



An Audit Report on

# **Selected Grants to Public Community Colleges at the Texas Workforce Commission**

July 2017  
Report No. 17-040



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## Overall Conclusion

The Texas Workforce Commission (Commission) has sufficient controls in place to help ensure that it awards Skills Development Fund Program (Program) grants in accordance with certain state laws, rules, and Commission policies and procedures. However, the Commission should update its Program grant agreements to ensure that all requirements are consistent and clear to minimize the risk of an overpayment. The Commission also should ensure that all agreements are signed prior to their effective dates.

The Commission has implemented a monitoring framework to help ensure that Program grantees comply with requirements. In most cases, that monitoring framework is sufficient to allow the Commission to determine (1) **grantees' achievement of grant agreement deliverables** and (2) the total grant payment. However, the Commission should strengthen certain controls to reduce the risk of overpayments and ensure that all grants are monitored on a regular basis. Specifically, the Commission:

- Did not identify participants who did not complete all training hours, which increases the risk of an overpayment.
- Did not always determine the achievement of certain deliverables in accordance with the grant agreement requirements, which increases the risk of an overpayment.
- Did not ensure that all Program grants are monitored as required.
- Did not identify certain potential errors during its monthly desk reviews.

### Background Information

The goal of the Skills Development Fund Program (Program) is to increase the skills level and wages of the Texas workforce. The Program primarily provides three types of grants:

- **Regular Skills Development** - These grants are awarded to public community or technical colleges or the Texas A&M Engineering Extension Service (TEEX) to fund customized training for a business with 100 or more employees.
- **Small Business** - These grants are awarded to public community or technical colleges or TEEX to fund training for businesses with 99 or fewer employees. The business applies directly to the Texas Workforce Commission (Commission) for training already available at a public community or technical college or TEEX.
- **Dual Credit** - These grants fund training equipment and curriculum development for joint-credit courses offered in partnership between a local school district and a public community, state, or technical college.

The scope of this audit was Program grants the Commission awarded to public community colleges between September 1, 2014, and December 23, 2016. During that time period, the Commission awarded 150 Program grants for a total of approximately \$48,991,601.

Sources: The Commission and Texas Labor Code, Chapter 303.

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

For more information regarding this report, please contact Audrey O'Neill, Audit Manager, or Kelly Furgeson Linder, Chief of Staff, at (512) 936-9500.

**The Commission’s** Subrecipient Monitoring Department conducted onsite visits to **verify the accuracy of grantees’ self-reported information and determine grantees’** compliance with grant agreements.

Auditors conducted two site visits during this audit: one at Austin Community College and one at the Alamo Colleges District. Auditors reviewed two Regular Skills Development grants at each college and determined that the colleges (1) had sufficient documentation to support most of the training hours reported and (2) had not exceeded their administrative budget allowance for each grant. However, auditors identified instances of billing errors at both colleges.

In addition, the Commission ensured that:

- It reported Program activity on an annual basis, as required by Texas Labor Code, Section 303.006. However, the Commission should strengthen its processes to ensure that the information presented in its annual reports is complete and accurate. It also should develop and implement written policies and procedures for generating the annual report, including a documented report review process.
- It implemented adequate application and general controls for the information systems that support Program grants. However, the Commission should strengthen its controls to adequately restrict user access privileges to certain accounts in its Contract Administrative Tracking System.

Auditors also communicated other, less significant issues separately in writing to the Commission.

Table 1 presents a summary of the findings in this report and the related issue rating. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/Subchapter	Title	Issue Rating <sup>a</sup>
1	The Commission Has Sufficient Controls to Award Grants in Accordance with Certain Requirements; However, It Should Update Its Grant Agreements	Medium
2-A	<b>The Commission Implemented Controls for Determining Participants’</b> Eligibility, Achievement of Grant Deliverables, and Final Payment; However, the Commission Should Improve Those Controls to Reduce the Risk of Inaccurate Payments	Medium
2-B	The Commission Implemented a Comprehensive Monitoring Process; However, It Should Strengthen That Process to Ensure That It Identifies Certain Inconsistencies and Errors and Monitors All Grants	Medium
2-C	<b>The Commission’s Onsite Monitoring Visits Help Determine Grantees’</b> Compliance with Grant Agreement Requirements	Low
2-D	While Grantees Had Sufficient Documentation to Support Most Expenditures, Auditors Identified Instances of Billing Errors	Medium

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/Subchapter	Title	Issue Rating <sup>a</sup>
3	The Commission Issued Annual Reports for Its Program as Required by Statute; However, the Commission Should Strengthen Its Processes to Ensure That the Information Presented Is Complete and Accurate	Low
4	The Commission Established Controls Over Its Information Systems; However, It Should Improve Certain Information Technology Controls	Low
<p><sup>a</sup> A chapter/subchapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the <b>audited entity’s ability to effectively administer the program(s)/function(s) audited</b>. <b>Immediate action is required to address</b> the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the <b>audited entity’s ability to effectively administer the program(s)/function(s) audited</b>. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the <b>audited entity’s ability</b> to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter/subchapter is rated Low <b>if the audit identified strengths that support the audited entity’s</b> ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the <b>audited entity’s ability to effectively administer the program(s)/function(s) audited</b>.</p>		

## ***Summary of Management’s Response***

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The Commission generally agreed with the recommendations in this report.

## ***Audit Objective and Scope***

The objective of this audit was to determine whether the Commission has processes and related controls to help ensure that it awards grants in accordance with state law, rules, and Commission policies and procedures and to help ensure that grantees perform in accordance with the terms of their grants.

The scope of this audit covered Program grants awarded during fiscal years 2015, 2016, and 2017 (through December 23, 2016).

An immediate family member of the First Assistant State Auditor is an employee with management responsibilities at the Commission, which was the subject of this audit. The First Assistant State Auditor recused herself from this audit, and the audit was supervised, reviewed, and approved by Chief of Staff Kelly Furgeson Linder. This condition did not affect our independence or audit conclusions. This condition is discussed further in Appendix 1 of this report.

# Contents

## *Detailed Results*

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Chapter 1	
The Commission Has Sufficient Controls to Award Grants in Accordance with Certain Requirements; However, It Should Update Its Grant Agreements .....	1
Chapter 2	
The Commission Has Implemented a Monitoring <b>Framework to Verify Grantees' Compliance with</b> Requirements; However, It Should Strengthen Certain Controls to Regularly Monitor All Grants and Reduce the Risk of Overpayment .....	5
Chapter 3	
The Commission Issued Annual Reports for Its Program as Required by Statute; However, the Commission Should Strengthen Its Processes to Ensure That the Information Presented Is Complete and Accurate .....	20
Chapter 4	
The Commission Established Controls Over Its Information Systems; However, It Should Improve Certain Information Technology Controls.....	23

## *Appendices*

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Appendix 1	
Objective, Scope, and Methodology .....	26
Appendix 2	
Issue Rating Classifications and Descriptions.....	30
Appendix 3	
Top Community Colleges Awarded Program Grants .....	31

# Detailed Results

Chapter 1

## *The Commission Has Sufficient Controls to Award Grants in Accordance with Certain Requirements; However, It Should Update Its Grant Agreements*

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Chapter 1  
Rating:  
Medium <sup>1</sup>

The Texas Workforce Commission (Commission) has sufficient controls in place to ensure that it awards grants in accordance with certain state laws, rules, and Commission policies and procedures. However, the Commission should update its grant agreements to reduce the risk of noncompliance and overpayments and it should ensure that all agreements are signed prior to their effective dates.

The Commission awarded grants in accordance with certain requirements tested. Auditors tested 15 grant agreements for items required by the Texas Labor Code, the Texas Administrative Code, and Commission policies and procedures. Auditors determined that the grant agreements included all but 1 of 42 requirements tested.<sup>2</sup> For example, agreements defined allowable expenditures and included grant agreement clauses designed to protect state interests. However, all of the 13 grant agreements that included training requirements did not contain language required by Title 40, Texas Administrative Code, Section 803.11(4)(B), specifying that final payment would be withheld (1) for 60 days after the completion of training and (2) until after the Commission received the employer's final verification of the trainees' continued employment.

The Commission did not always ensure that language within grant agreements was consistent and clearly defined requirements. **Auditors identified certain language inconsistencies within the grant agreements reviewed that could potentially cause confusion about grant requirements and lead to grantees' noncompliance with intended program requirements and the Commission's overpaying grantees. Specifically:**

- Grant agreements reviewed did not clearly communicate how long participants trained should remain employed. In one section, the grant agreements reviewed required that trained participants remain employed for at least 90 days after the completion of training. However, another section required that trained participants remain employed for

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<sup>1</sup> The risks related to the issues discussed in Chapter 1 are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

<sup>2</sup> Two grant agreements did not require training; therefore, not all requirements referenced above were applicable.

at least 90 days after the completion of the training or until the end of the grant period (which may be fewer than 90 days for participants trained near the end of the grant period). Not providing clear guidance could confuse grantees about how long trained participants must remain employed to comply with grant agreement requirements.

- The two grant agreements that auditors reviewed at the Alamo Colleges District did not clearly define what types of costs could be classified as program costs and what should be classified as administrative costs. As a result, auditors could not determine whether \$126,384 of salaries and benefits associated with the executive positions for both grant agreements tested were correctly classified as program costs. Not properly defining what classifies as administrative or program cost could allow grantees to exceed their administrative cost limits if administrative expenditures are improperly classified as program costs.

Grant agreements were not signed in a timely manner. The Commission did not have an adequate process to ensure that both parties sign grant agreements prior to the grant agreement's effective date. Eleven (73.3 percent) of the 15 grant agreements reviewed were not signed by both parties prior to the grant agreements' effective date. On average, the 11 grant agreements were signed by both parties 31 days after the effective date. However, for those 11 grant agreements, the Commission did not make any payments until the grant agreements were signed by both parties. Not signing a grant agreement on or prior to the effective date increases the risk that the grantee and the Commission may not have the same understanding of the deliverables and requirements associated with the grant.

#### Recommendations

The Commission should ensure that:

- Grant agreements, when applicable, include a statement that final payment will be withheld for (1) 60 days after the completion of training and (2) after it receives final verification that the trainees are still employed, as required by Title 40, Texas Administrative Code, Section 803.11(4)(B).
- Ensure that grant agreements contain language that clearly defines (1) how long a participant trained during the last 90 days of the grant period should remain employed and (2) program and administrative costs.
- Both parties sign all grant agreements before the effective dates.

## **Management's Response**

### **Recommendation**

*The Commission should ensure that:*

- *Grant agreements, when applicable, include a statement that final payment will be withheld for (1) 60 days after the completion of training and (2) after it receives final verification that the trainees are still employed, as required by Title 40, Texas Administrative Code, Section 803.11(4)(B).*

### **TWC Management Response:**

*It has been the practice of TWC to withhold payment for 60 days after the completion of training. Additionally, the Cash Draw and Expenditure Reporting (CDER) system sets up these grant awards to withhold 20% of the grant award until this 60-day requirement is met.*

### **CORRECTIVE ACTION:**

*Grant agreements, specifically, Attachment B, Financial Requirements, will be updated to include language that specifically states final payment will be withheld:*

*(1) for 60 days after the completion of training; and*

*(2) after TWC receives final verification that the trainees are still employed, as required by Title 40, Texas Administrative Code, Section 803.11(4)(B).*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

### **Recommendation**

*The Commission should ensure that:*

- *Ensure that grant agreements contain language that clearly defines (1) how long a participant trained during the last 90 days of the grant period should remain employed and (2) program and administrative costs.*

### **TWC Management Response:**

*(1) 90-days: TWC agrees that language needs to be clarified for the 90 day employment requirement.*



**CORRECTIVE ACTION:**

*After reviewing the current structure of grant agreements, TWC will update the language in the Grant agreements, specifically, Attachment A, Program Requirements, to include language that clearly defines how long a participant trained during the last 90 days of the grant period should remain employed. Specifically, grantees will be required to end training 30 days prior to the grant end date; given the 60-day close out period, this will ensure that TWC can confirm that a participant has remained employed for at least 90 days. The employer verification letter will also be required to be submitted at least 90 days after the last day of training to verify employment of participants.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

*(2) Program and administrative costs: TWC agrees a clearer definition is needed to distinguish between these two different costs.*

**CORRECTIVE ACTION:**

*TWC will clarify the definition of administrative and program costs, and develop a communication plan to ensure grantees are informed of the proper classification of those costs.*

**RESPONSIBLE PARTY:** *Director of Budget and Financial System Support*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

**Recommendation**

*The Commission should ensure that:*

- *Both parties sign all grant agreements before the effective dates.*

**TWC Management Response:**

*TWC has corrected this issue. Language from a recently approved project now reads:*

*“This grant award shall begin on August 01, 2017, or on the last date executed by the parties whichever occurs last, and shall terminate on July 31, 2018 unless amended by mutual written agreement of the parties.”*

**CORRECTIVE ACTION:** *No further action required.*

*The Commission Has Implemented a Monitoring Framework to Verify **Grantees' Compliance with Requirements**; However, It Should Strengthen Certain Controls to Regularly Monitor All Grants and Reduce the Risk of Overpayment*

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The Commission has implemented a monitoring framework to help ensure that Program grantees comply with requirements. That framework includes:

- **Grant closeout procedures** that include generating and reviewing (1) a *Participant Performance Report*, which details the number of participants trained and the number of training hours delivered, and (2) a *Final Payment Report*, which calculates the total amount of funds the grantee should be paid.
- **Monthly monitoring processes** that include (1) requiring grantees to submit a *Trainee Information Form*, which contains details about the training courses and hours delivered to date, and (2) conducting monthly reviews to monitor grantees' progress toward agreed-upon deliverables.
- **Commission onsite visits** of grantees selected through a risk assessment to verify self-reported information, such as the number of participants trained and expenditures.

While the Commission has created and implemented tools and processes to assist in the monitoring of Program grants, it should strengthen certain controls to help reduce the risk of overpayments and ensure that all grants are monitored on a regular basis.

Auditors also conducted site visits to two colleges and identified certain billing errors during those site visits. Specifically, Austin Community College overbilled the Commission \$25,575 in costs and the Alamo Colleges District overbilled the Commission \$690 in training costs.

The Commission Implemented Controls for Determining **Participants' Eligibility, Achievement of Grant Deliverables, and Final Payment**; However, the Commission Should Improve Those Controls to Reduce the Risk of Inaccurate Payments

Chapter 2-A  
Rating:  
Medium<sup>3</sup>

The Commission developed and implemented two closeout tools, the *Participant Performance Report* and the *Final Payment Report*, to consistently calculate the maximum reimbursable amount to a grantee based on the achievement of grant agreement deliverables (see text box for descriptions of those closeout report tools). However, the Commission should strengthen those closeout report tools to help ensure that it accurately calculates maximum reimbursable amounts for its grants.

Closeout Report Tools

- *Participant Performance Report* - The Commission uses this report during closeout procedures to calculate grant agreement deliverables. That report includes the total number of participants trained in a new or incumbent job position<sup>4</sup> and the total business technical, general technical, and non-technical training hours delivered.
- *Final Payment Report* - The Commission uses this report during closeout procedures to determine the maximum reimbursable amount to the grantee based on participants trained, training hours delivered (as calculated in the *Participant Performance Report*), or actual incurred expenditures.

Source: The Commission.

While the *Participant Performance Report* tool adequately calculates the total number of participants trained and training hours delivered, it does not identify participants who do not complete the number of required training hours.

Under most circumstances, the Commission's *Participant Performance Report* tool adequately calculates the total number of participants trained and the total number of training hours delivered for each grant. It also adequately identifies participants who do not meet certain grant agreement requirements, such as not meeting the agreed-upon minimum wage requirement.

However, the *Participant Performance Report* is not formatted to identify potentially ineligible participants who do not complete all training hours. The grant agreement states that (1) a participant shall complete the required training and (2) the final payment will be subject to a proportionate reduction if training requirements are not met. As a result, the Commission could potentially pay grantees more than it should if it does not identify and remove participants who are potentially ineligible from the *Participant Performance Report*.

<sup>3</sup> The risks related to the issues discussed in Chapter 2-A are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

<sup>4</sup> New job positions are positions that were filled fewer than 365 days prior to the date of the grant proposal submission or filled during the grant period. Incumbent job positions are positions that were filled at least 365 days prior to the date of the grant proposal submission.

The *Final Payment Report* tool, under most circumstances, accurately calculates the maximum reimbursable amount at closeout. However, the Commission should make improvements to the report to help ensure that the final payment is accurate under all circumstances.

The *Final Payment Report* tool calculates the maximum reimbursable amount based on the achievement of grant agreement deliverables or actual expenditures. However, calculations in the *Final Payment Report* may not always determine the achievement of certain deliverables in accordance with grant agreement requirements. For example, the number of participants trained deliverable has two components: (1) new job positions and (2) incumbent job positions.<sup>4</sup> To qualify for the maximum reimbursable amount, each of those two components must meet a threshold as specified in the grant agreement. The Commission's grant agreements allow grantees to count new job positions as incumbent job positions under certain circumstances, but the agreements do not allow the grantees to count incumbent job positions as new job positions to help meet grant requirements. Although auditors did not identify errors in the two *Final Payment Reports* reviewed, the Commission's *Final Payment Report* is not designed to ensure that incumbent job positions are not counted as new job positions, which increases the risk that the Commission could pay a grantee more than the amount allowed by the grant agreement.

## Recommendations

### The Commission should:

- Modify its *Participant Performance Report* to identify participants who complete fewer than the course-approved training hours, and evaluate whether those participants should be considered ineligible participants.
- Ensure that contract managers remove ineligible participants before calculating the grant final payment.
- Update its *Final Payment Report* to ensure that its calculations comply with all grant agreement restrictions.

## Management's Response

### **Recommendation**

#### *The Commission should:*

- *Modify its Participant Performance Report to identify participants that complete less than course-approved training hours, and evaluate whether those participants should be considered ineligible participants.*

**TWC Management Response:**

*TWC agrees that these participants need to be identified to evaluate whether they should be considered eligible or ineligible participants.*

**CORRECTIVE ACTION PLAN:**

*TWC is currently reviewing the Participant Performance Report as well as the Trainee Information Form (TIF) to make updates which will allow for the identification of participants that complete less than course-approved training hours. Additionally, TWC is reviewing instances where it may be acceptable for a participant to not complete all training hours of a course; e.g., using a competency-based system, the participant is hired based on their mastery of skills despite not completing the entire coursework, but they completed enough of the coursework to perform successfully on the job. Any necessary conforming adjustment to grant agreements will be made accordingly.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

**Recommendation**

*The Commission should:*

- *Ensure that contract managers remove ineligible participants before calculating the grant final payment.*

**TWC Management Response:**

*TWC acknowledges that the Participant Performance Report identifies participants who do not meet certain grant agreement requirements, such as not meeting the agreed-upon minimum wage requirement.*

**CORRECTIVE ACTION:**

*To ensure that contract managers are removing all ineligible participants prior to the calculation of the grant final payment, SOP's are being updated on the grant closeout process and will be provided to the contract managers as a refresher on the grant closeout process, including the requirement to remove all identified ineligible participants before calculating the grant final payment.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Program Supervisor, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** January 2018

**Recommendation**

*The Commission should:*

*Update its final payment report to ensure that its calculations comply with all grant agreement restrictions.*

**TWC Management Response:**

*TWC remains diligent in ensuring that final payments made to grantees are correct.*

**CORRECTIVE ACTION:**

*TWC will update the final payment report to ensure that final payment calculations comply with all grant agreement restrictions.*

**RESPONSIBLE PARTY:** Manager, Workforce Business Services

**TIMELINE FOR IMPLEMENTATION:** January 2018

## The Commission Implemented a Comprehensive Monitoring Process; However, It Should Strengthen That Process to Ensure That It Identifies Certain Inconsistencies and Errors and Monitors All Grants

Chapter 2-B  
Rating:  
Medium<sup>5</sup>

The Commission has a process in place to monitor its Program grants; however, it should strengthen that process to ensure that it regularly monitors all grants. In addition, the Commission should ensure that contract managers' review of the *Trainees Information Form* (see text box for more information) is sufficient to detect inconsistencies.

### *Trainee Information Form*

Community colleges are required to submit a *Trainee Information Form* not later than the 20th of each month to report the previous month's activity such as the number of participants trained, the name and number of courses and training hours completed, and other participant demographic information.

Source: The Commission.

The Commission should ensure that it monitors all grants as required. The Commission monitors most of its Regular Skills Development grants on a monthly basis, as required by the Commission's standard operating procedures, to help ensure that community colleges are on track to meet grant agreement deliverables. As part of that monthly monitoring, the Commission's contract managers review reports that grantees submit, such as the *Trainee Information Form*, and document any deficiencies identified, action plans required, and potential grant agreement adjustments needed.

Auditors tested 22 reports for grants that were subject to monthly reviews and determined that the Commission did not review 13 (59.1 percent) of the 22 reports as required by its standard operating procedures. Specifically:

- One of 22 reports tested was for a Regular Skills Development grant that had monthly activity that the contract manager did not review.
- Two of 22 reports tested were Regular Skills Development grants that did not have training activities during the months tested. However, those monthly reviews were necessary to monitor the grantees' progress toward meeting grant deliverables.
- Ten of 22 monthly reports tested were Small Business grants<sup>6</sup> that were not monitored on a monthly basis. Grant agreements require grantees to submit activity information on a monthly basis. The Commission asserted that it reviews Small Business grants activity only during the grant closeout process.

<sup>5</sup> The risks related to the issues discussed in Chapter 2-B are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

<sup>6</sup> Small Business grants are awarded to public community or technical colleges or the Texas A&M Engineering Extension Service to fund training for businesses with 99 or fewer employees.

Auditors also tested three Dual Credit grants, which fund equipment and curriculum development. Grantees are required to submit certain grant and equipment purchasing documentation on certain dates as indicated in the grant agreement. Auditors were able to confirm that the grantees submitted most of the required documents to the Commission; however, contract managers did not always follow up with grantees that did not submit those documents within the time lines required by the grant agreements.

While Commission policies and procedures require Program grants to be reviewed on a monthly basis, it does not address modified monitoring procedures for the Small Business grants. In addition, those policies and procedures do not address Dual Credit grant monitoring requirements.

The Commission should strengthen its reviews of the monthly *Trainee Information Forms* to better identify potential errors that could lead to participant ineligibility. As discussed above, the Commission’s contract managers review the *Trainee Information Forms* as part of their monthly review process. Auditors reviewed the *Trainee Information Forms* for two grants awarded to Austin Community College and identified certain discrepancies that, if not corrected prior to the grants’ closeout, could affect final payments for those grants. Specifically:

- For its grant in partnership with the Advanced Technologies and Manufacturing Consortium, Austin Community College used inaccurate “placeholder” information for all 778 participants listed in its *Trainee Information Form* for the following data fields:
  - ♦ Standard Occupational Classification and Job Title – Those two data fields are used to determine whether a participant is eligible to be trained under the grant agreement. As a result, it is necessary for grantees to obtain this information prior to delivering training to ensure that participants meet eligibility requirements.
  - ♦ Participant Hired Date – This data field is used to determine whether a participant should be classified as a new job position or as an incumbent job position. Grantees are required to attain certain targets for each of those classifications. Not properly classifying participants may result in potential overpayments or underpayments.

The Commission’s contract managers had not requested that Austin Community College provide all required information for the data fields listed above 11 months into the grant, as of May 2017.

- For its grant in partnership with Epic Piping LLC with G&A Outsourcing VI LLC, Austin Community College reported 56 participants for which it listed hired dates that were either (1) after the training start date or (2) after



both the training start date and the training ending date. Grant agreements require participants to be full-time employees prior to receiving training. However, the Commission's review of the *Trainee Information Form* did not identify those discrepancies. Inaccurate hire dates increase the risk that the Commission could overpay or underpay for training according to the terms of the grant agreement.

## Recommendations

### The Commission should:

- Ensure that all Program grants are monitored on a monthly basis as required.
- Ensure that its contract managers follow up on all information that has not been submitted within the required timeframes.
- Update its policies and procedures to provide clear guidance regarding monitoring requirements for each grant type.
- Develop and implement a process to identify certain data errors, such as hiring dates that are after the training start or ending dates, in its *Trainee Information Form*. The Commission should also ensure that contract managers review *Trainee Information Form* data for reasonableness and follow up with grantees as necessary to obtain required information.

## Management's Response

### **Recommendation**

#### *The Commission should:*

- *Ensure that all Program grants are monitored on a monthly basis as required.*

### **TWC Management Response:**

*TWC monitors the progress of most of the regular Skills Development grants on a monthly basis, as required by the standard operating procedures. In response to the three instances where reports were not available, supervisors will implement a quality review process to randomly sample grants each month to ensure compliance with this requirement. The Skills for Small Business program awards grants to community colleges to fund training for small businesses. Businesses apply directly to TWC for training that is readily available at a community college and grant agreements are set-up to allow*

*for a college to reply immediately to a business' training needs. TWC recognizes that training is not always ongoing for these different small businesses, and training may be provided and completed throughout the grant term.*

**CORRECTIVE ACTION:**

*Regular Skills Grants: Implement a quality review process to randomly sample grants each month to ensure compliance with this requirement. Additionally, SOPs will be reviewed to see if any updates need to be made to address projects where training may not have occurred during the month, thus allowing flexibility when there is no new progress to report.*

*Skills for Small Business (SSB): TWC will update grant agreement language to require TIFs only when training occurs, and the SOPs for monthly performance reviews will be updated to require progress reports for SSB grants only when training occurs.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Program Supervisor, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

**Recommendation**

*The Commission should:*

- *Ensure that its contract managers follow up on all information that has not been submitted within the required timeframes.*

**TWC Management Response:**

*Contract Managers are required to follow-up with grantees to ensure all required information is submitted on a timely basis. In instances where Contract Managers are not able to get timely information from grantees, Contract Managers will document all follow-up efforts via email.*

**CORRECTIVE ACTION:**

*SOPs will be updated to require contract managers document all follow-up efforts with grantees via email.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Program Supervisor, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

**Recommendation**

*The Commission should:*

- *Update its policies and procedures to provide clear guidance regarding monitoring requirements for each grant type.*

**TWC Management Response:**

*TWC agrees policies and procedures need to be updated to provide clearer guidance regarding monitoring requirements for the different types of grant programs.*

**CORRECTIVE ACTION:**

*TWC will update its SOPs to differentiate between the reporting requirements for the different programs that are funded by Skills Development in order to provide clear guidance regarding monitoring requirements for each grant type and program.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Program Supervisor, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

**Recommendation**

*The Commission should:*

*Develop and implement a process to identify certain data errors, such as hiring dates that are after the training start or ending dates, in its Trainee Information Form. The Commission should also ensure that contract managers review Trainee Information Form data for reasonableness and follow up with grantees as necessary to obtain required information.*

**TWC Management Response:**

*TWC agrees that the Trainee Information Form (TIF) should be updated to capture these types of data entry errors.*

**CORRECTIVE ACTION:**

*TWC is in the process of adding functionality to its TIF form to capture data errors. Additionally, Contract Managers will strengthen follow-up efforts to ensure accurate and timely reporting of required data elements from grantees, and will document all follow-up efforts with the grantee to obtain required information.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Contract Managers, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *January 2018*

Chapter 2-C

**The Commission’s Onsite Monitoring Visits Help Determine Grantees’ Compliance with Grant Agreement Requirements**

The Commission established the Subrecipient Monitoring Department to perform monitoring procedures as required by Title 40, Texas Administrative Code, Section 802.62 (see text box for more information about the monitoring requirements).

Chapter 2-C  
Rating:  
Low<sup>7</sup>

In addition to the Commission’s closeout reviews and monthly monitoring processes, as described in Chapters 2-A and 2-B, the Commission conducts desk reviews and onsite visits to verify the accuracy of grantees’ self-reported information and determine grantees’ compliance with grant agreement requirements. Specifically, the Commission:

- Verifies that the grantees’ self-reported participant training information is accurate and adequately supported.
- Reviews and tests expenditures to determine compliance with grant agreement requirements.

Monitoring Requirements

Title 40, Texas Administrative Code, Section 802.62, requires grantees to cooperate with the **Commission’s monitoring** activities. Monitoring activities were developed to ensure that grant programs achieve intended results; that resources are efficiently and effectively used for authorized purposes, are protected from waste, fraud, and abuse; and that reliable and timely information is captured and reported to serve as the basis to improve decision making.

<sup>7</sup> The risks related to the issues discussed in Chapter 2-C are rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

- Reviews grantees' policies and procedures, such as personally identifiable information policies, to verify that they are adequate to safeguard participants' data.

Auditors reviewed the Commission's current monitoring procedures and determined that those procedures were sufficient to provide adequate monitoring coverage. Auditors also reviewed monitoring documentation for two grant agreements the Commission had selected for an onsite visit and determined that the Commission's Subrecipient Monitoring Department had followed its established monitoring procedures when it conducted those two visits.

In addition, the Commission implemented a risk assessment process to select Program grantees for onsite visits. Between September 1, 2014, and April 18, 2017, the Commission monitored or was in the process of monitoring 20 Regular Skills Development and Dual Credit grants. The Commission conducted onsite reviews of 7 grants that received approximately 16.0 percent (or \$3,383,911) of total funds awarded in fiscal year 2015 and 3 grants that received approximately 6.9 percent (or \$1,619,973) of total grant funds awarded in fiscal year 2016.

#### Chapter 2-D

### While Grantees Had Sufficient Documentation to Support Most Expenditures, Auditors Identified Instances of Billing Errors

Chapter 2-D  
Rating:  
Medium<sup>8</sup>

Auditors conducted site visits at two grantees, Austin Community College and the Alamo Colleges District, and determined that both grantees had sufficient documentation to support most of the training hours reported to the Commission and had not exceeded their grant agreements' administrative budget allowances as of January 2017. However, auditors identified billing errors at both grantees.

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<sup>8</sup> The risks related to the issues discussed in Chapter 2-D are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Austin Community College. Auditors reviewed the grantee’s supporting documentation—including invoices, financial records, and the amount of funds that the Commission reimbursed Austin Community College for two Regular Skills Development grants (see text box for details about the grants

reviewed during site visits)—and determined that the grantee had sufficient documentation to support the number of training hours it reported to the Commission.

However, during review of the grantee’s financial records for its Advanced Technologies and Manufacturing Consortium grant, auditors identified instances in which the grantee requested and received \$25,575 for costs it had not incurred primarily due to erroneous entries in the grantee’s financial records. The Commission did not identify those errors because the Commission’s Cash Draw and Expenditure Reporting system processes reimbursement requests, within grant funding limits, without requiring grantees to submit supporting documentation, such as invoices, for reported costs incurred. While the grantee had not exceeded its total administrative budget allowance based on the expenditures recorded in its financial records as of January 2017, not accurately documenting expenditures in its financial records increases the risk of an overpayment.

Alamo Colleges District. Auditors reviewed supporting documentation—including grantee invoices, financial records, and the reimbursements the Commission made to the grantee for two Regular Skills Development grants (see text box for details about those grants). The grantee had

sufficient documentation to support most of the training hours it reported and billed the Commission. However, as discussed above, the Commission does not require grantees to submit supporting documentation, such as invoices, for reported costs incurred.

Auditors reviewed training cost invoices and identified reporting discrepancies in both grants reviewed. Specifically:

- For the Rackspace Hosting, Inc. grant, auditors identified reporting discrepancies in 5 of the 29 training courses tested. Specifically:
  - ♦ For 2 training courses, the discrepancies resulted in the underreporting of 24 training hours to the Commission.

#### Auditor Site Visits

At Austin Community College, auditors tested training course expenditures for two Regular Skills Development grants that are in partnership with the following employers:

- Epic Piping LLC with G&A Outsourcing VI LLC. Auditors tested 9 training courses for which Austin Community College had billed the Commission \$177,525. The value of that grant agreement as of December 23, 2016, was \$1,715,434.
- Advanced Technologies and Manufacturing Consortium, Phase II. Auditors tested 15 training courses for which Austin Community College had billed the Commission \$41,079. The value of that grant agreement as of December 23, 2016, was \$1,207,399.

At Alamo Colleges District, auditors tested training course expenditures for two Regular Skills Development grants that are in partnership with the following employers:

- Rackspace Hosting, Inc. Auditors tested 29 training courses for which Alamo Colleges District had billed the Commission \$121,751. The value of that grant agreement as of December 23, 2016, was \$2,421,704.
- Healthcare Consortium. Auditors tested 2 training courses for which Alamo College District had billed the Commission \$21,717. The value of that grant agreement as of December 23, 2016, was \$639,461.

Sources: The Commission’s Contract Administration and Tracking System and grantees’ financial records.

- ♦ For 2 training courses, the discrepancies resulted in the over reporting of 16 training hours to the Commission.
- ♦ For 1 training course, the grantee billed the Commission \$3,680 for 16 participants when only 13 participants attended the training course (resulting in an overcharge of \$690 for those participants).
- For the Healthcare Consortium grant, auditors identified reporting discrepancies in 1 of the 2 training courses tested, resulting in the underreporting of 26 training hours to the Commission.

Inaccurately reporting training hours and the number of participants may result in an overpayment or underpayment by the Commission during closeout procedures.

The Alamo Colleges District had not exceeded its administrative budget allowance as established in the grant agreements based on expenditures recorded in its financial records as of January 2017. However, as discussed in Chapter 1, auditors could not determine whether \$126,384 of salaries and benefits associated with the Alamo Colleges District's grant account executive positions for both grant agreements tested were correctly classified as program costs.

#### Recommendation

The Commission should implement a process to (1) require grantees to provide support for the amount of funds requested concurrent with their reimbursement requests and (2) review support provided by grantees.

#### Management's Response

##### ***Recommendation***

*The Commission should implement a process to (1) require grantees to provide support for the amount of funds requested concurrent with their reimbursement requests and (2) review support provided by grantees.*

##### ***TWC Management Response:***

*TWC agrees with the need to ensure that it has appropriate procedures and controls to prevent and detect billing errors as identified by the Auditors.*

**CORRECTIVE ACTION:**

*The Workforce Development Division, The Finance Division and the Subrecipient Monitoring Department will work jointly to develop an efficient and effective control process to ensure that amounts paid to grantees are for actual, allowable, adequately supported grant costs, and implement changes where appropriate.*

**RESPONSIBLE PARTY:** *Director of Workforce Development*

**TIMELINE FOR IMPLEMENTATION:** *June 2018*



*The Commission Issued Annual Reports for Its Program as Required by Statute; However, the Commission Should Strengthen Its Processes to Ensure That the Information Presented Is Complete and Accurate*

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Chapter 3  
Rating:  
Low <sup>9</sup>

The Commission notified the Office of the Governor and the Legislature of the status of the Program at the end of each fiscal year, as required by Texas Labor Code, Section 303.006(c). However, certain information was incomplete or inaccurate in the published annual Program reports for fiscal years 2015 and 2016.

Both annual reports included 14 of the 16 required elements that auditors tested. For example, the reports included information such as the average wages for participants, the number of new job positions created or incumbent job positions retained, the number of applications submitted, and total funds awarded to each state service region.<sup>10</sup> However, those reports did not include information for the following two requirements tested:

- The Commission did not report the number of applications rejected as required by Texas Labor Code, Section 303.006(d)(1), which could result in misleading information being presented.
- The Commission did not include the total number of new jobs positions created or incumbent job positions retained by wage level as required by Texas Labor Code, Section 303.006(d)(8)(C).

Furthermore, while the Commission's reports for fiscal years 2015 and 2016 summarized and presented information for Regular Skills Development grants and Dual Credit grants regarding applications approved, funds awarded, and participants to be trained, as applicable, the Commission did not report information regarding Small Business grants activity as required by Texas Labor Code, Section 303.006(d). Specifically, in fiscal year 2015, the Commission awarded 30 Small Business grants totaling \$720,000; in fiscal year 2016, it awarded 17 Small Business grants totaling \$450,500. The Commission also did not report the number of participants trained as a results of those grant awards.

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<sup>9</sup> The risks related to the issues discussed in Chapter 3 are rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

<sup>10</sup> The Office of the Comptroller of Public Accounts established uniform state service regions as required by the General Appropriations Act (72nd Legislature).

Texas Labor Code, Section 303.006(d)(5), also requires the Commission to report the percentage of statewide funds awarded in each state service region. The number of state service regions that the Commission reported changed from 13 in fiscal year 2015 to 12 in fiscal year 2016. However, the Commission's tool for calculating the percentage of funds awarded in each state service area was not updated to reflect the reduced number of state service regions. As a result, the information reported for fiscal year 2016 was not accurate. After auditors communicated that error to the Commission, it corrected and republished its report.

The Commission also did not have written policies and procedures for generating the annual report, including a documented report review process. Written policies and procedures could help the Commission ensure that it consistently complies with Texas Labor Code, Section 303.006(d), requirements and generates reports with complete and accurate information.

#### Recommendations

The Commission should:

- Include all required grant information, including information for Small Business grants, in its annual reports for the Program, as required by Texas Labor Code, Section 303.006.
- Develop and implement written policies and procedures for generating the annual reports for the Program and reviewing those reports for completeness and accuracy.

#### **Management's Response**

##### ***Recommendation***

*The Commission should:*

- *Include all required grant information, including information for Small Business grants, in its annual reports for the Program, as required by Texas Labor Code, Section 303.006.*

##### ***TWC Management Response:***

*TWC agrees that all information should be included in the Skills annual report.*

**CORRECTIVE ACTION:**

*TWC will include all required grant information, including information for Small Business grants, in all future reports.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *September 1, 2017*

**Recommendation**

*The Commission should:*

- *Develop and implement written policies and procedures for generating the annual reports for the Program and reviewing those reports for completeness and accuracy.*

**TWC Management Response:**

*TWC agrees that SOPs are needed for the development and review of the Skills annual report.*

**CORRECTIVE ACTION:**

*TWC is developing an SOP specific to the Skills Annual Report outlining the steps required for the collection of information and generation of the report, as well as the review of the report for completeness and accuracy.*

**RESPONSIBLE PARTY:** *Manager, Workforce Business Services; Program Supervisor, Workforce Business Services*

**TIMELINE FOR IMPLEMENTATION:** *September 1, 2017*

*The Commission Established Controls Over Its Information Systems; However, It Should Improve Certain Information Technology Controls*

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Chapter 4  
Rating:  
Low <sup>11</sup>

The Commission implemented adequate information technology controls for the key information systems that support Program grants (see text box for details about each system). However, the Commission should improve user access controls to minimize the risk of unauthorized access.

Auditors determined that the Commission’s partially automated control to restrict 20 percent of funds awarded to prevent grantees from overdrawing funds is adequately designed and effective when Commission staff manually activate the control. That control is important because it restricts a grantee from receiving all funds until the Commission determines the total grant payment.

In addition, the Commission had documented policies and procedures that defined user access requirements, including the monitoring and removal of those accounts when user access is no longer appropriate. However, the Commission did not have an adequate process to help ensure it properly restricts access to the Contract Administration and Tracking System (CATS) based on user job needs. Furthermore, the Commission did not promptly remove inappropriate user accounts as required by its policy. Not properly restricting user access increases the risk of unauthorized changes to information. Auditors identified 16 accounts for which user access to CATS was not appropriate. Specifically:

Key Information Systems That Support the Program

- The Contract Administration and Tracking System - The Commission uses this system to manage all grants from the initiation until closeout. It serves as the **Commission’s** central repository for all grant documents.
- The Cash Draw and Expenditure Reporting system - **The Commission’s** grantees use this system to submit expenditure reports and cash draws for reimbursement of grant expenses.
- The Workforce Reporting, Accounting, and Purchasing System - The Commission uses this system to manage its financial data.

Source: The Commission.

- Ten user accounts, which included programmers, system analysts, and testing accounts, had inappropriate administrative or modification rights. Assigning administrator rights to those users does not provide for adequate segregation of duties. That included two testing accounts for which the Commission had not removed the access in a timely manner when that access was no longer needed. The Commission reported that those two testing accounts had not been accessed in eight years.

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<sup>11</sup> The risks related to the issues discussed in Chapter 4 are rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

- Five user accounts were not removed in a timely manner when user access was no longer used or needed, as required by the Commission's policy. That included three testing accounts that the Commission reported had not been accessed in eight years and two accounts for current employees that no longer needed that access based on their job responsibilities.
- One user account had inappropriate access based on the user's job responsibilities.

In addition, auditors identified one user account that had inappropriate access to the shared drive where the Commission maintains grant agreements documentation.

#### Recommendations

The Commission should:

- Limit user access based on users' job responsibilities.
- Remove user access within the time frames required by its policies and procedures.

#### **Management's Response**

##### ***Recommendation***

*The Commission should:*

- *Limit user access based on users' job responsibilities.*

##### ***TWC Management Response:***

*TWC agrees user access should be limited based on users' job responsibilities.*

##### ***CORRECTIVE ACTION:***

*TWC is in the process of reviewing the Contract Administration and Tracking System (CATS) user access policies to ensure access is provided only to those users whose job responsibilities require access to the system.*

***RESPONSIBLE PARTY:*** CATS Administrator

***TIMELINE FOR IMPLEMENTATION:*** January 2018

**Recommendation**

*The Commission should:*

- *Remove user access within the timeframes required by its policies and procedures*

**TWC Management Response:**

*TWC agrees with this recommendation.*

**CORRECTIVE ACTION:**

*TWC is in the process of reviewing user access policies to ensure access is provided only to those users whose job responsibilities require access to grant-related shared folders, and will remind staff about the need to notify ITIS on a timely basis to ensure required timeframes are met.*

**RESPONSIBLE PARTY:** *Supervisors, ITIS staff*

**TIMELINE FOR IMPLEMENTATION:** *September 1, 2017*

# Appendices

## Appendix 1

### *Objective, Scope, and Methodology*

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#### Objective

The objective of this audit was to determine whether the Texas Workforce Commission (Commission) has processes and related controls to help ensure that it awards grants in accordance with state law, rules, and Commission policies and procedures and to help ensure that grantees perform in accordance with the terms of their grants.

#### Scope

The scope of this audit covered Skills Development Fund Program (Program) grants awarded during fiscal years 2015, 2016, and 2017 (through December 23, 2016).

#### Methodology

The audit methodology consisted of reviewing state laws, rules, Commission policies and procedures, Program grant agreements, monitoring tools used to determine grant agreement deliverables and final payment, grantee self-reported information, and Program annual reports; conducting interviews with Commission and grantees staff; performing selected tests and other procedures; and conducting site visits at Austin Community College and the Alamo Colleges District.

#### Data Reliability and Completeness

Auditors used grant information from the Commission's Contract Administration and Tracking System and reconciled that data to its accounting system, the Workforce Reporting, Accounting, and Purchasing System. Auditors also used expenditure data from the Cash Draw and Expenditure Reporting system and reconciled that data to the Commission's accounting system and the Uniform Statewide Accounting System (USAS). To conduct testing during onsite visits, auditors used the grantees' financial records for the grants tested and reconciled that data to expenditure data in the Cash Draw and Expenditure Reporting System.

Additionally, auditors relied on prior KPMG audit work that tested general controls of the Contract Administration and Tracking System, the Workforce Reporting, Accounting, and Purchasing System, and the Cash Draw and Expenditure Reporting system and on application controls performed on the Workforce Reporting, Accounting, and Purchasing System and the Cash Draw

and Expenditure Reporting system; and on previous State Auditor's Office audit work performed on USAS.

Auditors determined that the data sets discussed above were sufficiently reliable for the purposes of the audit.

#### Sampling Methodology

To determine whether the Commission monitored grantees in accordance with grant agreement requirements, auditors selected a nonstatistical sample of required monthly reports and other documentation primarily through random selection. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors used professional judgment to select risk-based samples of the Commission's grant agreements, grant closeouts, and onsite monitoring reviews for testing. During one onsite visit for which the recipient purchased equipment, auditors also used professional judgement to test a sample of equipment purchases. Those sample items were generally not representative of the populations and, therefore, it would not be appropriate to project those test results to the populations.

In addition, auditors used professional judgment to select four grants to test during site visits at two recipients. To determine whether expenditures were allowable and to test the accuracy of participants' training information, auditors selected nonstatistical samples primarily through random selection designed to be representative of the population. In some cases, auditors used professional judgment to select additional items for testing. Those sample items generally were not representative of the population. The test results as reported do not identify which items were randomly selected or selected using professional judgment. Therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Program grant agreements, including grant proposals, documented approvals, and other related supporting documentation.
- Monitoring tools including the Commission's *Trainee Information Form*, *Participant Performance Report*, and *Final Payment Report*.
- *Monthly Performance Review* reports or other required grant agreement documentation.
- The Commission's Subrecipient Monitoring Department's monitoring procedures and selected monitoring reports.



- Selected grants expenditures, invoices, course attendance sheets, and other supporting documentation for the grants tested at Austin Community College and the Alamo Colleges District.
- Fiscal years 2015 and 2016 Program annual reports.
- Commission policies and procedures and related manuals.

Procedures and tests conducted included the following:

- Interviewed Commission staff about Program grant management processes.
- Tested selected Program grant agreements to determine whether the Commission awarded those grants in compliance with applicable state laws, rules, and Commission policies and procedures.
- Reviewed and tested the Commission's *Participant Performance Reports* and *Final Payment Reports* for selected grant agreements.
- Tested selected grants' *Monthly Performance Review* reports and submission of other required documentation.
- Reviewed the Commission's process for monitoring grantees' compliance with grant agreement requirements and reviewed documentation to determine whether that process was followed for two onsite visits performed by the Commission.
- Tested expenditures and training documentation for compliance with requirements of selected grant agreements at Austin Community College and the Alamo Colleges District.
- Reviewed Program annual reports for compliance with applicable state laws.
- Reviewed and tested selected general and application controls.

Criteria used included the following:

- Texas Labor Code, Chapter 303.
- Title 40, Texas Administrative Code, Chapters 802 and 803.
- Commission policies and procedures, related manuals, and Program grant agreements.

## Project Information

Audit fieldwork was conducted from December 2016 through June 2017. 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. An immediate family member of the First Assistant State Auditor is an employee with management responsibilities at the Commission, which was the subject of this audit. This condition could be seen as potentially affecting our independence in reporting results related to this agency. However, we proceeded with this audit as set forth by the annual audit plan, operated under the Legislative Audit Committee. The First Assistant State Auditor recused herself from this audit, and the audit was supervised, reviewed, and approved by Chief of Staff Kelly Furgeson Linder. This condition did not affect our independence or audit conclusions.

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

- Ileana Barboza, MBA, CGAP (Project Manager)
- Ryan Marshall Belcik, MBA (Assistant Project Manager)
- Jennifer Fries, MS
- Minhaz Khan, CIA
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Audrey O'Neill, CIA, CFE, CGAP (Audit Manager)

## Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## Top Community Colleges Awarded Program Grants

The Texas Workforce Commission awarded 150 Skills Development Fund Program (Program) grants totaling \$48,991,601 to public community colleges from September 1, 2014, through December 23, 2016. Table 3 presents the top 16 community colleges that were awarded \$38,312,733, or 78.2 percent of total funds awarded.

Table 3

Top Community Colleges Awarded Program Grants From September 1, 2014, through December 23, 2016		
Grantee	Awarded Amount	Number of Participants to Be Served <sup>a</sup>
Austin Community College	\$ 4,592,181	1,854
El Centro College	3,313,536	1,447
Alamo Colleges District	3,082,165	2,111
Ranger College	2,811,782	1,850
McLennan Community College	2,680,271	3,608
Richland College	2,649,456	1,415
Brazosport College	2,608,688	1,206
Alvin Community College	2,261,860	978
Lone Star College System	2,086,961	1,235
South Texas College	2,084,051	1,963
Del Mar College	2,048,289	1,515
Tarrant County College District	1,912,672	1,506
Blinn College	1,864,256	1,094
Collin County Community College District	1,647,999	1,107
El Paso County Community College District	1,519,110	824
North Central Texas College	1,149,456	756
All Other Public Community Colleges	10,678,868	4,444
Totals	\$48,991,601	28,913

<sup>a</sup> Small Business, Dual Credit, and Skills Transition grant agreements do not include the number of participants to be served at the time the grant is awarded. Dual Credit grants primarily fund training equipment and curriculum. The Commission had awarded 64 of those 3 types of grants as of December 2016. One of those types of grants, Skills Transition grants, is awarded as part of a pilot program that funds grants to assist military personnel transition into the civilian workforce. The Commission had awarded four Skills Transition grants as part of its pilot program as of December 2016; however, auditors did not review any of those grants.

Source: The Commission's Contract Administration and Tracking System.

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

### Office of the Governor

The Honorable Greg Abbott, Governor

### Texas Workforce Commission

Members of the Texas Workforce Commission

Mr. Andres Alcantar, Chair

Mr. Julian Alvarez, III

Ms. Ruth R. Hughs

Mr. Larry Temple, Executive Director



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