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An Audit Report on

American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Workforce Commission

July 2010

Report No. 10-037



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Overall Conclusion

On February 13, 2009, the U.S. Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA) to stimulate the economy (see text box).

The Texas Workforce Commission (TWC) received 13 grants totaling \$3.9 billion in ARRA funds from the U.S. Department of Labor and the U.S. Department of Health and Human Services (see Appendix 2 for more information about these grants). Auditors reviewed three TWC Workforce Investment Act (WIA) programs that received ARRA-funded grants for compliance with ARRA-related federal and state requirements. These were:

- WIA Youth Activities program, which provides funds to help low income youth between the ages of 14 and 24 acquire the educational and occupational skills, training, and support needed to achieve academic and employment success. TWC was awarded \$82,000,708 in ARRA funds for this program.
- WIA Adult Program, which provides funds to reduce welfare dependency and increase the occupational skills, employment, retention, and earnings of clients. TWC was awarded \$34,344,771 in ARRA funds for this program.
- WIA Dislocated Worker Program, which provides funds to re-employ dislocated workers. TWC was awarded \$53,768,305 in ARRA funds for this program.

TWC provides WIA Youth Activities, Adult, and Dislocated Worker programs services through 28 local workforce development boards (local boards) (see Appendix 3 for a map of the local boards' geographical locations). As of June 7, 2010, TWC reported that it served 44,953 clients in its WIA Youth Activities, Adult, and Dislocated Worker programs using ARRA funds (see Appendix 4 for the number of clients serviced by each local board).

American Recovery and Reinvestment Act

The stated goals of the American Recovery and Reinvestment Act of 2009 (ARRA) are:

- To preserve and create jobs and promote economic recovery.
- To assist those most impacted by the recession.
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

ARRA, Section 1512, requires fund recipients to report quarterly the amount of ARRA funds spent and the number of jobs created and/or retained using ARRA funds, and other related details.

The State of Texas mandates that fund recipients must:

- Track ARRA funds separately from other funds.
- Provide information on their Web site's home page on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office.

TWC established adequate processes for collecting and reporting information on ARRA-related expenditures and jobs created and retained (self-reported by local boards) in its ARRA *Section 1512 Quarterly Reports*¹ for the quarters ending September 30, 2009, and December 31, 2009. However, TWC did not document its processes for collecting and reporting the required information, and it overreported the number of jobs created and retained for the two local boards visited by auditors because it relied on the local boards to provide complete and accurate data.

TWC complied with other requirements such as tracking ARRA funds separately from other federal funds; providing a link on its Web site to the State Auditor's Office for the reporting of suspected fraud, waste, and abuse of ARRA funds; and providing timely guidance to local boards on how to calculate and report the number of jobs created and retained using ARRA funds.

TWC also had adequate procedures to monitor local boards' use of federal funds, including ARRA funds, in compliance with federal requirements; however, as of May 2010, TWC's documented monitoring procedures did not include validating local boards' self-reported information on jobs created and retained using ARRA funds. Also, TWC's monitoring procedures were not sufficiently detailed to ensure that all program eligibility requirements are fully considered, which increases the risk that eligibility errors are not detected. TWC also should closely monitor the local boards to ensure that ARRA funds are spent in a timely manner in compliance with TWC-established spending benchmarks.

Reporting of ARRA Funds by Local Boards

Auditors audited two local boards that received ARRA funds: the Lower Rio Grande Valley Workforce Development Board (Lower Rio Board) and the Capital Area Workforce Development Board (Capital Area Board).

Both the Lower Rio Board and Capital Area Board had adequate controls to help ensure that ARRA funds were tracked separately from other federal funds, and they consistently followed their cost allocation processes. However, the Capital Area Board's written procedures did not adequately describe its current cost allocation methodology, and the local boards' contractors did not consistently follow their written methodology, which may result in some programs paying for a disproportional share of administrative expenses and inaccuracies in the contractors' reported number of jobs created and retained using ARRA funds.

TWC's intent was for the local boards to spend 80.00 percent of their ARRA-funded grants for the WIA Adult and Dislocated Worker programs by June 30, 2010. However, as of December 31, 2009, the Lower Rio Board had requested reimbursement for only 20.23 percent of its WIA Adult Program ARRA funding and

¹ The American Recovery and Reinvestment Act of 2009, Section 1512, requires fund recipients to file quarterly reports, which is done through a central data collection system at FederalReporting.gov.

16.06 percent of its WIA Dislocated Worker Program ARRA funding, placing the unspent ARRA funds at risk of lapsing. The Capital Area Board was on target to meet the TWC benchmarks.

The Lower Rio Board's and its contractor's processes for reviewing expenditures were not sufficient to ensure that ARRA funds were expended only for allowable costs. Auditors also identified weaknesses in the contractor's process for determining client eligibility. The Capital Area Board had adequate processes to ensure that ARRA-related expenditures tested complied with federal and state requirements. However, it did not identify errors in cost allocation and payroll processes at two contractors.

Both the Lower Rio Board and Capital Area Board made significant improvements in their reporting of information on jobs created and retained using ARRA funds for the quarter ending December 31, 2009. TWC guidance requires that local boards report jobs created and retained as full-time equivalent positions (FTEs). For the quarter ending September 30, 2009, the Lower Rio Board reported that 1,971.00 FTE were created and retained using ARRA funds. Based on available data, auditors were not able to recalculate the Lower Rio Board's number of FTEs created and retained using ARRA funds. The Capital Area Board reported that 691.00 FTEs were created and retained using ARRA funds; however, based on auditors' calculations, the Capital Area Board overreported the number of FTEs created and retained by approximately 562.27 FTEs, or 436.78 percent.

For the quarter ending December 31, 2009, the Lower Rio Board reported that it created and retained 10.96 FTEs using ARRA funds, which differed from auditors' calculations by only 0.08 FTEs, or 0.74 percent. The Capital Area Board reported that it created and retained 31.79 FTEs using ARRA funds, a difference of 3.38 FTEs, or 11.90 percent, from auditors' calculations.

Summary of Management's Response

TWC, the Lower Rio Board, and the Capital Area Board generally concur with the findings and recommendations in this report. The management responses to the specific recommendations in this report are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

TWC and the two local boards audited had sufficient information technology controls to provide reasonable assurance that the ARRA-related data was reliable for the purposes of the audit objectives. However, the Lower Rio Board and the Capital Area Board should improve access controls over their accounting and payroll systems to ensure the integrity of the data in those systems.

Summary of Objectives, Scope, and Methodology

The objectives of this audit were to:

- Review and verify the quarterly reports on expenditures and performance data required by Section 1512 of ARRA that were prepared by selected state agencies and higher education institutions.
- Review internal controls at selected agencies and higher education institutions that receive ARRA funds.
- Conduct post-payment audits of selected ARRA fund expenditures.
- Respond to allegations of suspected fraud, waste, or abuse at various state agencies or higher education institutions.

The scope of this audit included reviewing and analyzing data at TWC, the Lower Rio Board and Capital Area Board, and the local boards' contractors from February 2009 through December 2009. This included testing expenditures, the number of jobs reported as created and retained using ARRA funds and *Section 1512 Quarterly Reports* for the quarters ending September 30, 2009, and December 31, 2009, submitted by TWC to the federal government.

The audit methodology included collecting and reviewing information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with staff responsible for the ARRA-funded WIA Youth Activities, Adult, and Dislocated Worker programs.

Auditors selected the WIA Youth Activities, Adult, and Dislocated Worker programs based on a risk assessment of all federal programs at state agencies and institutions of higher education that had reported ARRA expenditures and were required to submit *Section 1512 Quarterly Reports* to the federal government. The risk assessment included consideration of the amount of ARRA funds expended and whether the programs had reported jobs created and retained in the *Section 1512 Quarterly Reports*.

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Detailed Results

Chapter 1

Texas Workforce Commission

Local Workforce Development Boards

TWC contracts with 28 local workforce development boards (local boards) across the state. These local boards then subcontract with one-stop contractors to deliver workforce and related program services to clients.

Source: TWC.

The Texas Workforce Commission (TWC) established adequate processes to ensure that required information was collected and reported in the quarterly reports required by the American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512, for the quarters ending September 30, 2009, and December 31, 2009. The required information included ARRA-related expenditures and jobs created and retained information self-reported by local workforce development boards (local boards, see text box for more information). However, TWC should document its processes for collecting and reporting the required information.

In addition, TWC had adequate procedures in place for monitoring local boards' ARRA-related funds; however, it should improve its processes by ensuring that its procedures require it to verify the local boards' self-reported information and fully consider all eligibility requirements, including those established by the local boards.

TWC also complied with other requirements, such as tracking ARRA funds separately from other federal funds; providing a link on its Web site to the State Auditor's Office for the reporting of suspected fraud, waste, and abuse of ARRA funds; and providing guidance to local boards on how to calculate and report the number of jobs created and retained using ARRA funds.

However, TWC overreported the number of jobs created and retained for the two local boards visited by auditors because it relied on the local boards to self report complete and accurate data. TWC also should closely monitor the local boards to ensure that ARRA funds are spent in a timely manner.

Chapter 1-A

TWC Had Adequate Processes for Collecting and Reporting ARRA-Required Data; However, It Should Document Those Processes

TWC established adequate processes for collecting, reviewing, and reporting jobs and expenditures information required for its ARRA *Section 1512 Quarterly Reports* for its Workforce Investment Act (WIA) Youth Activities, Adult, and Dislocated Worker programs for the quarters ending September 30, 2009, and December 31, 2009. This information included ARRA-related expenditures and the number of jobs created and retained using ARRA funds. However, TWC has not documented these processes, which could help TWC ensure that its reporting process is consistent, accurate, and complete in the future.

TWC is responsible for distributing ARRA funds through 13 grant programs, including the WIA Youth Activities, Adult, and Dislocated Worker programs. TWC is also responsible for reporting on the use of ARRA funds on a quarterly basis to FederalReporting.gov.² TWC collects information on the local boards' expenditures through its cash draw and expenditure reporting process, and it relies on the local boards to self report complete and accurate data about the number of jobs created and retained with ARRA funds.

ARRA, Section 1512, Requirements

Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a federal agency shall submit a report to that agency. The report must contain:

- The total amount of ARRA funds received.
- The amount of ARRA funds received that was expended or obligated.
- A detailed list of all projects or activities for which ARRA funds were expended or obligated.
- An estimate of the number of jobs created and the number of jobs saved by the ARRA-funded projects or activities.
- Infrastructure investments made by state and local governments and the purpose, total cost, and rationale of the agency for funding the infrastructure investment with ARRA funds.
- Detailed information on any subcontracts or subgrants awarded by the recipient, including data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006.

Source: The American Recovery and Reinvestment Act of 2009.

Auditors did not identify any errors or omissions in TWC's first and second quarter ARRA, Section 1512, quarterly report submissions for the WIA Youth Activities, Adult, and Dislocated Worker programs. TWC's *Section 1512 Quarterly Reports* accurately reflected WIA expenditures for the 28 local boards. Auditors also identified no errors in TWC's process for calculating the number of jobs created and retained using ARRA funds at the agency level, as well as its process for reporting the number of jobs created and retained using ARRA funds by the 28 local boards.

For the quarters ending September 30, 2009, and December 31, 2009, TWC required the local boards to submit information on jobs created and retained and other ARRA-related information by the seventh day following the end of the quarter. TWC then processed and reviewed the information and submitted its *ARRA Section 1512 Quarterly Reports* to FederalReporting.gov by the 10th day following the end of the quarter, as required (see text box). TWC also implemented other ARRA-related requirements including:

- Establishing a process to track ARRA funds separately from other federal funds.
- Providing a link on its Web site home page to the State Auditor's Office's fraud, waste, and abuse hot line.

In addition, TWC provided timely and up-to-date guidance to the local boards regarding ARRA, Section 1512, reporting requirements and instructions for calculating the number of jobs created and retained using ARRA funds. TWC provided this guidance through issuance of workforce development letters, conference calls, and e-mail correspondence throughout the first and second quarters. TWC's guidance aligned with the instructions and guidance provided by the U.S. Department of Labor and the U.S. Office of Management and Budget. Local boards use this guidance to self report the number of jobs created and retained using ARRA funds. However, TWC's documented monitoring procedures did not include steps for validating the

² FederalReporting.gov is the central government-wide data collection system into which federal agencies, prime recipients, and subrecipients are required to submit data on a quarterly basis for grants, loans, and federally awarded contracts under ARRA.

completeness and accuracy of this self-reported information (see Chapter 1-B for details on TWC's monitoring of local boards).

On October 21, 2009, the U.S. Department of Labor issued clarifying guidance on how to calculate the number of jobs created and retained as full-time equivalent (FTE) positions, which required TWC to recalculate the number of jobs created and retained for all 28 local boards for the quarter ending September 30, 2009. Although TWC accurately applied the U.S. Department of Labor's guidance when it recalculated FTE positions, it still overreported the number of jobs created and retained for the Lower Rio Grande Valley Workforce Development Board (Lower Rio Board) and the Capital Area Workforce Development Board (Capital Area Board) because it relied on self-reported data from the local boards.

Auditors were unable to determine a reliable number of ARRA-funded jobs created and retained for the Lower Rio Board for the quarter ending September 30, 2009 because the data available was incomplete and inaccurate (see Chapter 2-C for details of Lower Rio Board's reported job data). The Capital Area Board significantly overreported the number of jobs created and retained by an estimated 562.27 FTE positions, or 436.78 percent, for the quarter ending September 30, 2009 (see Chapter 3-C for details on Capital Area Board's reported job data).

For the quarter ending December 31, 2009, auditors did not identify any errors in TWC's calculation of the jobs created and retained—calculated as FTEs—using ARRA funds for all 28 local boards. In addition, both local boards that auditors visited made significant improvements in providing more accurate jobs data to TWC. Based on auditors' recalculation of the number of jobs created and retained using ARRA funds, TWC overreported the number of jobs created and retained at the Lower Rio Board by 0.81 percent and at the Capital Area Board by 11.86 percent for the quarter ending December 31, 2009.

Recommendations

TWC should:

- Document its processes for the reviewing, collecting, and reporting of *Section 1512 Quarterly Report* information.
- Ensure that the jobs created and retained data that it relies upon for the information it reports to the federal government is complete and accurate.

Management's Response

TWC agrees with the need to document agency processes for reviewing, collecting, and reporting Section 1512 quarterly report information. Beginning with ARRA Section 1512 reports due for the quarter ending March 31, 2010, written procedures have been developed and followed in preparing the quarterly ARRA reports. These procedures include specific steps designed to assess the reasonableness and accuracy of various data elements required for the Section 1512 reports. In following these procedures, TWC's financial reporting staff completes an extensive desk review for data submitted by grantees and may request additional information from grantees to help ensure the accuracy of the reported information. Finally, TWC's Subrecipient Monitoring Department began targeting job and other Section 1512 information as part of the agency's monitoring and oversight process beginning in January 2010.

Chapter 1-B

TWC Had Adequate Procedures in Place for Monitoring Local Boards' ARRA-related Funds; However, It Should Improve Its Review Processes

TWC had adequate procedures in place for monitoring local boards' use of federal funds, including ARRA-related funds. These procedures consist of conducting regular risk assessments to determine the type and extent of TWC's monitoring reviews; performing desk reviews; and performing annual on-site monitoring reviews at each local board.

These monitoring procedures adequately identify program issues such as incomplete client employment plans and service strategy assessments, among others. However, TWC should improve its monitoring processes by ensuring that its procedures require it to verify the local boards' self-reported data and fully consider all eligibility requirements, including those established by the local boards.

As of May 2010, TWC's documented monitoring procedures did not include steps for validating the completeness and accuracy of the local boards' self-reported number of ARRA-related jobs created and retained. Auditors reviewed three monitoring reports completed by TWC's Subrecipient Monitoring Department, including one monitoring report completed on the Lower Rio Board. None of the three monitoring reports included procedures or work to ensure that the local boards' reported numbers of jobs created and retained were calculated and reported in accordance with TWC's guidance. However, TWC's Financial Reporting Division, which prepares TWC's *ARRA Section 1512 Quarterly Reports*, relies on the subrecipient monitoring

process to ensure that the data reported by the local boards is accurate, reliable, and complete.

First Generation College Student Criteria

According to guidance by Arbor Education and Training Lower Rio, a "first generation college student" is defined as an individual whose parents did not receive a degree from a post-secondary institution of higher learning.

Source: Arbor Education and Training Lower Rio.

In addition, TWC's *ARRA WIA Implementation Guide* permits local boards to establish additional criteria to qualify youth who may not otherwise qualify for WIA Youth Activities services under the TWC-established criteria. The Lower Rio Board established "first generation college student" criteria, for which its contractor, Arbor Education and Training Lower Rio, provided additional guidance (see text box). TWC monitoring procedures are not sufficiently detailed to ensure that all eligibility requirements are fully considered, which increases the risk that eligibility errors are not detected. For example, TWC did not report any eligibility errors in its monitoring reviews of the Lower Rio Board's WIA Youth Activities program.

The Lower Rio Board's independent monitor and state auditors fully considered the additional criteria for testing of eligibility. Both reviews identified significant issues related to eligibility determinations for clients who qualified for the WIA Youth Activities program based on the first generation college student criteria.

Recommendations

TWC should:

- Develop and implement sufficient monitoring procedures to validate the local boards' self-reported number of jobs created and retained using ARRA funds.
- Modify its monitoring procedures to ensure that its monitors fully consider all additional eligibility requirements established by the local boards.

Management's Response

TWC concurs with the recommendations. Currently, TWC's Subrecipient Monitoring Department has the teams document in the planning memo the steps to validate the completeness and accuracy of the Board's self-reported number of ARRA-related jobs created and retained. Also, written procedures are being developed in the Teammate procedures to be completed by July 31, 2010. Additional training on these procedures will be provided to the monitors during September 2010.

For the recommendation on eligibility, TWC's Subrecipient Monitoring Department plans to develop and implement procedures to include eligibility requirements that the local Board has established in addition to TWC-set criteria. These procedures will be in place by the middle of August. In the

meantime, the teams will incorporate the developed procedure into the final Board review that is scheduled in August 2010.

Chapter 1-C

TWC Should Closely Monitor Local Boards to Ensure that ARRA Funds Are Spent in a Timely Manner

According to the U.S. Department of Labor's guidance, ARRA funds must be expended by June 30, 2011. In addition, it is the U.S. Department of Labor's intent that the majority of these funds be utilized within the first year of availability. As a result, TWC established expenditure benchmarks, under which at least 80 percent of all ARRA funds would be spent by June 30, 2010 (see text box).

TWC also implemented a process to monitor local boards' rate of expenditures. According to guidance it provided to the local boards, beginning July 1, 2010, TWC may deobligate and reallocate any ARRA funds awarded to the local boards that are not expended in compliance with established benchmarks.

One of two local boards that auditors visited was not on target to meet the expenditure benchmarks set for the WIA Adult and Dislocated Worker programs. As of December 31, 2009, the Lower Rio Board:

- Was on target to meet the 80 percent benchmark for its WIA Youth Activities program award amount by January 31, 2010.
- Had spent 26.56 percent of its WIA Adult Program award amount and 20.75 percent of its WIA Dislocated Worker Program award amount, according to the Lower Rio Board's general ledger.
- Had requested reimbursement for 20.23 percent of its WIA Adult Program award amount and 16.06 percent of its WIA Dislocated Worker Program award amounts.

Table 1 on the next page shows the total amount of ARRA-related expenditures and reimbursements for the Lower Rio Board as of December 31, 2009.

TWC-established Benchmarks for Spending ARRA Funds

WIA Youth Activities Program

- 70 percent of ARRA funds should be expended by September 30, 2009.
- 80 percent of ARRA funds should be expended by January 31, 2010.
- 100 percent of ARRA funds should be expended June 30, 2010.

WIA Adult and Dislocated Worker Programs

- 80 percent of ARRA funds should be expended by June 30, 2010.
- 100 percent of ARRA funds should be expended by December 31, 2010.

Table 1

ARRA Grants-related Activity at the Lower Rio Board as of December 31, 2010					
Program	Award Amount	Total Expenditures Incurred ^a	Percent of Award Expended	Amount Requested for Reimbursement ^b	Percent Requested for Reimbursement
WIA Youth Activities	\$ 5,773,363	\$ 4,407,957	76.35%	\$ 4,373,046	75.74%
WIA Adult Program	2,346,747	623,388	26.56%	474,809	20.23%
WIA Dislocated Worker Program	1,212,467	251,601	20.75%	194,716	16.06%
Totals	\$9,332,577	\$5,282,946	56.61%	\$5,042,571	54.03%
^a Total expenditures according to the Lower Rio Board's general ledger records.					
^b Total expenditures for which the Lower Rio Board requested reimbursement from TWC.					

Source: Lower Rio Board.

As of December 31, 2009, the Capital Area Board had already met TWC's benchmark for WIA Youth Activities program expenditures. In addition, the Capital Area Board was on target to expend at least 80 percent of its WIA Adult and Dislocated Worker program award amounts by June 30, 2010. Table 2 shows the total amount of ARRA-related expenditures and reimbursements for the Capital Area Board as of December 31, 2009.

Table 2

ARRA Grant-related Activity at the Capital Area Board as of December 31, 2010					
Program	Award Amount	Total Expenditures Incurred ^a	Percent of Award Expended	Amount Requested for Reimbursement ^b	Percent Requested for Reimbursement
WIA Youth Activities	\$ 2,213,498	\$2,016,840	91.12%	\$ 1,952,223	88.20%
WIA Adult Program	893,010	657,747	73.66%	550,177	61.61%
WIA Dislocated Worker Program	1,604,203	1,059,597	66.05%	1,000,586	62.37%
Totals	\$4,710,711	\$3,734,184	79.27%	\$3,502,986	74.36%
^a Total expenditures according to the Capital Area Board's general ledger records.					
^b Total expenditures for which the Capital Area Board requested reimbursement from TWC.					

Source: Capital Area Board.

Recommendation

TWC should continue to closely monitor and follow up with local boards to ensure that ARRA funds are spent and reimbursement is requested in a timely manner or funds are reallocated as needed.

Management's Response

TWC concurs with the recommendation. TWC has in place an expenditure and performance tracking process that focuses on all funds, including ARRA funds, allocated to Workforce Development Boards. The process has been in place since 2005 and entails a 1) monthly analysis of expenditures; 2) projections of expenditures through the end of the contract period; 3) identification of Board areas in need of technical assistance to get service delivery back on track and increase expenditures; and 4) deobligation of unexpended funds to ensure full utilization.

Through TWC's monitoring efforts, the Local Boards have expended overall 82% of their ARRA Adult funds (of which 97% of total contracted funds is committed) and expended overall 76% of their ARRA Dislocated Worker funds (of which 91% of total contracted funds is committed) as of June 30, 2010. With regards to the Local Boards noted in the report, Lower Rio increased their expenditure rate from 26.56% of its Adult Program funds and 20.75% of its Dislocated Worker Program funds as of December 31, 2009, to 93% and 84%, respectively, as of June 30, 2010. Capital Area's expenditure rate increased from 73.66% of its Adult Program funds and 66.05% of its Dislocated Worker Program funds as of December 31, 2009, to 89% and 81%, respectively, as of June 30, 2010.

Generally, states have the ability to deobligate funds in their last year of availability. However, through recent guidance regarding deobligation of ARRA funds, the Department of Labor has determined that states can only deobligate Board areas that have not obligated 80% of their funds. Thus, we are unable to consider expenditure levels in our deobligation analysis. If Boards have obligated 80% of their funds, TWC must allow those funds to remain in contract regardless of the actual expenditure level.

Lower Rio Grande Valley Workforce Development Board

The Lower Rio Grande Valley Workforce Development Board (Lower Rio Board) provides all WIA Youth Activities, Adult, and Dislocated Worker programs services through its contractor, Arbor Education and Training Lower Rio (Arbor Lower Rio).

The Lower Rio Board established adequate controls to help ensure that (1) it and its contractor tracked ARRA funds separately from other federal funds, (2) it submitted required ARRA Section 1512 data in a timely manner, and (3) it allocated administrative costs according to its cost allocation methodology.

However, auditors identified weaknesses in the following areas:

- The Lower Rio Board's and Arbor Lower Rio's processes for reviewing expenditures were not sufficient to ensure that ARRA funds were spent in accordance with federal and state requirements.
- Arbor Lower Rio's process for determining how temporary employees should be paid did not include maintaining adequate documentation showing for which program those employees worked.
- Arbor Lower Rio did not consistently follow its documented cost allocation methodology, which may result in (1) some programs paying for a disproportional share of administrative expenses and (2) inaccuracies in the contractor's reported number of jobs created and retained using ARRA funds.

The Lower Rio Board overreported the number of jobs created and retained using ARRA funds for the quarter ending September 30, 2009. However, it made significant improvements in its reporting of this information for the quarter ending December 31, 2009.

In addition, the Lower Rio Board had sufficient information technology (IT) controls to provide assurance that ARRA-related accounting and payroll system data was reliable for the purposes of the audit objectives. However, auditors identified several IT weaknesses that increase the risk of unapproved alteration or deletion of data, which decreases the Lower Rio Board's ability to ensure the future integrity of its data and increases the risk of fraud.

Chapter 2-A

The Lower Rio Board's Process for Reviewing Contractor Expenditures Was Not Adequate to Ensure That ARRA Funds Were Spent in Accordance with Federal and State Requirements

The Lower Rio Board had adequate controls to help ensure that (1) it tracked ARRA funds separately from other federal funds, (2) it submitted required

ARRA Section 1512 data to TWC in a timely manner, and (3) it allocated administrative costs according to its cost allocation methodology. However, the Lower Rio Board's review process did not ensure that it and its contractor spent ARRA funds in accordance with federal and state requirements.

As discussed in Chapter 1-C, as of December 31, 2009, the Lower Rio Board:

- Was on target to spend 80 percent of its WIA Youth Activities program ARRA funds in accordance with TWC-established spending benchmarks.
- Had spent 26.56 percent of its WIA Adult Program award amount and 20.75 percent of its WIA Dislocated Worker Program award amount, according to the Lower Rio Board's general ledger.
- Had requested reimbursement for 20.23 percent of its WIA Adult Program award amount and 16.06 percent of its WIA Dislocated Worker Program award amount, placing unspent funds at risk of lapsing.

The Lower Rio Board's and Arbor Lower Rio's processes for reviewing expenditures were not sufficient to ensure that ARRA funds were expended only for allowable costs.

Prior to payment, Lower Rio Board staff approved all 35 expenditure transactions totaling \$89,368 for the WIA Youth Activities, Adult, and Dislocated Worker programs selected by auditors for testing. Approximately 40 percent of the transactions that auditors tested at the Lower Rio Board were incurred by Arbor Lower Rio, and the Lower Rio Board relies on Arbor Lower Rio to review and approve the expenditures and identify the program fund that will be used for payment. However, the Lower Rio Board's reliance on Arbor Lower Rio's process did not ensure that ARRA funds were expended only for allowable costs.

Auditors identified expenditures that federal guidelines may not allow because of errors in eligibility determinations and the inaccurate identification of the funding source to be used to pay for client services. Of the 35 expenditure transactions tested, auditors identified 12 (34.29 percent) transactions totaling \$29,221 that may not be allowable under federal guidelines. Of the 12 transactions, 3 totaling \$124 were initiated and paid solely by the Lower Rio Board, and 9 totaling \$29,097 were for expenditures that Arbor Lower Rio submitted to the Lower Rio Board for payment. Specifically:

- Three transactions totaling \$124 were for promotional items or other costs not allowable under federal guidelines (U.S. Office of Management and Budget Circular A-122).
- Four transactions totaling \$10,322 were for services provided to clients who did not meet program eligibility requirements.

- One transaction for \$7,446 was for services provided to WIA Adult and Dislocated Worker programs clients, but it was paid with ARRA WIA Youth Activities program funds.
- Two transactions totaling \$5,685 were for services that were designated to be paid with WIA Adult Program formula funding, but they were instead paid with ARRA WIA Adult Program funding.
- Two transactions totaling \$5,644 were for services that were designated to be paid with WIA Dislocated Worker Program formula funding, but it was instead paid with ARRA WIA Dislocated Worker Program funding.

In addition, auditors tested 46 expenditure transactions totaling \$58,182 for services that were directly procured and paid by Arbor Lower Rio. Of the 46 transactions tested, 14 (30.43 percent) transactions totaling \$5,781 contained costs that were not adequately supported or may not be allowable under federal guidelines. Most of these costs were related to errors in eligibility determinations and payroll transactions.

The Lower Rio Board allocates administrative expenses that are not attributable to a specific grant among the grants receiving benefits from the administrative expense. Auditors reviewed the Lower Rio Board's cost allocations for September 2009 and December 2009 and determined that the Lower Rio Board allocated administrative costs as intended by its documented cost allocation methodology.

Arbor Lower Rio did not maintain adequate documentation to support \$645,477 in temporary wages paid with ARRA funds.

All 32 temporary employee weekly salary records tested were properly authorized and supported. However, Arbor Lower Rio did not maintain adequate documentation showing for which program those employees worked; therefore, auditors could not determine whether the \$645,477 in salaries charged to ARRA funds for WIA programs was appropriate. The U.S. Office of Management and Budget and Arbor Lower Rio's contract with the Lower Rio Board requires costs to be adequately documented to be allowable.

In addition, Arbor Lower Rio erroneously recorded approximately \$11,631 in ARRA mileage reimbursement payments for temporary employees as ARRA salaries in its general ledger. Although mileage is an allowable expense, the recording of mileage reimbursement expenditures to the wrong account results in an overstatement of salaries and may prevent management from receiving accurate information for decision making.

Arbor Lower Rio did not consistently follow its documented cost allocation methodology.

Arbor Lower Rio did not consistently follow its documented cost allocation methodology. Cost allocation errors may result in some programs paying for a disproportional share of administrative expenses and inaccuracies in Arbor Lower Rio's reported number of jobs created and retained using ARRA funds.

Specifically, auditors identified the following inconsistencies in Arbor Lower Rio's cost allocations for October 2009:

- It excluded three programs that should have been subject to the cost allocation process according to its documented methodology. These programs were (1) Trade Adjustment Act, (2) Non-Custodial Parent, and (3) Department of Labor -Science, Technology, Engineering, and Mathematics.
- It did not include temporary employees' labor hours when allocating costs because it did not track the hours worked by these employees. Arbor Lower Rio allocates certain administrative costs based on staff labor hours.
- It erroneously excluded 100 Temporary Assistance for Needy Families clients, and it erroneously included an additional 39 ARRA-funded WIA Dislocated Worker Program clients. Arbor Lower Rio allocates certain administrative costs based on the number of clients served.

Recommendations

The Lower Rio Board should:

- Strengthen its expenditure review process to ensure that ARRA funds are spent in accordance with federal and state requirements.
- Ensure that its contractor clearly identifies and documents funding sources before the funds are expended.
- Ensure that its contractor implements and fully documents a process for tracking temporary employees, including the hours worked and which program funds should be used to pay for salaries.
- Ensure that its contractor accurately follows its documented cost allocation methodology.

Management's Response

Bullet 1:

Lower Rio Board concurs. Lower Rio Arbor has revised its procedures to include validating the funding stream in the Texas Workforce Information System of Texas (TWIST) prior to coding the payments. Lower Rio Arbor fiscal staff will coordinate with case management staff, as necessary, to ensure the appropriate funding stream is utilized. The revised procedures will be reduced to writing to ensure consistency of application and improve quality. The procedures will be finalized by no later than August 15, 2010. Lower Rio Board is testing expenditures, on a sample basis, with TWIST records to determine whether Lower Rio Arbor's revised procedures are working as intended.

*Person Responsible
Vice President for Corporate Administration*

Bullet 2:

Lower Rio Board concurs. Lower Rio Board has reviewed all expenditures SAO expressed concerns over allowability with ARRA funds, and is taking the following corrective action. Expenses that should be charged to other funding streams besides ARRA will be corrected to those funding streams. Expenses where client eligibility is in question will be disallowed unless the contractor provides adequate documentation to support eligibility. These steps will be completed by August 31, 2010.

As previously mentioned, Lower Rio Arbor has revised its procedures to include validating the funding stream in the Texas Workforce Information System of Texas (TWIST) prior to coding the payments. All Arbor Lower Rio expenses are required to be clearly identified and funding source documented. No funds will be expended unless this requirement is met. The Lower Rio Board Accounting Manager currently reviews all contractor expenses to ensure that all requests for payments clearly identify and document funding sources before payment is made.

*Person Responsible
Vice President for Corporate Administration*

Bullet 3:

Lower Rio Board concurs. Lower Rio Arbor has developed written procedures for tracking temporary employees, including the hours worked and which program funds should be used to pay for salaries. Lower Rio Board will conduct reviews, on a sample basis, to determine whether salaries are charged to the appropriate funding stream. These procedures will be

reviewed by Lower Rio Board to ensure they will adequately track temporary employee hours to the applicable funding streams. The reviews will be conducted beginning August 2010.

*Person Responsible
Vice President for Corporate Administration*

Bullet 4:

Lower Rio Board concurs. Lower Rio Arbor's cost allocation plan will be updated to include all programs subject to cost allocation. Lower Rio Board will review and approve the contractor's cost allocation plan to ensure that all programs are covered in the plan. The next cost allocation plan is due for review in September 2010. Also, the financial monitoring reviews conducted by Lower Rio Board's independent monitor for fiscal year 2010/2011 include a compliance review of the contractor's cost allocation plan.

*Person Responsible
Vice President for Corporate Administration*

Although the Lower Rio Board Had a Monitoring Process in Place, Auditors Identified Weaknesses in Contactor Compliance with Program Requirements

The Lower Rio Board had monitoring processes in place to identify errors and weaknesses in Arbor Lower Rio's compliance with program requirements. In

an August 10, 2009, report³, an independent monitor hired by the Lower Rio Board identified significant weaknesses in Arbor Lower Rio's eligibility determinations for the ARRA-funded WIA Youth Activities program. Specifically, the independent monitor noted that WIA Youth Activities program clients did not always meet the eligibility requirements (see text box) or that Arbor Lower Rio staff did not collect sufficient documentation to show that the clients met the eligibility requirements.⁴

WIA Youth Activities Program Eligibility Requirements

To be eligible, a youth must:

- 1) Be authorized to work in the United States.
- 2) Register for Selective Service (only males 18 years of age or older).
- 3) Be between 14 years old and 24 years old.
- 4) Be classified as low income.
- 5) Meet one or more of the following Youth Activities criteria:
 - Be deficient in basic literacy skills.
 - Be a school dropout (youth who are homeschooled are not dropouts).
 - Be homeless, a runaway, or a foster youth.
 - Be pregnant or a parent.
 - Be an offender.
 - Need additional assistance to complete an educational program or to secure and hold employment as defined by the Lower Rio Board's policy. For example, the Lower Rio Board established the "first generation college student" as additional criteria to qualify youth who may not otherwise be eligible for WIA Youth Activities program services.

Many of the errors identified by the Lower Rio Board's independent monitor related to clients classified as a "first generation college student" who were not actually college students. Arbor Lower Rio's guidance defines a first generation college student as an individual whose parents did not receive a college degree. The Lower Rio Board's guidance states that a client can self-certify that he or she meets board-established criteria, such as being a first generation college student; however, the Lower Rio Board does not require that the client provide any other documentation to support that he or she meets the first generation college student requirement.

State auditors identified similar weaknesses in eligibility determinations in the records tested for the WIA Youth Activities and Dislocated Worker programs. Specifically:

- In 11 (39.29 percent) of 28 WIA Youth Activities records tested, the clients were not eligible for the program based on the documentation originally available on record; five of these clients were determined eligible by Arbor Lower Rio staff based on the first generation college student criteria even though they were not college students. After auditors communicated this to Arbor Lower Rio staff, the contractor was able to validate the eligibility of 8 of the 11 clients using different criteria. However, Arbor Lower Rio delivered services to these clients without being certain they met eligibility requirements.

³ *Financial and Program Summer Youth Activities Monitoring Evaluation of Arbor Employment and Training*, E. Taylor and Associates.

⁴ The monitor reported that at least 82 (58.6 percent) of 140 Youth Activities records tested did not meet program eligibility requirements or that the contractor did not collect sufficient information to support the eligibility determination. Auditors did not validate these testing results.

- Four (66.67 percent) of 6 WIA Dislocated Worker Program records tested did not include sufficient documentation to show that the clients met all eligibility requirements.

Arbor Lower Rio reported that it took steps to address the weaknesses identified by the independent monitor in the August 10, 2009, report within 15 days, as required by its contract with the Lower Rio Board. This included developing a process that requires clients' records to undergo multiple reviews to ensure completeness. Arbor Lower Rio also reported that it is reviewing all WIA Youth Activities, Adult, and Dislocated Worker client records funded with ARRA funds to ensure that the eligibility determinations were accurate. However, as of May 2010, those eligibility reviews were still in progress, and the Lower Rio Board will not be able to determine how many clients inappropriately received services until this review is complete.

Recommendations

The Lower Rio Board should:

- Ensure that its contractor performs timely corrections of all identified weaknesses in its eligibility determination process before additional funds are spent. This may include setting time lines for corrective action and setting deadlines for the review and correction of past records. The Lower Rio Board may also consider imposing sanctions for noncompliance in accordance with its contract.
- Ensure that its contractor accurately applies all eligibility criteria and collects and maintains complete documentation to support eligibility determinations.
- Clearly define under what circumstances an individual qualifies as a first generation college student. The Lower Rio Board also should consider requesting documentation that shows the client is a college student. This documentation may include a college identification card, transcript, or report card.

Management's Response

Bullet 1:

Lower Rio Board concurs. Lower Rio Arbor's corporate staff conducted a 100% review of WIA ARRA Youth files. Lower Rio Arbor corporate staff has identified all client files with eligibility issues that need correction. Documentation to correct eligibility determination concerns will be obtained. Lower Rio Board independent monitor review noted that the files indicated that youth may be eligible under a barrier other than "First Generation

Student”. A deadline of August 31, 2010 has been established for Lower Rio Arbor to complete all of the client file corrections.

The Lower Rio Board’s independent monitor will conduct an eligibility review of WIA ARRA Youth files in September 2010. Expenses associated with files determined by the independent monitors to have insufficient documentation to support eligibility will be disallowed. Disallowed costs will be recouped from the contractor.

*Person Responsible
Vice President for Corporate Administration*

Bullet 2:

Lower Rio Board concurs. Lower Rio Arbor corporate staff has identified all client files with eligibility issues that need correction. Eligibility training will be provided to staff in August 2010 to ensure that they possess requisite knowledge to perform eligibility determinations. The training will include the types of documentation necessary to properly support eligibility requirements. For future eligibility determinations, a script has also been created when interviewing students to identify a barrier for all individuals that are not first generation college student.

*Person Responsible
Vice President for Corporate Administration*

Bullet 3:

Lower Rio Board concurs. Lower Rio Board’s policy allows the use of the barrier of “First Generation College Student”. As a matter of practice, guidance requested by the contractor regarding board policy is provided immediately. No such request was received from the contractor.

Arbor subject matter experts provided training to their staff (prior to enrolling any ARRA youth). The training (WIA Youth Program Eligibility Training) included documentation for all the barriers to establish eligibility for WIA ARRA youth. Board staff was available at the training to answer any questions; however, no questions or guidance was asked regarding “First Generation College Student”.

As suggested by SAO, Lower Rio Board provided further clarification under what circumstances an individual qualifies as a first generation college student.

*Person Responsible
Vice President for Corporate Administration*

The Lower Rio Board Made Significant Improvements in Its Reporting of Jobs Created and Retained by ARRA Funds for the Quarter Ending December 31, 2009

Although TWC provided timely and adequate guidance to the Lower Rio Board on how to calculate the number of jobs created and retained using ARRA funds for the quarter ending September 30, 2009, the Lower Rio Board did not follow the TWC guidance and it overreported the number of ARRA-funded jobs. The Lower Rio Board overreported jobs created and retained primarily because it reported a headcount of program clients served instead of reporting jobs created and retained as full-time equivalent (FTE) positions as required by TWC's guidance. Based on available data, auditors were not able to recalculate the number of jobs created and retained using ARRA funds by the Lower Rio Board. However, the Lower Rio Board made significant improvements in its reporting of this information for the quarter ending December 31, 2009.

Labor Report

The Lower Rio Board's and its contractor's timekeeping system generates a labor report that lists items such as employees' total hours worked during a specific pay period, the hourly pay rates, and how the hours are allocated among available program funding sources.

For the quarter ending September 30, 2009, the Lower Rio Board reported that 1,971.00 jobs were created and retained using ARRA funds. Auditors attempted to recalculate the number of jobs created and retained using available data, such as labor reports (see text box) and employees' time sheets. Auditors tested 7,495.45 WIA Youth Activities program hours, which included the hours worked by WIA Youth Activities program clients and staff, and identified errors totaling 676.50 hours (9.03 percent).

In addition, Arbor Lower Rio created approximately 71 temporary positions during the quarter ending September 30, 2009, that included WIA Youth Activities, Adult, and Dislocated Worker programs staff, but the Lower Rio Board did not include those positions in its calculation of jobs created and retained. Although the Lower Rio Board provided timely guidance to its contractor that jobs created and retained had to be reported as FTE positions, it did not track the hours worked by temporary employees whose salaries were paid with ARRA funds. Lower Rio Arbor staff attempted to re-create this data based on invoices from the temporary employment agency; however, auditors determined that the re-created data was not complete and accurate. Therefore, auditors were not able determine a reliable number of jobs created and retained using ARRA funds for the Lower Rio Board's quarter ending September 30, 2009.

For the quarter ending December 31, 2009, the Lower Rio Board made significant improvements in its reporting of the number of jobs created and retained using ARRA funds, and auditors did not identify significant errors in the data available to recalculate the number of jobs created and retained. The Lower Rio Board reported that it created and retained 10.96 jobs in the quarter ending December 31, 2009. The difference between the Lower Rio Board's reported total of jobs and auditors' recalculation was 0.08 FTEs, or 0.74 percent (see Table 3).

The number of ARRA-funded hours that temporary employees worked during the quarter ending December 31, 2009, was minimal. Arbor Lower Rio reported that temporary employees worked only 333.25 hours. However, if Arbor Lower Rio hires more temporary employees in the near future without addressing the weaknesses in the tracking of temporary employees' hours, the Lower Rio Board will be at an increased risk of reporting inaccurate jobs data in its *Section 1512 Quarterly Reports*.

Table 3

Lower Rio Board Number of Jobs Created and Retained with ARRA-Funds For the Quarter Ending December 31, 2009				
	WIA Youth Activities Program	WIA Adult Program	WIA Dislocated Worker Program	Totals
Number of Jobs the Lower Rio Board Reported as Created and Retained				
Summer Youth Jobs ^a	0	Not Applicable	Not Applicable	0
Staff Jobs	1.50	7.20	2.26	10.96
Total Jobs Reported by the Lower Rio Board	1.50	7.20	2.26	10.96
Auditors' Calculation of Number of Jobs Created and Retained				
Summer Youth Jobs	0	Not Applicable	Not Applicable	0
Staff Jobs	1.44	7.40	2.04	10.88
Auditors' Calculation of Total Jobs	1.44	7.40	2.04	10.88
Difference Between Board-reported Totals and Auditors' Calculations	.06	(0.20)	0.22	.08
Percent Overreported/Underreported by the Lower Rio Board	4.16%	(2.70)%	10.78%	.74%
^a Summer Youth jobs are jobs whose wages are paid with ARRA funds for participants in the Summer Youth Employment Program.				

Source: The Lower Rio Board's *Section 1512 Quarterly Report* for the quarter ending December 31, 2009, and auditors' recalculations.

Recommendation

The Lower Rio Board should continue to monitor the TWC's guidance to ensure it accurately calculates and reports the number of jobs created and retained using ARRA funds, including tracking all hours worked by employees in temporary positions.

Management's Response

Lower Rio Board concurs. As noted, there were significant improvements in reporting of the number of jobs created and retained. The revised procedures will continue to be used to calculate the number of jobs created and retained. Lower Rio Board will monitor TWC's guidance for any changes or suggestions regarding the reporting of the number jobs created and retained.

Person Responsible

Vice President for Corporate Administration

Chapter 2-D

The Lower Rio Board Should Improve Access Controls Over Its Automated Systems

The Lower Rio Board had sufficient information technology (IT) controls to provide assurance that ARRA-related accounting and payroll system data was reliable for the purposes of the audit objectives. The Lower Rio Board also had adequate policies and procedures to ensure that access to its network was properly restricted to IT staff, that it adequately backed up system information, and that change management was properly implemented.

However, auditors identified several IT weaknesses that increase the risk of involuntary or intentional alteration or deletion of data. This decreases Lower Rio Board's ability to ensure the future integrity of its data and increases the risk of fraud. Specifically, two Lower Rio Board managers:

Positive Pay

Positive Pay is a service offered by most banks that helps reduce check fraud by identifying discrepancies between checks presented for payment and checks issued. It matches the account number, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by a company. All three components of the check must match exactly or the bank will not honor the check.

- Have full access to the accounting and payroll systems, which increases the risk of fraud.
- Can release payments without required management approval because the accounting system automatically prints authorizing signatures on checks.
- Are responsible for preparing and delivering Positive Pay report information to the Lower Rio Board's financial institution (see text box for information on the Positive Pay service).

In addition, one of these managers has custody over blank checks. This lack of segregation of duties reduces the effectiveness of the Lower Rio Board's controls over financial processes.

The Lower Rio Board also lacks written policies and procedures for granting and managing system access and has not tested its disaster recovery plan in the past two years.

Recommendations

The Lower Rio Board should:

- Implement written policies and procedures for granting and managing system access.
- Limit access rights to its accounting and payroll systems, and implement adequate segregation of duties for the accounting and payroll functions.
- Test its disaster recovery plan on a regular basis.

Management's Response

Bullet 1:

Lower Rio Board concurs. Written policies and procedures for granting system access have been developed implemented.

Person Responsible

Vice President for Corporate Administration

Bullet 2:

Lower Rio Board concurs. No staff has full access to the accounting and payroll systems. Steps were taken immediately to properly segregate duties for the accounting and payroll functions. Several steps are necessary in the accounting system to generate a check. These steps include entering transactions into the accounting system, posting the transactions, creating the positive pay file, and submitting the positive pay file to the bank. Also, checks have to be retrieved from the locked cabinet to print. No staff has the capability to perform all of these steps. In addition, the ability to assign access rights to end users has been transferred to the Information Technology department. Also, the president documents the review of checks and related supporting documentation prior to release.

Person Responsible

Vice President for Corporate Administration

Bullet 3:

Lower Rio Board concurs. The disaster recovery plan is scheduled to be tested by August 31, 2010. Lower Rio Board will periodically test the disaster recovery plan at least annually.

Person Responsible

Vice President for Corporate Administration

Capital Area Workforce Development Board

The Capital Area Workforce Development Board (Capital Area Board) provides all WIA Youth Activities, Adult, and Dislocated Worker programs services through two contractors. Goodwill Industries of Central Texas (Goodwill) provides services for the WIA Youth Activities program and Arbor Education and Training Capital (Arbor Capital) provides services for the WIA Adult and Dislocated Worker programs.

The Capital Area Board ensured that the ARRA-related expenditures tested complied with federal and state requirements; however, it did not identify errors in cost allocation and payroll processes at its contractors and did not consistently follow TWC guidance on calculating the number of jobs created and retained using ARRA funds.

Chapter 3-A

The Capital Area Board Ensured That ARRA-related Expenditures Tested Complied with Federal and State Requirements; However, It Did Not Identify Errors in Cost Allocation and Payroll Processes at Two Contractors

The Capital Area Board has adequate controls to ensure that ARRA funds were spent in compliance with federal and state requirements. All 12 Capital Area Board expenditure transactions tested, totaling \$12,840, were allowable, supported, and properly approved. As discussed in Chapter 1-C, as of December 31, 2009, the Capital Area Board had met the TWC-established spending benchmark for spending 80 percent of the WIA Youth Activities program ARRA funds within the first year of the funds' availability. Furthermore, the Capital Area Board appeared to be on target to meet TWC's spending benchmarks for the WIA Adult and Dislocated Worker programs. The Capital Area Board also tracked ARRA funds separately from other federal funds as required.

The Capital Area Board allocates administrative expenses that are not attributable to a specific grant among the grants receiving benefits from the administrative expense. Auditors reviewed the Capital Area Board's cost allocations for July 2009 and November 2009 and determined that the administrative expenses were allocated as intended.

The Capital Area Board has established a spreadsheet that staff uses to calculate the cost allocations. However, it does not have complete written policies and procedures for its cost allocation methodology describing items such as the calculations embedded in the spreadsheet, how the source expenditure data should be obtained, or the programs that are subject to the cost allocation process. Documented policies and procedures could help the Capital Area Board ensure that costs are consistently allocated as intended.

Goodwill should strengthen controls over its processing of ARRA expenditures for the WIA Youth Activities program.

Auditors tested 35 WIA Youth Activities program expenditures totaling \$26,117 at Goodwill. Seven (20.00 percent) of the 35 expenditures tested contained errors related to payroll processing for clients participating in the Summer Youth Employment Program. In addition, auditors identified one error related to a WIA Youth Activities program employee. Specifically:

- Four clients were overpaid a total of \$615 due to an incorrect hourly rate or inaccurate timesheets.
- Two clients were underpaid by \$165 due to an incorrect hourly rate.
- One client was erroneously paid \$506 with ARRA WIA Youth Activities program funds.
- One employee was paid \$400 after the employee was no longer employed.

Auditors determined that Goodwill accurately allocated administrative costs according to its cost allocation calculations for the 2 of the 35 expenditures tested that were subject to Goodwill's cost allocation process.

Arbor Capital had an adequate process for ensuring that ARRA-related expenditures were allowable, properly supported, and authorized; however, it did not consistently follow its cost allocation methodology.

All 56 WIA Adult and Dislocated Worker expenditure transactions tested totaling \$264,724 at Arbor Capital were allowable, properly supported, and authorized.

However, Arbor Capital did not accurately follow its documented cost allocation process. Specifically:

- In August 2009 and December 2009, Arbor Capital excluded from its cost allocation calculations two programs—the Non-custodial Parent grant and the Gainful Employment Model grant—that should have been included according to its written methodology.
- In August 2009, Arbor Capital erroneously omitted 220 labor hours for the Food Stamps Employment and Training Program from its cost allocation calculations.

Those cost allocation errors increased the administrative expenses that the ARRA-funded WIA Adult and Dislocated Worker programs paid in August 2009 and December 2009, and they may contribute to inaccuracies in Arbor Capital's reported number of jobs created and retained using ARRA funds.

Recommendations

The Capital Area Board should:

- Fully document its current cost allocation methodology.
- Ensure that its contractors have adequate internal controls over payroll processing to decrease the risk of inaccurate salary payments.
- Ensure that contractors accurately follow their documented cost allocation methodologies.

Management's Response

Concur. Although the Board maintains a detailed cost allocation plan (submitted to and approved by TWC annually) and maintains documentation of the methodology, the plan will be reviewed and updated. Timeframe: Updated documentation methodology to be completed by July 31, 2010. The Capital Area Board will increase its monitoring of contractors to ensure adequate internal controls over payroll process are in place and being followed. Timeframe: Implemented. Additional monitoring of payroll has been implemented effective July 9, 2010. A sample from each payroll period will be drawn and reviewed. The Capital Area Board will also increase the monitoring of its contractors to ensure that documented costs allocation methodologies are followed. Timeframe: July 31, 2010. The Capital Area Board will review contractor documentation of cost allocation methodologies on a quarterly basis to ensure that they are being followed.

Chapter 3-B

Goodwill and Arbor Capital Had Adequate Processes for Determining Clients' Eligibility for Programs Receiving ARRA WIA Funds

All 49 WIA Youth Activities program records tested at Goodwill and all 40 WIA Adult and Dislocated Worker records tested at Arbor Capital contained accurate eligibility determinations. One WIA Youth Activities client's record did not originally include documentation showing that the client had registered for Selective Service, which is a WIA Youth Activities program eligibility requirement. While Goodwill obtained the documentation after auditors brought this to its attention, it risks providing services to ineligible clients if it does not ensure that the files contain complete documentation before providing these services.

Recommendation

The Capital Area Board should ensure that its contractors collect and maintain complete documentation to support client eligibility prior to delivery of services.

Management's Response

Concur. The Capital Area Board will increase its monitoring of contractors to ensure that client eligibility is documented prior to the delivery of services. Timeframe: Immediately. First review conducted for the period 6/28 – 7/2/10.

Chapter 3-C

The Capital Area Board Did Not Consistently Follow TWC Guidance on Calculating the Number of Jobs Created and Retained Using ARRA Funds

Although TWC provided timely and adequate guidance to the Capital Area Board on how to calculate the number of jobs created and retained using ARRA funds, the Capital Area Board did not consistently follow this guidance. As a result, the Capital Area Board significantly overreported the number of jobs created and retained using ARRA funds for the quarter ending September 30, 2009, by an estimated 562.27 full-time equivalent (FTE) positions, or 436.78 percent (see Table 4 on the next page). However, it made significant improvements in its reporting of jobs data for the quarter ending December 31, 2009.

Labor Report

The Capital Area Board's and its contractor's timekeeping system generates a labor report that lists employees' total hours worked during a specific pay period, the hourly pay rates, and how the hours are allocated among available program funding sources.

For the quarter ending September 30, 2009, the Capital Area Board reported that 691.00 jobs were created and retained using ARRA funds. Auditors recalculated the number of jobs created and retained using available data, such as labor reports (see text box) and employees' time sheets. Auditors determined that the data available to recalculate the number of jobs created and retained using ARRA funds was reliable, and that the Capital Area Board should have reported that 128.73 FTEs were created and retained.

The Capital Area Board did not follow TWC guidance causing it to overreport the number of ARRA-funded jobs for the quarter ending September 30, 2009. The Capital Area Board reported a headcount instead of calculating the number of jobs created and retained based on TWC's FTE formula and guidance.

Table 4

Capital Area Board Number of Jobs Created and Retained with ARRA-Funds For the Quarter Ending September 30, 2009				
	WIA Youth Activities Program	WIA Adult Program	WIA Dislocated Worker Program	Totals
Number of Jobs the Capital Area Board Reported as Created and Retained				
Summer Youth Jobs ^a	681.00	Not Applicable	Not Applicable	681.00
Staff Jobs	0.00	5.00	5.00	10.00
Total Jobs Reported by the Capital Area Board	681.00	5.00	5.00	691.00
Auditors' Calculation of Number of Jobs Created and Retained				
Summer Youth Jobs	109.98	Not Applicable	Not Applicable	109.98
Staff Jobs	14.62	1.76	2.37	18.75
Auditors' Calculation of Total Jobs	124.60	1.76	2.37	128.73
Difference Between Board-reported Totals and Auditors' Calculations	556.40	3.24	2.63	562.27
Percent Overreported/Underreported by the Capital Area Board	446.55%	184.09%	110.97%	436.78%
^a Summer Youth jobs are jobs whose wages are paid with ARRA funds for participants in the Summer Youth Employment Program.				

Source: The Capital Area Board's *Section 1512 Quarterly Report* for the quarter ending September 30, 2009, and auditors' recalculations.

For the quarter ending December 31, 2009, the Capital Area Board reported that it created and retained 31.79 jobs. The difference between the Capital Area Board's reported total of jobs and auditors' recalculation was 3.38 FTEs, or 11.90 percent (see Table 5 on the next page). This overstatement was related to errors in the calculation of jobs created and retained for the WIA Youth Activities program. Goodwill estimated the number of hours worked by WIA Youth Activities program clients by dividing total salaries by an hourly rate of \$7.25. However, not all WIA Youth Activities program clients were paid at this rate. In addition, Goodwill's calculation included some hours that had been paid with non-ARRA funds.

Table 5

Capital Area Board Number of Jobs Created and Retained with ARRA-Funds For the Quarter Ending December 31, 2009				
	WIA Youth Activities Program	WIA Adult Program	WIA Dislocated Worker Program	Totals
Number of Jobs the Capital Area Board Reported as Created and Retained				
Summer Youth Jobs ^a	28.50	Not Applicable	Not Applicable	28.50
Staff Jobs	0.00	1.65	1.64	3.29
Total Jobs Reported by the Capital Area Board	28.50	1.65	1.64	31.79
Auditors' Calculation of Number of Jobs Created and Retained				
Summer Youth Jobs	19.17	Not Applicable	Not Applicable	19.17
Staff Jobs	5.95	1.65	1.64	9.24
Auditors' Calculation of Total Jobs	25.12	1.65	1.64	28.41
Difference Between Board-reported Totals and Auditors' Calculations	3.38	0.00	0.00	3.38
Percent Overreported/Underreported by the Capital Area Board	13.46%	0.00%	0.00%	11.90%
^a Summer Youth jobs are jobs whose wages are paid with ARRA funds for participants in the Summer Youth Employment Program.				

Sources: The Capital Area Board's *Section 1512 Quarterly Report* for the quarter ending December 31, 2009, and auditor recalculations.

Recommendation

The Capital Area Board and its contractors should continue to monitor TWC's guidance to ensure the accurate calculation and reporting of the number of jobs created and retained using ARRA funds.

Management's Response

Concur. While the Capital Area Board concurs with the recommendation, we disagree with the report's language, which states: "Although TWC provided timely and adequate guidance to the Capital Area Board on how to calculate the number of jobs created and retained using ARRA funds, the Capital Area Board did not consistently follow this guidance."

The Capital Area Board did follow the guidance that was provided to us, but that guidance was subject to continuous change and was inconsistent. The guidance problems initiated from the federal level to the state then to the local level. The reporting problem is a national issue as recognized by the GAO.

The Capital Board will continue to monitor and follow TWC guidance to ensure timely and accurate reporting of data. Timeframe: Immediately. Reports will be reviewed to ensure that they have been prepared in accordance with the latest guidance provided by TWC. TWC will be contacted for further guidance if there are any questions interpreting the guidance.

Chapter 3-D

The Capital Area Board Lacked Adequate Segregation of Duties and Access Controls Over Its Automated Systems

The Capital Area Board had sufficient information technology (IT) controls to provide assurance that the ARRA-related accounting and payroll system data was reliable for the purposes of the audit objectives. It also had adequate policies and procedures for information security and change management, utilized proper password controls over its network, and properly restricted administrative access to its servers.

Positive Pay

Positive Pay is a service offered by most banks that helps reduce check fraud by identifying discrepancies between checks presented for payment and checks issued. It matches the account number, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by a company. All three components of the check must match exactly or the bank will not honor the check.

However, one senior-level accounting employee had full access to the Capital Area Board's accounting and payroll systems, which increases the risk of undetected or unapproved alteration or deletion of data. The Capital Area Board has implemented Positive Pay to minimize the risk of fraud (see text box); however, the inadequate segregation of duties among the accounting and payroll duties could limit the Capital Area Board's ability to ensure the future integrity of its data.

In addition, the Capital Area Board's disaster recovery plan does not reflect recent changes made to its IT environment.

Recommendations

The Capital Area Board should:

- Limit access rights to its accounting and payroll systems to ensure adequate segregation of duties among its employees.
- Update and test its disaster recovery plan.

Management's Response

Concur. To strengthen the control and access to MIP (the Board's accounting system), the Deputy Director for Information and Technology will be designated as the system Security Administrator. This function will be removed from the rights of the Accounting Manager. Due to the inter-active nature of the accounting and payroll systems, an employee processing payroll must also have access to the accounting system to complete the payroll cycle. The Senior Accountant assigned the duty of payroll preparation with the

Accountant II designated as backup. These individuals will not be able to add, remove, or adjust balances for employees. The Accounting Manager's access to the payroll system will be limited to the addition, deletion, and adjustment of balances of employees. Changes will be made in the granting of access rights to ensure that no one employee has complete system access, and that adequate segregation of duties is achieved. Timeframe: Changes to be implemented by July 16, 2010. The Board's disaster and recovery plan is currently being updated. Timeframe: The updates to the Board's Disaster and Recovery plan will be completed by July 16, 2010. The plan will be tested at least twice a year (first test to be conducted by July 31, 2010; annually in January and July).

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Review and verify the quarterly reports on expenditures and performance data required by Section 1512 of the American Recovery and Reinvestment Act (ARRA) that were prepared by selected state agencies and higher education institutions.
- Review internal controls at selected agencies and higher education institutions that receive ARRA funds.
- Conduct post-payment audits of selected ARRA fund expenditures.
- Respond to allegations of suspected fraud, waste, or abuse at various state agencies or higher education institutions.

Scope

The scope of this audit included reviewing and analyzing data at the Texas Workforce Commission (TWC), two local workforce development boards (local boards)—the Capital Area Workforce Development Board and the Lower Rio Grande Valley Workforce Development Board—and the local boards’ contractors—Arbor Education and Training and Goodwill Industries of Central Texas—from February 2009 through December 31, 2009. This included testing expenditures, the number of jobs reported as created and retained using ARRA funds, and *Section 1512 Quarterly Reports* for the quarters ending September 30, 2009, and December 31, 2009, submitted by TWC to the federal government.

Auditors selected three programs at TWC that received ARRA funds for audit:

- Workforce Investment Act, Adult Program, Catalog of Federal Domestic Assistance program number 17.258.
- Workforce Investment Act, Youth Activities program, Catalog of Federal Domestic Assistance program number 17.259.
- Workforce Investment Act, Dislocated Worker Program, Catalog of Federal Domestic Assistance program number 17.260.

These programs at TWC were selected for audit through a risk assessment of all federal programs at state agencies and institutions of higher education that had reported ARRA expenditures and were required to submit *Section 1512 Quarterly Reports* to the federal government. The risk assessment included consideration of the amount of ARRA funds expended through December 31, 2009, and whether the programs had reported jobs created and retained using ARRA funds in the *Section 1512 Quarterly Reports* for the quarters ending September 30, 2009, and December 31, 2009.

Methodology

The audit methodology included collecting and reviewing information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with staff responsible for the ARRA-funded Workforce Investment Act (WIA) Youth Activities, Adult and Dislocated Worker programs at TWC, the Capital Area Board, the Lower Rio Board, and the local boards' contractors Arbor Education and Training and Goodwill Industries of Central Texas.

Information collected and reviewed included the following:

- The American Recovery and Reinvestment Act of 2009.
- U.S. Office of Management and Budget (OMB) circulars and memoranda providing guidance on ARRA and the OMB Circular A-133, Single Audit.
- U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letter* on funds made available under ARRA for the WIA Youth Activities and Adult and Dislocated Worker programs.
- U.S. Department of Labor, Employment and Training Administration, *Training and Employment Guidance Letters* on reporting requirements under Section 1512 of ARRA.
- *Executive Order RP-72 - Relating to the American Recovery and Reinvestment Act of 2009 and Federal Funding for Texas* (August 25, 2009).
- *Texas Comptroller of Public Accounts' Fiscal Policies and Procedures J.004 - ARRA of 2009 Federal Stimulus Funding Accounting Policy for the State of Texas*.
- TWC's guidance on the use and reporting of ARRA funds.
- Notices of grant awards.

- *Section 1512 Quarterly Reports* submitted by TWC to the federal government for the quarters ending September 30, 2009, and December 31, 2009.
- Expenditure data from TWC, the Lower Rio Board, the Capital Area Board, Lower Rio and Capital Area Arbor Education and Training, and Goodwill Industries of Central Texas.
- WIA Youth Activities, Adult, and Dislocated Worker programs client records.
- TWC's, the Lower Rio Board's, the Capital Area Board's, Lower Rio and Capital Area Arbor Education and Training's, and Goodwill Industries of Central Texas's policies, procedures, guidelines, and manuals.
- Supporting documentation for the number of jobs created and retained that the Lower Rio Board and the Capital Area Board reported to TWC for the quarters ending September 30, 2009, and December 31, 2009.
- Information from interviews with management and staff at TWC, the Lower Rio Board, the Capital Area Board, the Lower Rio and Capital Area Arbor Education and Training, and Goodwill Industries of Central Texas.

Procedures and tests conducted included the following:

- Tested TWC's, the Lower Rio Board's, the Capital Area Board's, the Lower Rio and Capital Area Arbor Education and Training's, and Goodwill Industries of Central Texas's expenditures.
- Verified that ARRA expenditures per TWC's Integrated Statewide Administrative System (ISAS) reconciled to the number reported by TWC in its *Section 1512 Quarterly Reports* submitted to the FederalReporting.gov Web site.
- Verified that the number of jobs created and retained reported by all local boards was equal to the total number of jobs created and retained reported by TWC in its *Section 1512 Quarterly Reports* submitted to the FederalReporting.gov Web site.
- Recalculated and tested supporting documentation for the number of jobs created and retained reported by the Lower Rio Board and the Capital Area Board for the quarters ending September 30, 2009, and December 31, 2009.
- Interviewed staff at TWC, the Lower Rio Board, the Capital Area Board, the Lower Rio and Capital Area Arbor Education and Training, and Goodwill Industries of Central Texas.

- Tested the information technology controls in place for the Lower Rio Board's and Capital Area Board's accounting and payroll systems. Areas reviewed included logical access, physical security, system backups, disaster recovery planning, change management, and application controls.
- Tested selected information technology controls in place over the TWC's accounting and human resources systems. Areas reviewed included physical security, system backups, and disaster recovery planning.

Criteria used included the following:

- The American Recovery and Reinvestment Act of 2009.
- *OMB Circular A-133: Compliance Supplement Addendum #1.*
- *OMB Memoranda M-09-15: Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009.*
- *OMB Memoranda M-09-21: Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009.*
- *OMB Memoranda M-09-21: Supplement #2 - Recipient Reporting data Model.*
- *OMB Memoranda M-10-8: Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipient, and Reporting of Job Estimates.*
- *OMB Circular A-122: Attachment A, General Principles* (relocated to Title 2, Code of Federal Regulations, Part 230).
- *Texas Comptroller of Public Accounts' Fiscal Policies and Procedures J.004 – ARRA of 2009 Federal Stimulus Funding Accounting Policy for the State of Texas.*
- *TWC's Workforce Development Letters.*
- *TWC's American Recovery and Reinvestment Act WIA implementation guide.*
- *U.S. Department of Labor, Employment and Training Administration, Training and Employment Guidance Letters.*
- *General Appropriations Act (81st Legislature), Article XII, Sections 7 and 5(c), and Article IX, Section 17.05.*
- *Executive Order RP-72 - Relating to the American Recovery and Reinvestment Act of 2009 and Federal Funding for Texas (August 25, 2009).*

Project Information

Audit fieldwork was conducted from February 2010 through April 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

The following members of the State Auditor's staff performed the audit:

- Ileana Barboza, MBA, CGAP, CICA (Project Manager)
- Lauren Godfrey, CGAP (Assistant Project Manager)
- Mark A. Cavazos
- Kathryn K. Hawkins, CFE
- Juan R. Sanchez, MPA, CIA, CGAP
- Barrett Sundberg, MPA, CIA
- Kimberly Teague, MS
- Michael Yokie, CISA
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Kelly Furgeson Linder, CIA, CGAP (Assistant State Auditor)

Status of 13 TWC ARRA Grants as of March 31, 2010

Tables 6 and 7 show the reported status of 13 American Recovery and Reinvestment Act (ARRA) grants totaling \$3.9 billion awarded to the Texas Workforce Commission (TWC) as of March 31, 2010. Table 6 shows that TWC had expended 38.51 percent of 7 grant awards totaling \$415,671,386 as of March 31, 2010.

Table 6

Status of Seven ARRA-Funded Grants Awarded to TWC As of March 31, 2010				
Program Title	Award Amount	Amounts Awarded to Local Workforce Development Boards	Amount Expended ^a	Percent of Award Expended
Workforce Investment Act - Adult Program	\$ 34,344,771	\$ 29,193,055	\$ 14,668,009	42.71%
Workforce Investment Act - Youth Activities	82,000,708	69,700,602	66,177,267	80.70%
Workforce Investment Act - Dislocated Worker Program	53,768,305	41,796,460 ^b	20,763,696	38.62%
Employment Services/Wagner-Peyser Funded Activities	27,188,088	20,554,194	20,408,499	75.06%
Senior Community Service Employment Program	1,316,701	1,316,701 ^c	799,091	60.69%
Child Care and Development Block Grant	214,851,599	183,503,366	37,268,780	17.35%
Workforce Investment Act - Dislocated Worker Program, National Emergency Grant, Recovery Act	2,201,214	2,168,214	0	0.00%
Totals	\$415,671,386	\$348,232,592	\$160,085,342	38.51%
^a This includes the amounts expended directly by TWC and amounts reimbursed to local workforce development boards. ^b This includes \$21,082 for a contract with Texas Tech University, a non-local workforce development board. ^c This is a grant awarded to Experience Works Inc, a non-local workforce development board.				

Source: Unaudited data provided by TWC.

Table 7 shows that as of March 31, 2010, TWC had expended 77.25 percent of six grant awards totaling \$3,551,802,592 for unemployment insurance-related expenditures.

