

U.S. Department of Labor

Employment and Training Administration
Sam Nunn Atlanta Federal Center
Room 6M12 – 61 Forsyth Street S.W.
Atlanta, Georgia 30303



May 15, 2019

Mr. Ken Lawson
Executive Director
Florida Department of Economic Opportunity
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E-Mail: ken.lawson@deo.myflorida.com

Dear Mr. Lawson:

In March of 2018, the Tampa Bay Times and other local news media reported allegations of “fake” job placements made by two local workforce areas: the CareerSource Tampa Bay and CareerSource Pinellas. This prompted the Department of Labor’s Employment and Training Administration (ETA) to conduct a comprehensive compliance review. The rather extensive and complex nature of the review findings contributed substantially to its completion.

ETA’s Atlanta Regional Office conducted the review in collaboration with the State of Florida’s (State) Department of Economic Opportunity (FLDEO). The review confirmed that “fake” job placements were made, that records were falsified, including numerous other violations of the Workforce Investment Act (WIA) and the Workforce Innovation and Opportunity Act (WIOA), resulting in over \$17 million in questioned costs subject to disallowance.

The improper administration of Federal employment and training funds by the two local workforce boards lead to blatant non-compliance with WIOA requirements. This was further compounded by the lack of fiduciary oversight which fostered an environment vulnerable to mismanagement, waste, fraud, and abuse to occur undetected. This report outlines in detail each of the 17 findings of non-compliance and 3 areas of concern.

The State is required to submit a corrective action plan (CAP) that formally responds to each of the 17 findings and questioned costs. The CAP should include any corrective actions already taken or currently underway to help resolve all findings. Please submit the CAP to ETA’s Atlanta Regional Office within 45 days of receipt of this report.

Please mail your response to:

Mr. Winston Tompoe
Acting Regional Administrator
U.S. Department of Labor/ETA
Atlanta Regional Office, Region 3
61 Forsyth St. SW, Rm 6M12
Atlanta, Georgia 30303

I want to thank you and State staff for the support, cooperation, and responsiveness provided to ETA staff throughout the compliance review process. I also want to acknowledge the cooperation of local workforce area staff in providing all requested documentation. Please contact me at (404) 302-5301 or Tompoe.Winston@dol.gov if you have any questions or need additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tompoe", with a long horizontal flourish extending to the right.

Winston Tompoe
Acting Regional Administrator

cc: Mr. Thomas M. Dowd, Deputy Assistant Secretary, DOL/ETA
Ms. Laura Watson, Administrator, Office of Grants Management, DOL/ETA

**U.S. Department of Labor
Employment and Training
Administration**

**Compliance Review of CareerSource
Tampa Bay and CareerSource Pinellas**

**Submitted to:
Ken Lawson
Executive Director
Florida Department of Economic Opportunity
Tallahassee, Florida**

**Issued by the Atlanta Regional Office
May 15, 2019**

eta

**UNITED STATES DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION**

Compliance Review of the CareerSource Tampa Bay and CareerSource Pinellas Workforce Areas

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Table of Acronyms

AJC	American Job Center
BOCC	Board of County Commissioners
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CLEO	Chief Local Elected Official
CSP	CareerSource Pinellas
CSPH	CareerSource Pasco Hernando
CSTB	CareerSource Tampa Bay
DFMAS	Division of Financial Management and Administrative Services
EF	Employ Florida
EO	Equal Opportunity
ETA	Employment and Training Administration
EWT	Employed Worker Training
FLDEO	Florida Department of Economic Opportunity
FPO	Federal Project Officer
ICQ	Internal Control Questionnaire and Assessment
IEP	Individual Employment Plan
LEO	Local Elected Official
LWDA	Local Workforce Development Area
LWDB	Local Workforce Development Board
MIS	Management Information System
OJT	On-the-Job Training
OSO	One-Stop Operator
OSS	Office of State Systems
PWE	Paid Work Experience
PY	Program Year
RFP	Request for Proposal
SNAP	Supplemental Nutrition Assistance Program
SWDB	State Workforce Development Board
TEGL	Training and Employment Guidance Letter
WIA	Workforce Investment Act
WIOA	Workforce Innovation and Opportunity Act
WP	Wagner-Peyser
WTP	Welfare Transition Program

I. EXECUTIVE SUMMARY:

In March of 2018, the Department of Labor’s (DOL) Employment and Training Administration (ETA) became aware of allegations that two local workforce areas in Florida – CareerSource Tampa Bay (CSTB) and CareerSource Pinellas (CSP) – were involved in falsifying job placements. Local news media, including the Tampa Bay Times stated, “The questionable dealings at the region’s jobs agencies, CareerSource Tampa Bay and CareerSource Pinellas, continue to mount. Once again, at the center of the mess is former CEO, Edward Peachey.”¹

To evaluate the validity of the allegations, ETA initiated a thorough compliance review, which required many months to complete. ETA’s Atlanta Regional Office led the review, with the assistance of staff support from other regional offices and in collaboration with Florida’s Department of Economic Opportunity (FLDEO). The review included interviews with Local Elected Officials (LEOs), local workforce development board (LWDB) members and staff, in addition to a comprehensive examination of documents and records provided by the State of Florida (the State).

The review confirmed fraudulent job placements, falsified records, and the lack of compliance with numerous components of both the Workforce Investment Act (WIA) and the Workforce Innovation and Opportunity Act (WIOA). The results of these violations include seventeen (17) findings of noncompliance, three (3) areas of concern, and \$17,643,409.87 in questioned costs subject to disallowance.

Mr. Ed Peachey, former Chief Executive Officer (CEO) and President of the administrative entities for both the CSTB and CSP Local Workforce Boards, managed these operations with improper governance and administrative structures, which resulted in a lack of adequate oversight and the mismanagement of funds, in addition to many other violations of WIOA provisions. The structures Mr. Peachey put in place did not comply with the Uniform Guidance², as well as ETA program guidance. These structures were strategically developed and implemented to subvert the requirement to implement appropriate internal controls, which would have deterred improprieties, prevented conflicts of interest, averted the propensity for the occurrence of undue influence, and served as a mechanism for the mitigation of possible other risks.

Mr. Peachey was the nexus between the boards, by exercising complete control of all communications, operations, and outcomes. His undue influence rendered both boards ineffective in carrying out proper governance, internal controls, and oversight of operations. For example, he actively influenced the appointment of LWDB members by vetting and nominating board candidates. The failure of the LEOs/Chief Local Elected Officials (CLEOs) and the two local workforce boards to exercise proper fiduciary oversight created an environment vulnerable to mismanagement, waste, fraud, and abuse to occur undetected.

¹ “Editorial: The Growing Scandal at CareerSource,” *Tampa Bay Times*, March 19, 2018, https://www.tampabay.com/opinion/editorials/Editorial-The-growing-scandal-at-CareerSource_166522367 (accessed April 30, 2019).

² The US Office of Management and Budget (OMB) issued **Uniform** Administrative Requirements, Cost Principles and Audit Requirements, also known as the “**Uniform Guidance**,” to deliver on the promise of a 21st-Century government that is more efficient, effective and transparent.

Synopsis of Findings:

- **Finding #1:** Falsified Placements; Falsification of Information and Records
- **Finding #2:** Lack of Documented Program and Service Eligibility for On-the-Job Training (OJT) Participants
- **Finding #3:** Supportive Services Payments Potentially Issued to Ineligible Participants for OJT
- **Finding #4:** Improper Business Services Staff Incentive Compensation
- **Finding #5:** Improper Executive Director and Management Compensation Salary Increases
- **Finding #6:** Lack of Staff Grievance Procedures and Equal Opportunity Representation
- **Finding #7:** Lack of Firewalls and Internal Controls at CSTB and CSP
- **Finding #8:** Board Recruitment, Vetting, Nomination, and Appointment Inconsistent with WIOA Provisions
- **Finding #9:** Chief Elected Officials Improperly Delegated Key Roles and Responsibilities
- **Finding #10:** Non-Compliance with WIOA Transparency and Sunshine Provisions
- **Finding #11:** CSTB and CSP Lack Evidence of the LWDBs Fulfilling Required Functions
- **Finding #12:** One-Stop Competitive Procurement Not Compliant
- **Finding #13:** Conflict of Interest Policies Not Compliant
- **Finding #14:** CSTB and CSP LWDB Compositions Not Compliant
- **Finding #15:** Non-Compliance with Stevens Amendment
- **Finding #16:** The State Did Not Conduct Adequate and Effective Oversight
- **Finding #17:** Lack of Internal Controls Over Supportive Services and Prepaid Credit Cards

Areas of Concern:

- **Area of Concern #1:** Lack of Training for CLEOs and LWDB Members on Roles and Responsibilities
- **Area of Concern #2:** Improper Appointment or Assignment of Staff as Subcommittee Voting Members
- **Area of Concern #3:** Inadequate State Oversight of Local Area Self-Monitoring

Questioned Costs Subject to Disallowance, by Finding:

- **Finding #2:** Lack of Documented Program and Service Eligibility for OJT Participants
 - \$9,753,923.75 in questioned costs subject to disallowance
- **Finding #3:** Supportive Services Payments Potentially Issued to Ineligible Participants for OJT
 - \$5,449,113 in questioned costs subject to disallowance
- **Finding #4:** Improper Business Services Staff Incentive Compensation
 - \$2,031,886.12 in questioned costs subject to disallowance

- **Finding #5:** Improper Executive Director and Management Compensation Salary Increases
 - \$408,487 in questioned costs subject to disallowance

Primary governance findings and administrative concerns:

- The failure of the LEOs and LWDBs to provide rigorous governance oversight created the environment that allowed for the 17 findings of non-compliance and violations of the WIA and WIOA to occur;
- The absence of internal controls created the opportunity for Mr. Peachey, who served as staff director for the LWDBs, to exercise undue influence;
- LEOs and LWDB members lacked basic knowledge about their roles and responsibilities, which impeded their ability to provide proper oversight of programs, personnel, and implementation of effective internal controls;
- The recruitment, vetting, nomination, and appointment of board members in both local areas was inconsistent with WIOA provisions and Florida State policy, in addition to being heavily influenced by board staff;
- The membership composition of both boards did not comply with the majority business requirements of WIOA, as both had vacant private sector board positions (nearly 26 percent in CSTB and 40 percent in CSP), at the time of the review;
- The lack of training for CLEOs and LWDB members, overpayment of supportive services to participants, self-monitoring without an independent evaluation, and the inappropriate appointment or assignment of staff as voting members on board subcommittees, contributed directly to undermining the effective administration of grants and programs;
- The level of compensation paid to Mr. Peachey increased substantially between July 2009 and October 2016, from \$120,000 to \$209,400. Increases were inconsistent with LWDB policy governing pay increases and without justification or authorization by the LWDBs and CLEOs; and,
- While the level of pay increased for work with each LWDB, the time expended by the CEO decreased from 40 hours to 30 hours at each LWDB location, resulting in compensation for a 60-hour workweek. The examiner did not find documentation that the boards approved the increases in salary commensurate with the level of work and that the increases were in accordance with each LWDB’s compensation policies. The CEO’s salary increased at both LWDBs, even though the level of work decreased.

This report provides a detailed description of the 17 findings of non-compliance and 3 areas of concern. Beyond the efforts already taken by the State, additional action to address the financial findings and lack of proper administrative oversight are still required as outlined in this report; failure to resolve the cost-related findings could result in disallowance and require repayment.

The State, CSTB, and CSP must continue their course of corrective actions to resolve the findings, including the submission of a comprehensive corrective action plan, along with documentation affirming the implementation of the actions taken. The State must submit the comprehensive corrective action plan within 45 days from the receipt of this report to ETA’s Atlanta Regional Office for review and approval. In the interim, the State must continue its

monitoring of the CSTB and CSP in coordination with ETA's Atlanta Regional Office and ETA's Office of Grants Management.

ETA's Atlanta Regional Office acknowledges that during the review, as well as prior to its conclusion, CSTB, CSP, and FLDEO leadership began making changes to address many of the findings identified in this report. For example, the CSP Board voted on March 21, 2018, to dismiss Mr. Peachey as the organization's CEO. As of September 1, 2018, both CSP and CSTB transitioned to a non-shared services model, each with their own CEO instead of one.

i. Scope of the Compliance Review³:

The purpose of the review was to assess allegations of fake job placements and evaluate the organizations' general compliance with all applicable Federal laws, regulations, policies, and other grant management requirements.

- Assess how and when the two local workforce areas made fake job placements.
- Review of governance systems focused on the functions, roles, and responsibilities of the LEOs, LWDBs, and board staff.
- Review of the financial and administrative controls by analyzing internal control systems between all entities, evaluating the cost allocation systems, and assessing expenditures to determine compliance with the Uniform Guidance.

ii. Overview of Alleged Fake Job Placement Scheme:

The review team evaluated numerous allegations concerning CSTB and CSP services and operations, with a particular emphasis on job placements. The allegations asserted that CSTB and CSP American Job Centers (AJCs) claimed placements for individuals already hired by local employers and for whom AJC staff provided no actual service, referral, or placement assistance. A separate, yet related, allegation was that local areas misused OJT program funds by claiming placements without providing required OJT services, in addition to enrolling individuals without appropriate assessment, eligibility, and determination of need. Essentially, the local areas only used the OJT program to reimburse salary supplements for employers. One of the significant factors that contributed to the allegation of falsified (fake) placements was the use of employer hire lists. These lists included individuals recently hired by employers or individuals with the potential for OJT reimbursement.

Based on the initial review findings of falsified job placements, the team intensified its examination of participant files to assess activities, operations, and services. The team conducted extensive interviews of CSTP and CSP staff in various positions, as well as the careful examination of local area financial files related to incentives, supportive services, payroll records, and OJTs contracts. The team expanded its review to include several ETA-funded programs and projects, (e.g., Wagner-Peyser (WP), WIOA Adult, Dislocated Workers, and Youth). The following information provides a summary of the programs reviewed.

³ Background information about the compliance review are in the appendices.

Overview of WP and OJT programs reviewed:

WP establishes the public labor exchange system. The AJCs, specifically the Business Services team and recruiters therein, work with employers and job seekers to facilitate matches between employers and job seekers. Job seekers secure employment through their job search efforts or a direct referral from the AJC. If an individual obtains a job independently, but receives a service from the AJC within 90 days before getting the job, the local area may claim the individual's employment in their performance outcomes. The local area may not claim placement outcomes for individuals they did not provide services.

The WIOA OJT program has specific program and service eligibility requirements. Through an OJT contract, the employer is required to provide occupational training for a WIOA participant, (or a WIA participant, prior to July 1, 2015). In exchange, the employer is reimbursed for the cost of providing training and supervision related to the training. Wage reimbursement is typically up to 50 percent of the participant's wage rate. A case manager assesses participant eligibility, provides assessment and career services, and establishes and monitors the customized OJT training contract with the employer.

Under WIA, OJT participants were required to be eligible to receive core and intensive services, called sequence of service, before receiving training services. Unlike WIA, WIOA no longer requires a sequence of service, but both programs require individuals to be determined eligible to receive services.

ETA's review of CSTB and CSP participant files found a lack of evidence documenting eligibility for OJT program services and support. The review sample consisted of 420 participant files. The file review focused on identifying falsified job placements, and found that 340 (81 percent) were questionable. Of the 420 files, 395 were WP participants and among those, 320 (81 percent), were questionable. The team reviewed 25 WIOA files, of which, 20 files (85 percent), were questionable. The determination of files as questionable was either the existence of direct evidence of the misuse of OJT program and services, or the absence of evidence in the record to substantiate the WP service and outcomes reported for the individual. In addition to the file review, both local areas' Business Services Divisions and OJT teams used processes and questionable practices, guided by the Business Services Director, which contributed to the occurrence of the falsified placements.

Reviewers found the Business Services team followed management's instruction to record and document services for individuals not served by the workforce system, for example:

- a. Obtaining employer hire lists of individuals recently hired;
- b. Obtaining potential OJT hires from employers of individuals screened for OJT reimbursement, but not yet hired by employers;
- c. Creating false registrations for individuals not served by the AJCs;
- d. Creating false Social Security numbers for individuals; and,
- e. Claiming services in the case management system for individuals to whom the AJCs did not assist.

Management specifically instructed Business Services staff to obtain hire lists from employers. These lists confirm placements for participants served, and included the names of recent hires, their Social Security numbers, and employment start dates. This practice is allowable. However, using the hire lists to create registrations, and/or document job search, referral, and placement services for individuals never served by the local workforce system is the falsification of participant records. The local areas used the fabricated records to claim and report placement outcomes for which they provided no services; this constitutes a fake job placement, confirming allegations reported by local media.

Management sent email instructions to staff explaining the process for entering placements into the case management system based on the employers' reported new hires. The instructions included directives for activating inactive former participant registrations, as well as instructions for creating new registrations and assigning services in the system if they were not registered or active. These instructions applied to all new hires on the list; not just those individuals referred by the AJCs. In addition to falsifying records, the two local areas claimed placements and positive outcomes for services they did not provide, and staff received incentives for falsely reporting participant services and performance outcomes.

The review also uncovered that management pressured staff to meet individual and local performance numbers through various means, including falsifying records, threatening staff incentives, and threatening staff employment status or positions. Management relied heavily on falsified placements to achieve desired performance goals, and falsely taking credit for all new hires reported by employers. Out of caution, some employers declined to provide information, or only confirmed specific names provided to them by AJC staff. The local areas reassured employers who questioned the reporting of all new hires and their personal information that the practice was commonplace and supported by the State.

The screenshot below shows a sample analysis for tracking the frequency of the hire lists and the average number of new hires reported to the local areas associated with each business. It is not an analysis of job orders and new hires of AJC participants. Instead, this is a list of business names, the frequency each business submitted their hire lists, and the average number of hires; the local areas used this information to anticipate the number of job placements they would be able to claim for performance reporting. The collection and specific use of these hire lists enabled the local areas to (falsely) meet their local performance numbers.

	A	B	C	D
1	Staff Name	Business Name	Frequency of List	Average Number of Hires
17	Joshua Faria	Securitas	Weekly	1 - Only PWE and OJT hires. Employer reports incorrect start date each time.
18	Kathy Holmes	Coca - Cola	Monthly	10 to 13
19	Kathy Holmes	Aramark Food Services	Monthly	2 to 5
20	Kathy Holmes	DACCO	Monthly	2 to 5
21	Kathy Holmes	Answer First Communications	Bi-Weekly	2 to 3
22	Kathy Holmes	GTE Financial	Bi-weekly	2 to 3
23	Kathy Holmes	Labtech Software / Connectwise	Bi-Weekly	2 to 3
24	Kathy Holmes	Franklin Street	Weekly	2 to 3
25	Kathy Holmes	USAmeriBank	Monthly	2
26	Kathy Holmes	Computer Generated Solutions	Monthly	5 to 15
27	Angela Lyons	Convergys	Every two weeks	25-30
28	Angela Lyons	Amazon	Monthly to Every other month	500 - 1000
29	Angela Lyons	General Dynamics -	Every week	5 - 10
30	Angela Lyons	TJ Maxx	Yearly	30-40
31	Angela Lyons	Terminix	Twice a year	20 - 30
32	Angela Lyons	TruGreen	Twice a year	20 - 30
33	Angela Lyons	Affinity	twice a month	10 -- 15
34	Angela Lyons	Bass Pro Shops	Yearly	200 - 250

In mid-2016, the local areas further streamlined their Business Services structure and operations by creating a sub-unit, or specialized list team, within the already centralized Business Services Division. The role of the specialized list team was to process the hire lists. The Business Services leads were required to obtain hire lists as part of their performance. Management also directed them to provide the lists to the newly created list team for processing, continuing the practice of confirming employment for individuals referred and those recently served by the workforce system. They also used the lists to enter services and employment for those individuals not served by the workforce system, including the creation of false registrations. Management also instructed the list team to use a specified formula to create Social Security numbers for individuals on the list who were missing such information. This process also enabled the list team to develop special job orders for fabricated participants.

Similarly, the practice of utilizing information from hire lists also applied to the OJT process. The Business Services staff discussed the OJT opportunity with employers and occasionally referred participants to employers as potential OJT candidates. After interviewing individuals, employers provided the team with a list of individuals they planned to hire. The AJC referred the individuals, or they found jobs on their own. The Business Services staff used the lists to screen all candidates for potential OJT reimbursements. Below is a sample communication from the local area to an employer.

Good Morning,

I hope you are having a great week! I am just sending you a friendly reminder to see if you will have any new hires for the week of **Monday, February 13th** so we can screen them for OJT or any additional programs the new hires may qualify for. Please keep in mind that we can pre-screen any of your new hires, not only ones that have been provided by CareerSource Tampa Bay. Anyone may qualify.

We must also know about any candidates prior to their first day of work to determine eligibility.

Thank you,

(Name Removed)

Business Services Account Executive
CareerSource Tampa Bay
4902 Eisenhower Blvd. Suite 250
Tampa, FL 33634

The OJT team processed individuals by determining their OJT eligibility. For those individuals determined ineligible for OJT, the team entered them into the system as WP referrals and placements. The team also went to jobsites on or after the planned start date to obtain required documentation and have OJT agreements signed. The staff did not appear to know the programmatic requirements for OJT. Their primary role was to help ensure that the individuals completed the OJT paperwork. Often the team used photocopied records or pre-signed OJT agreements from employers. The teams did not provide eligibility determinations per WIOA statute or regulations. Additionally, the only service provided for individuals technically enrolled in OJT was wage reimbursement to the employers.

These questionable practices were primarily encouraged through performance incentives and enforced through informal verbal instructions and email. Management also gave staff unclear and non-compliant policy directions. Managers used threats of demotion or termination if staff did not perform as expected. Management created a hostile work environment, and made Whistleblower and Equal Opportunity representation unavailable to staff.

Fiscal Impact

The Business Services incentive plans from 2013 through 2017 for both CSTB and CSP provided a maximum incentive of \$12,000 annually for attaining performance measures. The performance measures contributing to questionable placement practices included:

- a. Job Training Placement/Internship Position and Placement – maximum payment of \$2,400 annually/\$600 quarterly/\$200 monthly for placements using the job training list and special programs to contact participants and a job found from the Employ Florida (EF) job order and/or a job developed and job order added to EF, or internship position created with placement. Typically, all individuals who receive services through the AJCs register in EF, the State’s online job system, which also serves as the State and local areas’ primary case management system.
- b. OJT/Work Experience Agreements – maximum payments of \$3,000 annually/\$750 quarterly/\$250 monthly for placements determined eligible based on completed EF documentation and the participant having worked at least one day before claiming the placement.
- c. Onsite Staffing – maximum payments of \$2,200 annually/\$550 quarterly/\$183 monthly for documented job orders in the system and placement taken.

The fiscal compliance reviewer examined payroll records and incentive payment documents covering the period from July 1, 2013, through June 30, 2017. The reviewer noted that incentive

payments made to Business Services staff assigned to account executive and recruiter positions were between 16 percent and 20 percent of their base salaries. The reviewer also noted instances of payments higher than the calculated amount and incentive payments to Business Services staff in positions not covered by an incentive plan, including program manager, career counselor, and intern positions. Mr. Peachey developed and oversaw the incentive program. No other local area in the State paid incentives for placements that the review team could verify.

Fiscal Year Dates	Incentive Paid	# of Staff Paid Incentives
July 1, 2013-June 30, 2014	\$556,123.09	70
July 1, 2014-June 30, 2015	\$661,719.45	73
July 1, 2015-June 30, 2016	\$492,925.00	61
July 1, 2016-June 30, 2017	\$321,118.58	47
TOTAL	\$2,031,886.12	

II. LISTING OF FINDINGS

Finding #1: Falsified Placements; Fabrication of Information and Records

Compliance Monitoring Guide (CMG) Indicators: 1.e Participant Services; 2.e Performance Management; 2.f Sub-recipient Management and Oversight; 3.a Internal Controls

CSTB and CSP Business Services and other operations staff created registrations, entered service codes (including referrals and placements), created Social Security numbers, and backdated program documents and services for individuals who did not receive services through the workforce system. Staff claimed individuals that employers reported on hire lists as participants in WP and WIOA programs. Not all individuals met the definition of a participant. The staff took these actions based on local area management guidance and instructions.

Below is an example of management instructions on how to create a pseudo account, including falsifying Social Security numbers, and tips to avoid potential flags by the system.

Step 5 – Type in pseudo social security number.

- Example that will be used for this training tool is bolded on this line item – Date of birth: **06/17/2016**.
- The first 3 digits of the social will always be the last 3 digits of the birth year, in this case it will be “**016**”
- **Next**, the middle 2 numbers will always start with “00”, if there is someone already registered in EFM under the pseudo social using “00” as the middle 2 digits than proceed to use 01, 02, 03, 04, 05 and so on. Generally, you will not have to go past 03, however in rare circumstances you might have to.

- **Next**, the last 4 digits will be the 2 digit birth month and the 2 digit birthday. In this case it would be “0617”
- So, once you have completed the steps above your full pseudo social should read “**016-00-0617**”

Additionally, the hire list instructions in the figure below directed staff to “Create job seeker profiles as needed,” As well as to “Refer the job seekers,” which meant for staff to enter a job referral service code into a job seeker profile in the EF system.

Hire List Organization

Fridays:

- Receive and distribute hire lists
- Open Job Orders. Create new Job Orders as needed.
- Create job seeker profiles as needed
- Refer the job seekers to the assigned JO
- Check that all OJTs are referred to a job order that matches the job title. Non OJT job titles do not have to match exactly.
- Recruiters send confirmation of completion
- Check that all JOs are offline (All should be fully referred)

Mondays:

- Enter the placements and placement case notes using the “OJT employer case note” i.e., employer will accept referrals that do not match the qualifications on the job order.

This enabled staff to claim a job referral service. The instructions also stated, “Enter the placements,” which meant for staff to enter a service code into the job seeker profile, and thus claim a job placement service. These instructions enabled staff to falsify placement records by editing Job Order records or creating new Job Orders, often from a list of existing employers. These actions resulted in staff claiming these new hires as placements without actually providing any services.

Criteria: Per the Code of Federal Regulations (CFR), 20 CFR § 683.220 prescribes:

(a) Recipients and sub-recipients of WIOA title I and Wagner-Peyser Act funds must have an internal control structure and written policies in place that provide safeguards to protect personally identifiable information, records, contracts, grant funds, equipment, sensitive information, tangible items, and other information that is readily or easily exchanged in the open market, or that the Department or the recipient or sub-recipient considers to be sensitive, consistent with applicable Federal, State and local privacy and confidentiality laws. Internal controls also must include reasonable assurance that the entity is:

- (1) Managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (2) Complying with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- (3) Evaluating and monitoring the recipient’s and sub-recipient’s compliance with

WIOA, regulations and the terms and conditions of Federal awards; and
(4) Taking prompt action when instances of noncompliance are identified.

Additionally, per 2 CFR § 200.302(b)(4), the financial management system of each non-Federal entity must provide for “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

Further, 2 CFR § 200.328(a) stipulates:

Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function, or activity.

20 CFR § 677.240(a)⁴ requires that: “States must establish procedures, consistent with guidelines issued by the Secretary of Labor or the Secretary of Education, to ensure that they submit complete annual performance reports that contain information that is valid and reliable, as required by WIOA sec. 116(d)(5).” In Program Years (PY) 2014 and 2015 waived WIOA program-reporting requirements to allow the statistical adjustment model to populate with adequate state data. The early data established benchmarks for subsequent years and is the basis for agreed upon performance levels during negotiations.

False reporting hinders the ability of state and local areas to assess performance, sufficiently adjust services adequately, and impedes ETA’s ability to gain an accurate picture of outcomes to justify expenditures. In this instance, the impact of the false performance reporting will likely manifest in the performance outcomes of the Entered Employment Rate at second and fourth quarters after exit and the Job Retention Rate measures.

The use of funds and the reporting and performance requirements of WIOA and WP grantees require recipients and sub-recipients to report accurate data for reportable individuals and the services provided. The absence of adequate and appropriate internal controls was a contributing factor in enabling management and staff to falsify documents and service records for individuals. The lack of controls resulted in inaccurate data reporting, inflated Performance Funding Model performance outcomes, and inappropriate local staff incentive earnings. The source of all of these violations was a culture that tolerated the reporting of falsified placements.

With regard to participant and services, 20 CFR 651.10 specifies relevant definitions applicable to the regulation. “Participant means a reportable individual who has received services other than the services described in 677.150(a)(3) of this chapter, after satisfying all

⁴ This condition is also required by 34 CFR § 361.420(a)

applicable programmatic requirements for the provision of services, such as eligibility determination.” Similarly:

Placement means the hiring by a public or private employer of an individual referred by the ES office for a job or an interview, provided that the employment office completed all of the following steps:

- (1) Prepared a job order form prior to referral, except in the case of a job development contact on behalf of a specific participant;
- (2) Made prior arrangements with the employer for the referral of an individual or individuals;
- (3) Referred an individual who had not been specifically designated by the employer, except for referrals on agricultural job orders for a specific crew leader or worker;
- (4) Verified from a reliable source, preferably the employer, that the individual had entered on a job; and
- (5) Appropriately record the placement.

Required Action: The State and local areas must evaluate and implement appropriate internal controls in response to the findings in this report. They must discontinue the practices that allowed the falsification of participant records and data. The State and local areas must also review internal policies, processes, and training to ensure that activities permitted under the law are carried out in accordance with the statute, regulations, and ETA guidance. At a minimum, this must include adherence to participant eligibility, job order, and placement requirements and provisions.

The revision of internal controls will help safeguard assets properly. This will help with grant activities being in compliance with the Federal statutes, regulations and the terms and conditions of the grants; that all data and reporting are valid and reliable; and that the State and local areas have sufficient evaluating and monitoring procedures in place to ensure effective and compliant implementation of the programs.

Additionally, the State should assess and determine the impact of falsified placements on performance data. The State must report results of this assessment and FLDEO must work with the ETA performance team to determine how to adjust reporting and statistical models appropriately.

Finding #2: Lack of Documented Program and Service Eligibility for OJT Participants

CMG Indicators: 1.e Participant Services; 3.a Internal Controls, and 3.f Allowable Cost

Participants enrolled in the OJT program did not meet program and service eligibility requirements for WIOA OJT services, as required. CSTB and CSP case files did not contain documentation that supported eligibility for OJT training services. Files, including case notes, did not include documentation supporting eligibility, comprehensive assessment, or

an Individual Employment Plan (IEP) to determine eligibility and suitability for OJT. The case files lacked evidence that staff completed appropriate skills gaps analyses and determinations. The number of training hours needed to fill identified skills gaps were never determined appropriately to ensure participants received the proper OJT training for in-demand occupations.

As discussed earlier in the report, management instructed employers to submit weekly hire lists to the local areas. Some lists were of individuals the employers had recently hired. The local areas used these lists to report falsified placements, typically under the WP program. For some employers, these hire lists included individuals whom the employer had already interviewed and planned to hire.

CSTB and CSP also organized one OJT team for all programs in both local areas. This team also processed the OJT hire lists, registered and enrolled individuals in OJT services, and developed OJT agreements between employers and individuals. The team also used the hire lists to scan the State system for existing records of individuals. WIOA case managers referred a few individuals from the lists to employers as potential OJT participants, and therefore some OJT enrollments may be legitimate WIOA OJT cases. For non-referrals, the team checked the individuals' dislocated worker status through the unemployment system to determine their eligibility. Once they determined eligibility, the team would meet the individuals at the work site on the start date of employment to gather OJT registration and enrollment documentation. Staff recorded the potential OJT participants from the hire lists who did not enroll in or meet OJT eligibility into the system as positive job placements by falsifying the individuals' services.

Additionally, the majority of files reviewed exhibited that, regardless of a referral, the individuals on these lists who enrolled in OJT did not meet the eligibility requirements, per WIOA regulations. Case files reviewed contained no case notes, comprehensive assessments, career planning or IEP, or the determination of the need for OJT training services. In almost all cases, staff entered all WIOA services and the job referrals on the Friday before the start date, followed by a WP placement recorded three days later. In some cases, the staff completed the OJT registration and enrollment process after the employee had already started work, and then backdated the documentation.

In most files reviewed, OJT contracts did not document what skills participants would obtain through OJT training. Most files omitted this information, often referring to a job order for further information or providing generic, standard contract language to identify the maximum number of hours without identifying skills to be learned or providing any basis for the number of hours needed for training and which employer to reimburse. Interviews with staff revealed that using a generic timeframe of up to ten weeks for training and reimbursement to employers was a standard practice. This practice essentially assigns a standard number of hours used for employer reimbursements, without documented evidence of the participant's skill needs. In addition, all OJT contracts, containing each employer's signature, were located on an internal database for the purpose of staff having the ability to print them. Staff were able to add start dates, thereby violating program requirements. Several contracts in the Atlas WIOA case management system appeared to be reprinted

contracts with dates added by the staff completing the contracts. Furthermore, there was no evidence of ongoing or follow-up monitoring, collection of timesheets, or case management for the majority of OJT participants. Employers sent all the paystubs to the local area upon the conclusion of the individual’s OJT contract to receive direct payment of the 50 percent wage reimbursement.

The reviewer also examined financial records for OJT payments made to employers during the period July 1, 2013, through June 30, 2018. The OJT payments made by each Local Workforce Development Area (LWDA) are below:

LWDA	OJT Payments
Pinellas	\$4,151,420.62
Tampa Bay	\$5,602,503.13
TOTAL	\$9,753,923.75

The entire OJT process and transactions between the local areas and employers supported the employers with 50 percent wage reimbursement and enabled the local areas to claim positive placement outcomes. The local areas provided wage reimbursements to employers without accurate or appropriate eligibility determination and without providing any actual services to the participants. This does not meet the intent or requirements for WIOA OJT, per the statute or regulations. Through case file reviews, staff interviews, and process documentation reviews, it was clear that this process was the local areas’ primary process for OJT enrollments.

Due to the extensiveness of the non-compliance issues, the widespread application of these practices throughout the local areas’ grant systems, ETA questions all OJT payment costs.

Criteria: Per 20 CFR § 680.110(a), adults and Dislocated Workers become participants through a registration process. “Registration is the process for collecting information to support a determination of eligibility [...] Individuals are considered participants when they have received a Workforce Innovation and Opportunity Act (WIOA) service other than self-service or information-only activities and have satisfied all applicable programmatic requirements for the provision of services, such as eligibility determination.”

While eligibility for WIOA career services is more simplified, WIOA training services, such as OJT, require additional activities to ensure participants receive appropriate services. Aside from program eligibility, AJC staff must also determine service eligibility, or the need and appropriateness of training services for the participant. Per 20 CFR § 680.210:

Under WIOA sec. 134(c)(3)(a) training services may be made available to employed and unemployed adults and dislocated workers who:

- (a) A one-stop center or one-stop partner determines, after an interview, evaluation, or assessment, and career planning, are:
 - (1) Unlikely or unable to obtain or retain employment that leads to economic self-sufficiency or wages comparable to or higher than wages from previous employment through career services;

- (2) In need of training services to obtain or retain employment leading to economic self-sufficiency or wages comparable to or higher than wages from previous employment; and
- (3) Have the skills and qualifications to participate successfully in training services.

20 CFR § 680.220(b) continues:

The case file must contain a determination of the need for training services under § 680.210 as determined through the interview, evaluation, or assessment, and career planning informed by local labor market information and training provider performance information, or through any other career service received. There is no requirement that career services be provided as a condition to receipt of training services; however, if career services are not provided before training, the Local WDB must document the circumstances that justified its determination to provide training without first providing the services described in paragraph (a) of this section.⁵

If determined to be appropriate for an individual to obtain or retain employment, comprehensive and specialized assessments of the skill levels and service needs may include, “development of an individual employment plan, to identify the employment goals, appropriate achievement objectives, and appropriate combination of services for the participant to achieve the employment goals, including providing information on eligible providers of training services[...].”⁶

Further, 20 CFR § 680.700(c) indicates, “An OJT contract must be limited to the period required for a participant to become proficient in the occupation for which the training is being provided. In determining the appropriate length of the contract, consideration should be given to the skill requirements of the occupation, the academic skill level of the participant, prior work experience, and the participant’s IEP.” The appropriate implementation of these program requirements were lacking.

Lastly, OJC contracts may be written for eligible employed workers when, as according to 20 CFR § 680.710(c), “The OJT relates to the introduction of new technologies, introduction to new production or service procedures, upgrading to new jobs that require additional skills, workplace literacy, or other appropriate purpose identified by the LWDB.”

Required Action: The local areas must abide by eligibility requirements of the OJT program and ensure that their policy, instructions, and processes comply with the criteria for program eligibility. The local areas should provide training for all staff, both case managers and Business Services staff. Both local areas must ensure the staff understand the requirements and intent of OJT, including how to communicate and explain the program to employers. In addition, the

⁵ § 680.220 Are there particular career services an individual must receive before receiving training services under the Workforce Innovation and Opportunity Act? § 680.220(a) Yes, except as provided by paragraph (b) of this section, an individual must as a minimum receive either an interview, evaluation, or assessment, and career planning or any other method through which the one-stop center or partner can obtain enough information to make an eligibility determination to be determined eligible for training services under WIOA sec. 134(c)(3)(A)(i) and § 680.210. Where appropriate, a recent interview, evaluation, or assessment, may be used for the assessment purpose.

⁶ WIOA sec. 134(C)(2)(A)(xii)(II)

LWDAs must reevaluate and revise, as necessary, their current local OJT policy on assessing participants and developing documentation that supports the need for OJT training. This should include the use of assessment results, IEPs, case notes, and follow-up services to support the need for training and to ensure the participants' success in the program. FLDEO must work with the local areas to ensure that all program participants have documented assessments, present a need for OJT services with a well-developed IEP to support enrollment in program activities. The local area staff must verify that all required actions are recorded, legible, accurate upon enrollment, and implemented in full compliance with program eligibility requirements. FLDEO must review and determine that participants enrolled in the OJT program from July 1, 2013, through June 30, 2018, were eligible and suitable for the OJT program by following WIOA requirements.

Reimbursement payments made to employers for OJT program services during the period July 1, 2013, through June 30, 2018, in the amount of \$9,753,923.75 are questioned and subject to disallowance.

Finding #3: Supportive Services Payments Potentially Issued to Ineligible Participants
CMG Indicators: 1.e.6 Supportive Services, 3.a Internal Controls, and 3.f Allowable Cost

Reviewers uncovered that CSTB and CSP provided supportive services and incentives to WIOA participants without identifying a need to participate in the career or training services they received. This is not compliant with WIOA eligibility requirements for receiving supportive services and incentives. The use of questionable eligibility determination for WIOA programs, including OJT, supports a high level of probability that supportive services and incentives payments also involved ineligible participants. Additionally, reviewers discovered that staff issued gas cards or VISA gift cards to participants enrolled in OJT and Paid Work Experience activities without determining their need for supportive services. In most cases, staff mailed gift cards to participants, instead of issuing them in person; a practice contrary to their policy. In addition, staff did not verify if the intended recipients received the gift cards. Both local areas issued a substantial number of gift cards for supportive services from July 1, 2013, through June 30, 2017.

Supportive Service – Gas/VISA Cards Issued		
LWDA	Amount	# of cards issued
Pinellas	\$1,406,048	23,108
Tampa Bay	\$4,043,065	65,911
TOTAL	\$5,449,113	89,019

Criteria: 2 CFR § 200.300(b) states, “The non-Federal entity is responsible for complying with all requirements of the Federal award [...]” 2 CFR § 200.302(b)(4) continues, denoting the responsibility for the “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.” In addition to 2 CFR § 200.303(a), which requires that the non-Federal entity must “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is

managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award[...].”

