the financial accountability role and effectively monitor program obligations and expenditures.

Finding 3 – Untimely processing of vendor invoices

Many of the WIA programs offer incentives to customers for their successful completion of an applicable WIA program. Stipends are the most commonly used monetary incentive. In order for OWD to submit a payment request to HHSAS for a stipend, eligible customers must register with the County as a vendor. On July 28, 2014, we were notified that more than 60 eligible customers had not received their stipend. In June, the OWD submitted invoices to HHSAS requesting payments for the eligible customers. To date, not all of the invoices submitted had been processed. The untimeliness of these payments resulted in such a negative experience for customers that they began contacting County Commissioners to inquire about the status of their stipends. OWD’s vendor payment process is depicted in the following table.

The Office of Workforce Development’s Vendor Payment Process		
Step 1	Customer	Meets eligibility to receive payment or stipend; registers as a vendor
Step 2	OWD	Approves and sends invoice and supporting documents to HHSAS.
Step 3	HHSAS	Creates the voucher, inputs info into AMS and submits supporting documents to Accounts Payable for processing.
Step 4	Accounts Payable	Processes the voucher in AMS and forwards the vendor's check to HHSAS.
Step 5	HHSAS	Forwards the vendor's check to OWD for issuance.
Step 6	OWD	Distributes the check payment to the vendor.

Recommendation

We recommend that OWD and HHSAS, under the direction of HHS management, establish agreed upon procedures regarding the processing and issuance of WIA vendor payments. The procedures should include a reasonable turn-around time for the vendor payments and should include a course of action if the deadline is not met. Additionally, each entity involved in the vendor payment process should substantiate completion of their assigned portion of the process via a time-stamp and be held fully accountable by the HHS Director for its performance or lack thereof.

Finding 4 – Inadequate staffing

Best practices recommend adequate staffing for the effective administration of grant programs. The WIA grant awards include administrative funding for staff positions that are currently vacant or nonexistent within OWD. The positions, even though fully funded under the grants, are unfilled due to a hiring freeze sanctioned by the County Manager. In order to comply with GWD’s grant obligation requirements as mandated, a portion of these unused administrative funds were used to pay other allowable expenditures. Consequently, OWD’s limited staff was tasked with meeting additional programmatic obligations to ensure these funds were spent before

the grant expired. The inability to supplement OWD’s staffing levels adversely impacted the already diminished morale of an understaffed OWD by increasing the OWD employees’ workload, which included the task of handling the increase of the number of customers served.

Recommendation

We recommend that the County Manager give special consideration to grant funded positions that would allow the grantee to effectively meet its financial and programmatic obligations.

Audit Concern #1 – Assigning customers to areas with sensitive/confidential information

Every effort is made to place eligible WIA customers in areas throughout the County. In particular, the customers placed in areas such as, but not limited to, Health and Wellness, Finance and Human Resources, have an increased risk of exposure to sensitive/confidential information (i.e., health records, banking information, social security numbers, etc.). Criminal background checks and drug tests are not a requirement for eligibility to the WIA program; however, they are required for intensive services per OWD’s *Policy and Procedures Manual, Chapter 4, Section C*. To become eligible for intensive services, customers must sign a waiver of consent to allow drug testing and criminal background checks. The possible breach of security that exists regarding the privacy of sensitive/confidential information drastically increases the risk of the County’s exposure to fraud, identity theft and other malicious uses.

Audit Concern #2 – Meeting required performance standards

Since the recapture of WIA funds in September 2013, OWD has either met or exceeded the expected performance standards and expenditure/obligations requirements (see pages 3-6). However, if not resolved, the programmatic and fiscal impediments and understaffing could negatively affect the OWD’s ability to meet required performance standards and possible sanctions as stated in O.C.G.A. § 34-14-26, b-c (2014):

“...The Georgia Workforce Investment Board shall set sanctions policies and procedures for failing or nonperforming local workforce investment areas in accordance with federal law. If a local workforce investment area does not meet performance standards, the Georgia Workforce Investment Board shall develop and impose a reorganization plan that may include, but not limited to: (1) restructuring of the board; (2) prohibiting the use of designated service providers, including state agencies; and (3) merging the local workforce investment area with another area.”

Conclusion

Our audit of OWD’s WIA Grants identified several findings: delays in the grant establishment process; the OWD Division Manager does not control the financial operations of the WIA grants; untimely processing of vendor invoices; and inadequate staffing. To mitigate these weaknesses, we highly recommend that OWD and HHSAS, under the directive of HHS’s Management, initiate, document, and/or implement the necessary remedies to ensure the effectiveness and

compliance of its WIA programs. Failure to effectively address the findings contained in this audit report may adversely impact the County, customer services, future WIA grant awards and further strain OWD's employee morale.

Please provide a written response to this audit within 30 days. You may email your written response to the County Manager and Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit.