

Fiscal Monitoring Review
FY 2011
South West Wisconsin Workforce Development Board

ENCLOSURE 2

Agency Name / Location: Southwest Wisconsin Workforce Development Board
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Agency Staff Interviewed: Annette Meudt, Katie Gerhards, Bob Borremans, Jean Prochaska

Reviewer / Date: 17-28 Nov 2011

Sections: (Fiscal year to be sampled is July 2010 – June 2011)

Review Scope:

- A-1 Governance Agreements – No Findings
- A-2 Real Property – No Findings
- A-3 Personnel – No Findings
- A-4 Sustainability – No Findings
- A-5 Match – No Findings
- A-6 Equipment – No Findings
- A-7 Procurement – 1 Finding**
- A-8 Single Audit – No Findings
- A-9 Budget Controls - Comment**
- A-10 Cash Management – 1 Finding**
- A-11 Cost Allocation (Direct Labor and Other Direct Costs) –2 Areas of Concern**
- A-12 Allowable Costs – No Findings
- A-13 Agency Policies and Controls – 1 Area of Concern**
- A-14 Sub-Contracts – 2 Comments**
- A-15 Fiscal Reporting – No Findings
- A-16 Participant files – 1 Comment**

A-1 GOVERNMENT AGREEMENTS (CMG 1.1 STRATEGIC PLANNING)

1. Request and evaluate governance agreements and MOU's.

Memorandum of Understanding and Agreements worksheet are current and contain requirements.

2. Determine if above is up-to-date.

All documents are up-to-date.

3. Are conflict of interest statements available? [Board members must sign a conflict of interest statement and they should disclose any real or apparent conflict of interest. 29 CFR Part 95.42]

All Board members have signed a Conflict of Interest form.

DRAFT

A-2 REAL PROPERTY (CMG ADMINISTRATIVE CONTROLS 2.1)

1. Validate the proper method for calculating space costs are applied [2 CFR 230, appendix B, paragraph 43 (c): Cost rental under less than arms length leases].
2. Has there been a building sale/purchase (reporting DOL equity) [20CFR 627.645; 29 CFR 95-32]. If yes, did the space usage cost (rent) include land, software, furnishings, and equipment and relocation costs? Was the allocation method or the depreciation method correctly used? If a building was sold, was prior approval requested and TEGL1-99 (close out guidance) followed?
3. Review depreciation/usage schedules and any operating costs charged to the grant.

SWWDB does not own real property.

DRAFT

A-3 PERSONNEL (CMG 2.2 PERSONNEL)

1. Review the grantee organizational chart [CMG FPO 2.22.e], see Attachment FF.

Auditor reviewed the organizational chart

2. Does the organization chart have key capacities: Executive, fiscal, Management Information Systems, Program operations? All positions listed on Organization Chart.

All major parts are reflected in organizational chart

3. Are there any gaps evident in the grantee organization and staffing structure?

There are no evident gaps in the organizational chart. (Obtained an organization chart with names)

4. Review job descriptions for two primary staff.

Auditor reviewed the positions of Business and Employer Services Manager and Director of Finance positions. (Obtained copy of both position descriptions)

5. Evaluate cash payouts to personnel other than salary and benefits (Travel, Training or Direct Reimbursement).

SWWDB doesn't have a cash payouts policy

6. Evaluate vacation time. Is it appropriately reflected in accounts (if vacation does not expire then is there a liability accrued on the books).

Vacation time not used in a fiscal year can be accrued to the next fiscal year but must be used prior to September 1st if not it will be forfeited. (Received the spreadsheets for both vacation and sick time)

DRAFT

A-4 SUSTAINABILITY (CMG 2.4 SUSTAINABILITY)

1. If required, is a viability plan for sustaining grant activities for those grants whose funds are scheduled to expire [SOW]? Note: not applicable to formula grants.

Main grants are for WIA Formula and SRR, which are annually awarded to the agency based on formula and need.

Other grants are (end 12/11 unless otherwise stated):

ARRA Statewide NEG

ARRA OJT (ends 6/12)

Rock County Automotive NEG (ends 6/12)

Careers 101

NEG Replenishment

For the NEG grants there is no plan to sustain those activities. The staff will be laid off and any residual services to clients would be fit into remaining adult or dislocated worker program budgets. Most training will be completed; however job placements may take longer due to the current economy and job market.

The ARRA OJT and Careers 101 grant have had no expenditures. OJT has had little success in locating positions and Careers 101 funding came in too late to be utilized by the Tech School. Ending of these programs will have little impact on current staffing or ongoing program efforts.

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A-5 MATCH (CMG 2.5 MATCH)

1. If applicable, policy and procedures to meet requirements are met [27 CFR 95.23; 29 CFR 97.24].

No grants currently require matching funds. The financial policies and procedures (C-101-1) require maintenance of adequate documentation for all expenditures, compliance with grant requirements and allowability of costs, so if match is required, those same rules would be applied.

DRAFT

A-6 EQUIPMENT (CMG 2.6 EQUIPMENT)

1. Does the agency have and follow a policy of capitalizing and depreciating equipment?
Equipment (> \$5,000: no direct DWS cost charging, depreciation charging only)

Policy C- 810. Equipment less than 5,000 is expensed when purchased. All equipment is inventoried for physical control purposes and insurance purposes.

- a) For DWS charges, is the equipment use comparable to the depreciation claimed?

Equipment costs are based on depreciation and operational costs,

- b) Is the equipment comparable for its use?

Yes

- c) Is the life expectancy used reasonable?

Yes. The car is depreciated over 3 years. Smaller equipment is expensed when purchased.

- d) Is the straight-line depreciation method used?

Yes

- e) Does the agency maintain inventory records, perform inventories and reconcile?

Inventory listings are maintained by site. Physical inventories are conducted annually. For outlying offices it is done during monitoring. Inventory listings are then adjusted for equipment disposed of. Items are added to inventory when purchased. One page of inventory for the Platteville site was reviewed and is in the workpapers.

- f) Did charges for depreciation end when the equipment was disposed of, removed from service, or had its life expectancy end?

Depreciable equipment was traded in just prior to being fully depreciated. Trade in value was factored into the cost of the new equipment subject to depreciation.

- g) Are improvements treated as equipment?

There were no improvements on real properties

A-7 PROCUREMENT (CMG 2.7 PROCUREMENT)

1. When was the Procurement policy last updated? [29 CFR Part 97.36(3): Grantee will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations incorporate a clear and accurate description of the technical requirements for material, product, or service to be procured....]

The procurement policy was last updated on April 27, 2009 for policy and July 10, 2009 for procedures.

2. How is competition for service contracts maximized? [29 CFR 97.36; 29 CFR 95.40-48]

SWWDB publishes a notice in at least one newspaper on each of the six counties it serves. Additionally, it uses its website and social media (Facebook and Tweeter) as a means of communicating procurement.

3. Does the local board directly provide core services? [20 CFR 661.310 (a) and (c)]

SWWDB doesn't have a separate entity that provides direct services. SWWDB issues an RFP for core services as mentioned above

4. How is the Fiscal Agent/Administrative entity determined, if not the Board and how is direct service provision separated from Board support.

Doesn't apply

5. How are the youth services contracts bid? Are the services split up or the area split up to generate more competition?

The youth services are contracted through a Request for Proposal (RFP) process. Youth services are separated by Rock, Green counties, and Grant, Iowa, Lafayette, and Richland counties. The process allows for greater competition because it covers all its geographic area.

6. Is all internal or sole source activity justified? Review files for any sole source or internal awards.

Finding: Inadequate documentation of sole source procurement.

Recommendation: DWD acknowledges SWWDB's efforts to continue the deliverance of services in a timely manner. Notwithstanding this action, SWWDB must comply with the requirements of 29 CFR 97.36 when conducting procurements to ensure that all future procurements of grants and contracts are fully documented.

Sole source activity is used only in emergency situation. SWWDB policy allows under emergency procurement C401 to use a sole source to prevent a delay in services. SWWDB used a sole source in June 2011. SWWDB received an email from CESA 2 on June 22nd, 2011 cancelling its contract to provide in school youth services in Green and Rock counties. Services were scheduled to start on July 1st 2011 and there was not sufficient time to do an RFP and an Emergency Procurement was initiated. During the RFP process, CESA 2 and CESA 3 were the only organization to submit proposals. CESA 2 submitted a proposal to serve the youth in Rock and Green Counties; CESA 3 submitted a proposal to serve the youth in Grant, Iowa, Lafayette and Richland counties. As no alternative proposals were available, SWWDB contacted and awarded the contract to Community Action of Rock and Walworth as this organization had a history of working with the youth population and approximately 80% of CESA 2's WIA clients were also enrolled in Community Action's Fresh Start Program, a last chance alternative high school program operated in Beloit, WI.

The sole source was necessary for the provision of services; however it was not well documented in the procurement file.

7. Is the RFP preparation and review kept separated from any bid preparation?

SWWDB prepares the RFP and doesn't submit a proposal in response to the RFP

8. Review the procurement files for the period.

Auditor reviewed the procurement file for the period and made copies of the RFP for WIA Employment and Training Services. Additionally, copies were made for the proof of publication for the following newspapers in the six served counties

- Platteville Journal (Grant County)
- Dodgeville Chronicle (IA County)
- Republican Journal (Darlington) (Lafayette County)
- Richland Center Paper Observer (Richland County)
- Beloit Daily News (Rock County)
- Monroe Times (Green County)

9. Were services procured through RFP?

All of the services the auditor reviewed were procured through RFP

10. How was the audit procured?

SWWDB belongs to the AIMS group which is a subcommittee of WWDA (Wisconsin Workforce Development Association). AIMS procured the procurement process of audits for all its members to save cost. AIMS' recommendation, although nonbinding, was unanimously adopted by all the workforce development boards.

11. Were there any sole-source procurements and were they justified?

There was a sole source in June 2011 for the rendering of WIA Youth Services in July 2011. Rock County Community Action Inc (CAI) replaced CESA 2. SWWDB received CESA 2's withdrawal letter via email on June 22nd @ 10 pm and services were scheduled to start on July 1. There was no time to do an RFP. An emergency procedure was initiated and a proposal was received from CAI. RFP advertisement takes a minimum of 3 weeks (recruiting process). The sole source was justified but not appropriately documented.

12. Is there adequate documentation in the file for the procurement, review, and award?

There wasn't sufficient documentation on the procurement file for the sole source mentioned in question 6 above. There was no documentation on file to explain why a sole source was warranted or how a successor organization was chosen. The auditor, however, received sufficient explanation from Annette Meudt and also documentation which included CESA 2's withdrawal letter and an email authored by Rhonda Suda.

A-8 SINGLE AUDIT (OF THE AGENCY) (CMG 2.8 AUDIT)

1. Are all DWS issues of the latest agency audit report resolved? Include a review of the management letter.

Report for period ending June 30, 2010 – no findings, no management letter issued.

2. Is auditor independent under GAO Standards?

Yes

3. Obtain Closure Letter (Monitor – Year 2)

The latest fiscal monitoring and program reports were reviewed. Issues from the fiscal review consisted of one finding on cost allocation and an observation on dating monitoring visit reports for subcontractors. The program area had one finding and three observations on participant file documentation deficiencies.

- a. Have all 'closed' items been followed?

Yes

- b. Have all 'open' items been corrected? Discuss and/or obtain data.

Yes. In the case of file deficiencies the program operator who was not performing was replaced.

4. Is the agency incorporating to Sarbanes-Oxley Act? (For-profit/publicly traded companies must follow completely).

S-O A still does not apply to private non-profits.

5. Were DWD concerns from the Comprehensive review shared with the auditor?

Concerns were discussed by the CEO with the audit firm per Bob Borremans at the entrance conference. A representative of the audit firm will be invited to the exit conference at their request.

A-9 BUDGET CONTROLS (CMG 3.1 BUDGET CONTROLS)

1. Compare actual expenditures at the end of the most recent quarter with the level of expenditures forecasted in the budget for the same period. Compute the variance as follows: actual expense divided by planned expenditures, convert to a percent and deduct 100 percent. Example $\$120,000/160,000 = .75$ (75%) – 100% = -25% variance.

Monthly expenditures are uploaded into CORE as they are reported. The contract balance report lists the grant start and end dates, the contract balance, the current expenditures reimbursed and the related expenditure percentage.

2. If the grant doesn't have quarterly goals, compute the percent of the grant period that has elapsed (example: 12 months of a 24 month grant period has elapsed or 50% completion).
3. Compare completion rate to the expenditures achieved to date (e.g. 60 percent of total funds have been spent to date, divided by the 50 percent of the grant period that has elapsed: $60\% / 50\% = 1.2$ (120%) – 100% = +20% variance).
4. Are actual expenditures within +/- 15 percent of planned levels? [CMG 5.12 Service Goals] (spending consistent with budget)
5. If the grant has an administrative cost limit, project whether the current rate of spending will stay within the limits.
6. If actual expenditures are significantly higher or lower than projected, determine the cause. [CMG 5.14 Service Goals] (fully use all grant funds by end of period)

Comment: The grant expenditure report from CORE was expanded to include the elapsed contract timeframe and the calculations as indicated in 2, 3 and 4 above. Variances are explained on that spreadsheet. There are some grants that will not be used fully. We will discuss this with Annette Nekola at DET to determine the plan is to deal with these.

A-10 CASH MANAGEMENT (CMG 3.2 CASH MANAGEMENT)

1. Review the organization's policies and procedures on cash management.

Cash Management was adopted on June 8, 2005.

2. Are bank service fees charged to the program? [2 CFR 230]

Service fees were present for the Wells Fargo accounts, see Cash Management Worksheet. The Wells Fargo accounts were closed in June 2010 and Clare Bank does not charge a service fee. Service fees were charges to account 223 which is not a program account

3. Do cash balances exceed \$250,000 and become uninsured? 29 CFR Part 95.21(b) (f) and 95.221].

YES during October 2011 at Clare Bank. If so, is there a collateral agreement with the bank to cover the excess cash balance? There was a collateral agreement with the bank to cover the excess cash balance as evidenced by the email sent by Deb Williams (Vice President and Cashier for Clare Bank) on October 14, 2011. There was no such agreement at Wells Fargo. However, these accounts are closed, see Cash Management section below.

4. Timing on fund draw downs. Time elapsed between receipt of grant funds and related disbursements should be minimal. Is cash-on-hand maintained at a level below \$10,000 or three days cash needs?

Finding: Cash-on-hand exceeds \$10,000 from July 1, 2011 through August 19, 2011. It appears that at year end, SWWDB holds cash in expectation of vendor invoices. The result is the risk of maintaining excess cash-on-hand.

Recommendation: Request cash only after the vendor has presented their invoice rather than in expectation of vendor invoices. The vendor would be required to wait for payment buy it is unlikely the vendor would wait more than the usual 30 day payment cycle.

\$10,000 limit comes from JTPA as a rule of thumb to judge adequate cash on hand]. Core requests were traced from the e mail requests to the Cash Sheet to verify payments. One payment was not listed as an e mail draw in September (\$3,934.85) but is listed in the Cash Sheet as a payment. This payment was associated with a grant that closed in June. The payment can not be submitted after the grant is closed. Permission was requested and given to process the payment in June. Cash-on-hand exceeds \$10,000 from 1 July 2011 to 19 August 2011. July vouchers are allowed to be presented from vendors until 15 August. Per e mail 6/30/2011, there were \$330, 348.72 in anticipated vouchers incoming in July and August. It appears that at year end, a close tracking of vouchers and cash-on-hand needs to be maintained to avoid excess balances. Once a negative balance is reached on 19 August, no further cash excesses are observed from 19 August 2011 to 15 November 2011.

A-11 COST ALLOCATION (CMG 3.4 COST ALLOCATION)

1. When last was SWWDB's cost allocation plan updated and approved? [29 CFR Part 95.21]

March 9, 2011

2. Is there a separate cost share agreement for each Job Center?

SWWDB operates two job centers in Janesville and Fennimore.

3. Is there a plan for allocating shared revenues as well as shared costs? (I.e. rental of meeting or classroom space?)

Any revenue generated by the job centers are kept by landlords.

4. Was the most recent allocation done in accord with the plan? (math OK)

Yes

5. Is the cost pool reduced to zero monthly?

Yes

6. Does the Cost Allocation Plan (CAP) list all revenue sources and include an organization chart? View most recent listing of all funds and org. chart.

View most recent listing of all funds and org. chart. All revenue sources are included. All expenses are included except leased employees and corporate charges are not reflected in the plan.

7. Sample a reasonable number of Journal Vouchers for other costs, especially any transfers. Must be sufficiently documented.

20 vouchers were sampled.

8. Are costs allocated to the grant only to the extent that a benefit was received? OMB Cir A-87 Attachment A; A-122 Attachment A; A-21 Section J]

All 20 vouchers sampled were properly allocated. The costs were also found to be reasonable, allowable and necessary.

9. Review costs being accumulated in cost allocation pools for appropriateness.

All costs pooled were reviewed and found to be appropriate.

DIRECT LABOR (CMG 3.4 COST ALLOCATION)

1. Select 4 employees charged to DWD programs.

Auditor selected Robert Borremans, Annette Meudt, Rhonda Suda, and Ron Coppernoll. Auditor also made copies of time cards and job descriptions.

2. Are job descriptions current and accurate? Is time charging reflective of the Job Descriptions?

Job descriptions are current and charges are reflective.

3. Were the labor costs charged to the proper award? (direct cost & pool cost)

All the labor costs that the auditor sampled were properly charged to the proper award and cost pool.

4. Were costs charged to the proper time period?

All costs reviewed were charged to the proper time.

5. Were timesheets prepared timely and signed by employee & supervisor? Is 100% time reporting required for all staff?

All time sheets sampled were properly signed by employee and supervisor.

6. Does the time/salary charged to agency awards equal the amount paid to employees?

Yes all the charges were correctly calculated and documented

7. Do timesheets record 100% of employee's time?

All employees' time was recorded at 100%

8. Does 1 document exist per employee per pay period?

There was one document per employee on the timesheets surveyed

9. Are time studies, if any, done properly?

There were no time studies in the files reviewed.

10. Survey the top salaried employees, and verify that for any over the DOL salary cap, that the wages charged to DOL funding sources are limited to the capped amounts.

Robert Borremans was top earner at SWWDB and his compensation per his employment contract was thus:

\$99,866 per annum in salary (Well under the DOL Limit of \$160,000)

Health insurance

4 weeks paid vacation per annum

12 sick days per annum

A vehicle

A laptop computer

11. Were there any tax refunds or fines related to IRS federal employer tax? Were there any late payment penalties due to late payment of employer taxes charged to the grant? [2 CFR 230 Appendix A] Were payroll taxes paid on time?

There were no tax refunds or fines for SWWDB.

OTHER DIRECT COSTS (CMG 3.4 COST ALLOCATION)

1. Select sample of 12 Direct Costs & 12 Subcontract Costs. Sample can be reduced in some cases.

Auditor selected 20 samples of direct costs

2. Are there purchase orders, invoices?

The sample that the auditor examined contained vouchers and receipts

3. Are the POs approved prior to purchase?

There were just vouchers attached no evidence of approval

4. Are costs program related?

All costs reviewed were program related except the Ipads

5. Are costs incurred within the contract period?

All costs reviewed were incurred in the contract period

6. Are costs actual, reasonable, and necessary?

Area of Concern: In an effort to curtail printing cost and facilitates easier communication SWWDB purchased as "pilot" four Ipads. These Ipads were questioned as necessary and reasonable as key employees have access to email and internet from smart phones and desktops.

7. Are Costs charged to the proper award and line code?

All costs reviewed by the auditor were properly charged

8. Are invoices: verified, approved, and cancelled?

Area of Concern: The vouchers were stamped paid but the invoices were not documented to be verified, approved or cancelled.

A-12 ALLOWABLE COSTS (CMG 3.5 ALLOWABLE COSTS)

Review credit card policies and procedures. [2 CFR Part 230: costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (tickets, lodging, meals, transportation) are unallowable].