Table 7

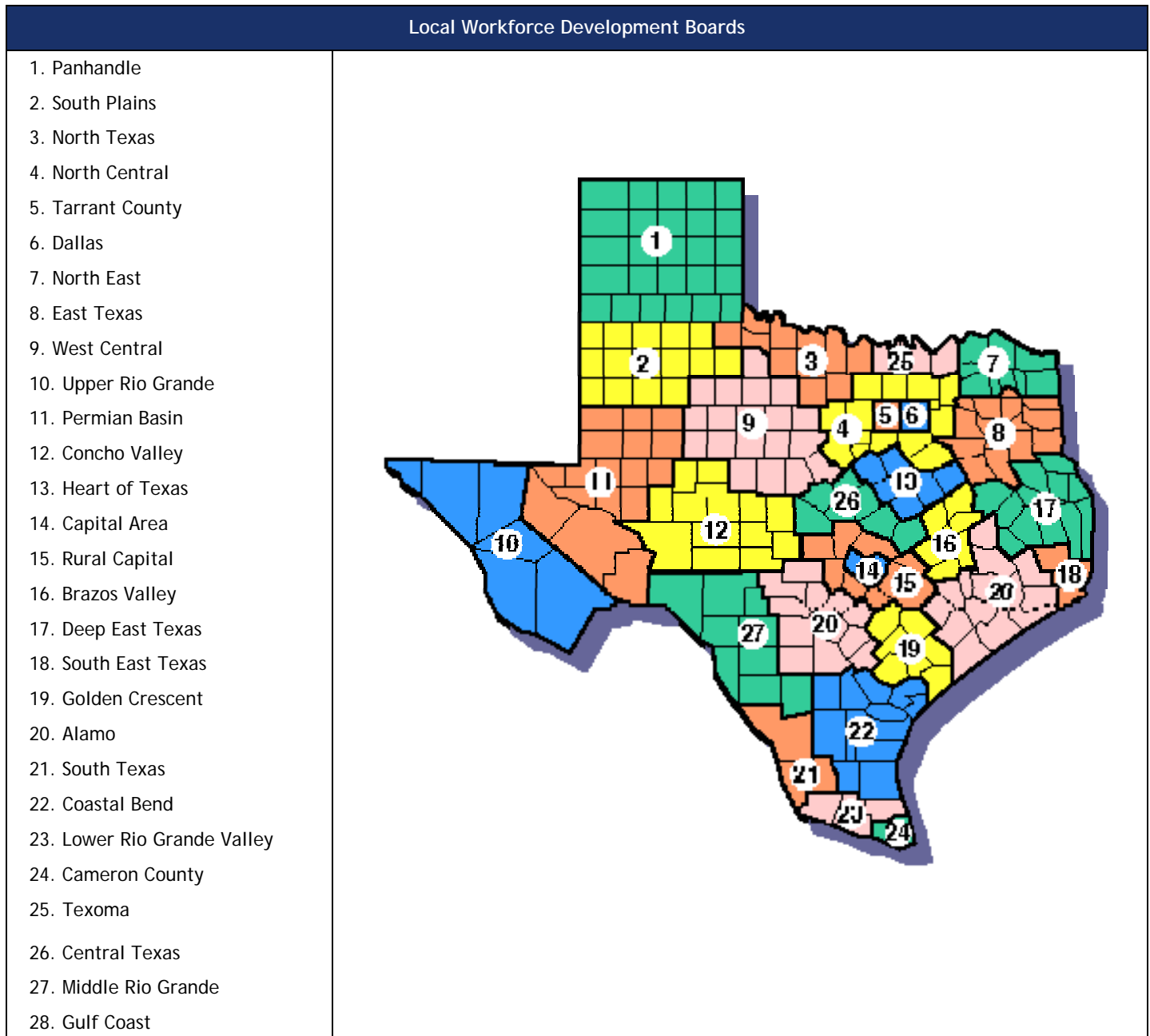
Status of Six ARRA-funded Grants for Unemployment Insurance-related Expenditures at TWC As of March 31, 2010			
Program Title	Award Amount	State-level Activities and Claimant Benefits Expended	Percent of Award Amount Expended
Unemployment Insurance - Special Administration Fund	\$ 39,690,810	\$ 0	0.00%
Unemployment Insurance - Federal Additional Compensation	850,000,000 ^a	594,711,075	69.97%
Unemployment Insurance - Extended Benefits	400,000,000 ^a	335,693,669	83.92%
Unemployment Insurance - Emergency Unemployment Compensation	2,250,000,000 ^a	1,807,120,120	80.32%
Unemployment Insurance - Emergency Unemployment Compensation Administration	12,087,001	6,235,940	51.59%
Unemployment Insurance - Federal Additional Compensation Supplemental Budget Request	24,781	6,527	26.34%
Totals	\$ 3,551,802,592	\$ 2,743,767,331	77.25%
^a Award amount is a TWC self-reported estimate based on current legislation and expected activities.			

Source: Unaudited data provided by TWC.

Local Workforce Development Boards

The Texas Workforce Commission provides Workforce Investment Act Youth Activities, Adult, and Dislocated Worker programs services through 28 local workforce development boards. Figure 1 shows the geographical area that each local workforce development board serves in Texas.

Figure 1



Source: Texas Workforce Commission Web site at <http://www.twc.state.tx.us/dirs/wdbs/wdbmap.html>.

Number of Clients Served Through TWC's ARRA-funded WIA Youth Activities, Adult, and Dislocated Worker Programs

As of June 7, 2010, the Texas Workforce Commission (TWC) reported that it served 44,953 clients in its Workforce Investment Act (WIA) Youth Activities, Adult, and Dislocated Worker programs using American Recovery and Reinvestment Act (ARRA) funds (see Table 8).

These services were provided through 28 local workforce development boards (local boards). The WIA Adult and Dislocated Worker programs provide job seekers with outreach services, job search and job placement assistance, labor market information, occupational training, and training in basic skills. WIA Adult and Dislocated Worker programs funds may also be used to provide supportive services, such as transportation and child care assistance, to help clients be able to participate in the program. The WIA Youth Activities program provides youth employment assistance, training activities, mentoring opportunities, and supportive services. WIA Youth Activities program funds may also be used to provide incentives for recognition and achievement.

Local boards are required to report on contracted performance measures monthly. Contracted performance measures for the WIA Adult and Dislocated Worker programs include (1) Staff Assisted Entered Employment and (2) Total Employment Retention. Contracted performance measures for the WIA Youth Activities program include (1) Total Educational Achievement and (2) Youth Attainment of Degree or Credential. TWC includes each local board's performance on these measures on its Web site at <http://www.twc.state.tx.us/boards/rateboards.html>. It should be noted that performance metrics are not ARRA-specific.

Table 8

Number of Clients Reported Served with Workforce Investment Act (WIA) ARRA Funds For the WIA Youth Activities, Adult, and Dislocated Worker Programs As of June 7, 2010					
Local Workforce Development Board Number ^a	Local Workforce Development Board Name	Workforce Investment Act Program			Total Number of Clients Served
		Youth Activities Program Clients Served	Adult Program Clients Served	Dislocated Worker Clients Served	
1	Panhandle Local Workforce Development Board	333	216	238	787
2	South Plains Local Workforce Development Board	446	104	128	678
3	North Texas Local Workforce Development Board	146	148	507	801

**Number of Clients Reported Served with Workforce Investment Act (WIA) ARRA Funds
For the WIA Youth Activities, Adult, and Dislocated Worker Programs
As of June 7, 2010**

Local Workforce Development Board Number ^a	Local Workforce Development Board Name	Workforce Investment Act Program			Total Number of Clients Served
		Youth Activities Program Clients Served	Adult Program Clients Served	Dislocated Worker Clients Served	
4	North Central Texas Local Workforce Development Board	1,267	309	515	2,091
5	Workforce Development Board of Tarrant County	1,169	785	1,074	3,028
6	Dallas County Workforce Development Board	2,959	444	509	3,912
7	North East Texas Workforce Development Board	195	111	181	487
8	East Texas Workforce Development Board Centers	627	161	268	1,056
9	West Central Texas Workforce Development Board	218	107	130	455
10	Upper Rio Grande Workforce Development Board	2,941	119	70	3,130
11	Permian Basin Workforce Development Board	360	74	82	516
12	Concho Valley Workforce Development Board	108	33	55	196
13	Heart of Texas Workforce Development Board	352	122	82	556
14	Capital Area Workforce Development Board	711	138	276	1,125
15	Rural Capital Area Workforce Development Board	355	88	248	691
16	Brazos Valley Council of Governments	321	229	151	701
17	Deep East Texas Workforce Development Board	379	227	237	843
18	Southeast Texas Workforce Development Board	534	213	132	879
19	Golden Crescent Workforce Development Board	195	87	273	555
20	Alamo Workforce Development Board	1,569	396	560	2,525
21	South Texas Workforce Development Board	500	156	63	719
22	Coastal Bend Workforce Development Board	808	399	220	1,427
23	Lower Rio Grande Workforce Development Board	2,607	544	149	3,300
24	Cameron County Workforce Development Board	633	192	76	901
25	Texoma Workforce Development Board	270	95	69	434

**Number of Clients Reported Served with Workforce Investment Act (WIA) ARRA Funds
For the WIA Youth Activities, Adult, and Dislocated Worker Programs
As of June 7, 2010**

Local Workforce Development Board Number ^a	Local Workforce Development Board Name	Workforce Investment Act Program			Total Number of Clients Served
		Youth Activities Program Clients Served	Adult Program Clients Served	Dislocated Worker Clients Served	
26	Central Texas Workforce Development Board	435	333	606	1,374
27	Middle Rio Grande Workforce Development Board	484	106	42	632
28	Gulf Coast Workforce Development Board	8,335	1,661	1,158	11,154
Totals		29,257	7,597	8,099	44,953

^a See Figure 1 in Appendix 3 for a map of the geographical areas served by each local workforce development board.

Source: The Texas Workforce Information System of Texas (TWIST). Unaudited data provided by TWC.

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The Honorable Jim Pitts, House Appropriations Committee
The Honorable Rene Oliveira, House Ways and Means Committee

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The Honorable Rick Perry, Governor

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Mr. Andres Alcantar, Commissioner
Mr. Ronald G. Congleton, Commissioner
Mr. Larry Temple, Executive Director

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Members of the Lower Rio Grande Valley Workforce Development Board

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Mr. Ruben O. Villarreal
Mr. Rogelio Ybarra
Ms. Yvonne “Bonnie” Gonzalez, Chief Executive Office

Capital Area Workforce Development Board

Members of the Capital Area Workforce Development Board

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