1. How many staff has agency credit cards? Review all charges to determine if they are appropriate, allowable and charged correctly

The following staff has company credit cards:

Bob Borremans

Annette Meudt

Matthew Riley

All charges reviewed were appropriate except the questioned Ipads

2. Were gift cards purchased with program funds? If yes, are they accounted for? [2 CFR Part 230]

No gift cards were purchased with program funds

3. Review travel claims for reasonableness and determine if travel is traced and reconciled to source funds [2 CFR 230].

All travel documents reviewed were reasonable and reconciled to funds

4. Are there any fee-for-service activities? If yes, are they tracked and all revenues and expenditures reported. [2 CFR Part 230]

There was no fee for services reviewed. Should address the Staffing activities, and that they are accounted for as a separate fund, bearing their share of costs and related revenues.

5. Key Expenditure Data. Compare expenditures to the Schedule of Expenditures and Federal Awards (SEFA). All grant expenditures should be on the SEFA.

Does not apply

6. Review accounts for legal fees, advertising, subscriptions, bank charges, and accounts where late fees, fines or penalties may be found. Review charges for allowability and appropriateness.

Reviewed the advertising charges for the procurement services and it was allowable.

A-13 AGENCY POLICIES AND CONTROLS (CMG 3.6 INTERNAL CONTROLS)

1. Describe how the agency Policies and Procedures are updated.

Per Policy Manual Section A: policy 401: "The Board shall also strive to keep its policies up-to-date. To achieve this end, it instructs the Executive Director to call to its attention policies and bylaws that need revision. While any Board members may initiate policies or amendments to existing policies and bylaws, generally the Executive Director will recommend changes for the Board's consideration. Policy and bylaws shall be referred to the Executive Committee of the SWWDB for detailed study prior to presentation and discussion by the full Board." How often? It is updated as necessary.

2. Are updates approved by the Board?

Standard Operating Procedures (SOPs) for 2006 and beyond are available on the intranet. Eleven SOPs were adopted or modified for the period 2006 to present. Each of these SOPs was voted on by the Board.

3. Where are they kept?

Per Policy Manual Section A: policy 401: "The Board designates the Executive Director to maintain an official policy manual for the SWWDB. The official copy shall be kept in the SWWDB administration office and the Executive Director or designee shall be responsible for its accuracy and currency. The official copy maintained at the SWWDB administrative office shall be considered authoritative." The electronic copy is considered the official policy, per Annette Meudt.

4. Have all updates been incorporated into the official copy?

Policies are maintained on a shared drive that is accessible to all personnel, see e mail Matthew Riley 23 Nov 11, and e mail Annette Meudt 23 Nov 11. Policies and procedures are kept on the intranet after 2005. Of the 12 documents available on line (current since 2006), the copies available on line are the same edition listed in the Table of Contents for the official copy.

5. Are they accessible to appropriate staff?

Policies are maintained on a shared drive that is accessible to all personnel. In addition, when there is a policy change a transmittal form is sent to all employees to notify them to familiarize themselves with policy, see Change Transmittal #01-2010, Change Transmittal #02-2010 and Summary of Policy Change - #1-04 and e mail Matthew Riley 23 Nov 11, and e mail Annette Meudt 23 Nov 11.

6. Record retention policies are in place and are being followed, for administrative and financial records as well as participant records.

C-301: Records Maintenance, Retention and Disposal Policy. All records are kept for seven years to standardize retention policy since some Internal Revenue required documents must be kept for seven year retention. Documents are shredded each year when the New Year turns, per Annette Meudt (Director of Finance) and Katie Gerhards.

7. Where/how are permanent records maintained?

Records are stored in locked file cabinets in an open area with their destruction dates and description (Accounts Payable) on the outside. The keys to the cabinets are kept in a locked room. The locked room holds current records that are being prepared for cabinets as well as the file keys. The locked room key is kept in a back room behind the accountant's desk. This room also holds the copier. This room is within sight of the office receptionist, directly adjacent the accountant and within view of the offices of Matthew Riley and Annette Meudt. Thus, the room (and the Key) is under observation unless all four individuals are absent. Files contain information that must be controlled (social security numbers) and the files are accessed on a daily basis.

8. Is the medium used to store electronic records still viable?

Official documents are stored as hard copy, see question 6 above.

9. Ask the organization's financial staff for evidence, including written policies and procedures, of separation of duties or other safeguards that they have in place to prevent unauthorized purchases and disbursements of grant assets. Inquire about how the organization manages its assets so no one person has complete control over all aspects of a financial transaction (authorization, approval and disbursements of funds (Moved from 11).

Area of Concern: Inadequate separation of duties appears to occur. The Director of Finance approves expenditures, handles General Ledger activities, completed the reconciliation and has signature authority. Mitigating Controls: 1. Two signatures are required on checks. 2) Upon arrival of the bank statement, the program assistant sends it to the Executive Director who conducts a review of the check register and the bank statement including copies of checks.

Recommendation: That the Director of Finance either be removed from the signature authority or an independent individual perform the reconciliation.

Vouchers are prepared by the case manager for training and support items. The program assistant (Katie Gerhards) prepares accounts payable and client service payments and this individual opens mail and handles cash. The Fiscal Assistant (Jean Prochaska) processes payroll. In this way vouchers are separate from approval. The Executive Director and the Director of Finance approve expenditures. The Board Chair (Scott Stocker), the Executive Director (Robert T. Borremans) and the Director of Finance (Annette Meudt) have signature authority. The program assistant (Katie Gerhards) and the Fiscal Assistant (Jean Prochaska) prepare hard checks for signatures.

10. Evaluate signatory authority for segregation of duties. [29 CFR Part 95.21]

Deb McWilliams e mail of 28 Nov 2011 documents Annette Meudt, Robert T. Borremans and Scott Stocker have the authority to sign checks.

A-14 SUB-CONTRACTS (CMG 3.7 FINANCIAL REPORTING)

1. Monitoring of subcontracts (subrecipients) is done annually, and the monitoring guide is sufficient to monitor specific performance in accordance with contract terms as well as general financial and administrative systems.

Yes. Comment: Monitoring is done on-site of all subcontractors annually. The monitoring guide is comprehensive and include program monitoring as well as fiscal and affirmative action issues in a single source document (although each area may be reviewed at different times). Budget to actual, obligation of training costs and review of most recent audit are included in the review program. Subcontractor audits are obtained; Reports are shared with the Board.

2. Are grantees evaluated in terms of risk, and how is that risk determined? Sample 20 transactions from the cost pool:

New subgrantees would have an additional monitoring visit in the first quarter of operations to assure everything is set up and working. Subcontractors used are not new. Audit findings and significant monitoring findings would result in additional follow-up as well.

3. Sample 20 transactions from the cost pool: Costs must be documented, allowable and treated consistently.
4. Monitoring reports are written and follow-up is done on any findings. Any corrective action and resolution is documented. Is there a system for tracking sub-contract monitoring and audits? Is tracking system available to account for 35% training requirement and to monitor? Are there any unliquidated obligations? [29 CFR Part 95.21(b) (1)]

Yes. The grantee responds to the monitoring report on the same document as the issues. Dates of completion are listed on the document as well.

But no final letter closing the review was issued.

5. Is there a system for tracking sub-contract monitoring and audits?

Not a spreadsheet, but all monitoring is done at the same time of the year, after audits are received, and each subcontract is covered.

6. Is tracking system available to account for 35% training requirement and to monitor?

35% is tracked at the central office level, since training casts are maintained at the central office level.

7. Are there any unliquidated obligations? [29 CFR Part 95.21(b) (1)]

Yes. Monitoring identifies unused vouchers issued to clients and required that they be closed.

8. Does the Agency maintain a list of subcontracts related to DWD programs?

Not in a spreadsheet, but the monthly tracking report shows each subcontractor by program.

9. Sample 5 contracts. Expand sample if issues.

10. Do the current subgrantee contracts have:

- a) Cover page (dates, amount, signed)
- b) Terms / conditions

- c) Attachments / Lobby
- d) Program plan (narrative)
- e) Budget
- f) Modifications

See workpaper – A-14 – 1. Copy of contract cover page is in workpapers as A-14 – 2.

11. Do the subgrantee budgets have:

- a) Cost reimbursement or fixed fee stated
- b) Line item budget detail, if reimbursement
- c) Cost/unit, if fixed fee
- d) Consistency with program plan
- e) Proper subgrantee invoices
- f) Revised budgets, if needed

Combined with 3, above, in workpaper A-14 - 1

12. Does the agency:

- a) Maintain separate subcontract files

Yes

- b) Maintain a list of subcontracts

On monthly cost reports

- c) Maintain a summary of payments —

Monthly cost reports. These are budget-to-actual reports for monitoring subcontract activity.

- d) Monitor programs, send a report

Most recent monitoring was conducted for fiscal areas in January and February 2011 for all subcontractors. Monitoring files for all subcontractors are maintained in a single binder for each cycle of monitoring. Monitoring results for program, fiscal and affirmative action are combined. Reports are sent to the subcontractors and responses included in the document

Comment: Monitoring document is very complete, and coordinated with Program and Affirmative Action.

- e) Maintain audit register

No. But they are kept in one Subgrantee audit file with copies of the 990s.

- f) Review & close audit reports

Yes

13. Are subgrantee invoices:

- a) Submitted timely _____
- b) Either line item or fixed fee _____
- c) Describe services done _____
- d) Approved by agency staff _____
- e) Compared to budget _____
- f) Actual not budgeted amounts paid _____

See worksheet A-14 - 3

DRAFT

A-15 FISCAL REPORTING (CMG 3.7 FINANCIAL REPORTING)

1. Does latest claim reconcile to agency ledger?

Yes

2. Were costs reported on the correct line code?

Yes

3. Were the last 2 claims submitted timely?

Yes. Claims are date stamped when they are received and when they are paid.

4. Did the board prepare reports that accurately reflect the financial results of its operation based on the correct financial definitions, per 29 CFR Part 95.21 and 29 CFR Part 97.20.

The Workforce Investment Act & Related Grants report is supported by General Ledger accounts and PAS reports. Adjustments for accrual amounts were clearly documented and are reflected on the report.

5. Program Income (CMG 3.3 Program Income).

Program income is reported on the Workforce Investment Act & Related Grants report. No income has been reported this fiscal year.

6. Review how accruals are reported.

Accrual adjustments are made to the General Ledger totals to adjust the reported amount to reflect accrual numbers.

7. Review how unliquidated obligations are being reported.

Unliquidated funds are reported on the Workforce Investment Act & Related Grants report.

8. Review how leverage funds are being reported.

Leverage funds are tracked on the Workforce Investment Act & Related Grants report as indicated by the amounts reported (and carried on the report) from the last fiscal year.

A-16 PARTICIPANT FILES (CMG 4.2 PARTICIPANT FILES)

1. The grantee is serving the eligible/target population. For any direct payments sampled, follow the money back to the participant case files to determine if it was appropriately spent and documented.

A detailed participant file review (data validation) is done as part of the program monitoring, to verify accuracy of data collection and participant eligibility. This review will not duplicate those efforts.

2. Are all selected files available for review? [29 CFR Part 97.42 (e)]
3. Review Participant Needs Related and Support Payments. Are they in compliance with Board policy? Trace a sample of expenditures through the system, including verification that the need for payments is documented in the case file.

Payments and cost limits appear to be in compliance with Board policy, although only the month of October was sampled.

File review to determine adequacy of file documentation to verify appropriateness of support payments.

That total training and support payments do not exceed the allotted policy limits.

Tuition reimbursement amounts are documented. (Still waiting for documentation for 2 individuals.)

1 voucher contained no description in the items approved for purchase. Further testing showed that this was a one-time oversight. Voucher review will be expanded to assure all fields are complete on vouchers submitted for payment.

Comment: Case notes in ASSET were well documented.

GOOD PRACTICE

SWWDB has recently implemented a 2.5% holdback for each payment pending quarterly performance outcomes. A related 1% incentive was also put into place to encourage performance achievement. Effectiveness of this policy should be reviewed periodically, but it sounds like an effective way to achieve needed performance.

CMR = Core Monitoring Guidance April 2005

√ = Yes

X = No