Finally, 20 CFR § 680.910 prescribes that:

- (a) Supportive services may be provided to individuals who are:
 - (1) Participating in career or training services as defined in WIOA sec. 134(c)(2) and (3); and
 - (2) Unable to obtain supportive services through other programs providing such services.
- (b) Supportive services only may be provided when they are necessary to enable individuals to participate in career services or training activities.⁷

Required Action: Both CSTB and CSP must develop supportive services policies and procedures that include appropriate assessment of participant need for supportive services and establish a supportive services system that provides for assistance in the actual amount of need. Both local areas must also document that they expended funds based on actual participant need.

The gas/VISA cards issued in both local areas for supportive services from July 1, 2013, through June 30, 2017 in the amount of \$5,449,113 are questioned and subject to disallowance.

Finding #4: Improper Business Services Staff Incentive Compensation

CMG Indicators: 3.a Internal Controls and 3.f Allowable Cost

The Business Services staff incentive plans from 2013 through 2017 for both CSTB and CSP provided a maximum incentive amount of \$12,000 annually for the attainment of performance measures. The Business Services staff eligible to earn incentives were account executives and recruiters. Staff received incentives on a monthly basis dependent on the overall contribution the individual made to the attainment of regional monthly and quarterly goals, as directed by their supervisor. Business Services staff, like non-business service staff, were eligible to receive an annual performance stipend in addition to the monthly incentives. The yearly performance stipend paid to Business Services staff in 2016 through 2017 ranged from \$700 to \$2,400.

⁷ See also WIOA sec. 144(d)(2)

Fiscal Year Dates	Business Services Incentives Paid	# of Staff Paid Incentives
July 1, 2013-June 30, 2014	\$556,123.09	70
July 1, 2014-June 30, 2015	\$661,719.45	73
July 1, 2015-June 30, 2016	\$492,925.00	61
July 1, 2016-June 30, 2017	\$321,118.58	47
TOTAL	\$2,031,886.12	

The fiscal compliance reviewer examined payroll records, incentive plans, and incentive payment documents for the period from July 1, 2013, through June 30, 2017. The reviewer noted that the incentives paid to the Business Services staff equated to between 20 and 30 percent of their base salaries. The reviewer also noted instances of incentives paid to non-business services staff and payments higher than the calculated incentive amount. For example, the incentive worksheet for September 2017 showed the calculated incentive for Recruiter A was \$528.20, but the amount approved was \$700.

There is evidence that management frequently reassigned staff from incentive earning positions to non-incentive earning positions. In interviews, staff disclosed that management punished employees who questioned or challenged directives. Mr. Peachey developed the incentive plan and approved all incentives paid to Business Services staff. No other local area in the State paid incentives for placements. The incentive plans promoted performance by incentivizing employees to fabricate records that the local areas improperly reported as positive outcomes.

Criteria: 2 CFR § 200.300(b) states, “The non-Federal entity is responsible for complying with all requirements of the Federal award [...]”

2 CFR § 200.302(b)(4), requires the “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

2 CFR § 200.303(a) further states that the non-Federal entity must “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award[...].”

Finally, 2 CFR § 200.430, Compensation – personal services, specifies the requirements regarding compensation paid for personal services. At § 200.430(a)(1), it is a stated requirement that the total compensation for individual employees “Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entities consistently applied [...] (2) Follows an appointment made in accordance with a non-Federal

entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable." At § 200.430(b), reasonableness, requires that "Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity[...]" and

(f) Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.

Additionally, as a function of the board's responsibilities, 20 CFR § 679.370 (i)(2) requires the board to "Ensure the proper use and management of the funds provided under WIOA"; and "Ensure the appropriate use management of the funds provided under WIOA subtitle B for the youth, adult, and dislocated worker activities and one-stop delivery system in the local area," and § 679.370 (i)(3) continues "Ensure the appropriate use management, and investment of funds to maximize performance outcomes under WIOA sec. 116."

Required Action: The structure of the incentive plans in place emphasized performance results in ways that contributed to unethical behavior and the fabrication of records that the two local areas should not have reported as positive outcomes. The LWDBs must put the incentive plans on hold until the issues identified in this report are resolved. Additionally, the LWDBs should review and revise these benefits to ensure that costs are reasonable, necessary for the performance of the award, and are a prudent use of federal funds. While making sure to follow union agreements and local employment laws, the State should work with both local areas to reprimand or terminate employees who falsified records.

For the period of July 1, 2013 to June 30, 2017, ETA questions the Business Services staff incentives totaling \$2,031,886.12, subject to disallowance.

Finding #5: Improper Executive Director and Management Compensation Salary Increases, *CMG Indicators: 2.h.3 Salaries and 3.a Internal Controls*

The review documented that the level of compensation paid the CEO, Mr. Ed. Peachey, increased at an annual rate of 25 percent between July 2009 and December 2017, increasing from \$120,000 per year to \$209,400 per year without sufficient justification or authorization by the CLEOs. While some salary increases were sent to the CSP LWDB for approval, several increases were not sent forth and approved by the LWDB. The examiner could not find documentation that the CEO followed LWDB policies and procedures governing pay increases, including documentation authorizing salary increases. Below is a table displaying each of the pay increases from October 2002 through December 2017.

Calculation of questioned salary costs:

Date:	Annual Salary:	Health & Welfare Benefits Stipend:	Approved by:	Amount Not Approve
10/16/2002	\$76,000		WorkNet Pinellas on 10/16/2002	
3/3/2003	\$79,799		Pinellas County on 3/3/2003	
6/7/2003	\$90,000		Pinellas County on 6/17/2003	
9/18/2006	\$103,292		No Documentation	\$13,292
9/18/2006	\$110,006		LWDB Chair approved on 9/20/2006	
9/2/2007	\$116,936		No approval signature	\$6,930
7/7/2009	\$120,000		LWDB Chair approved on 9/4/2008	
9/1/2009	\$124,800		No Documentation	\$4,800
10/14/2010	\$129,792		No approval signature	\$9,792
5/22/2011	\$195,624		No Documentation	\$75,624
7/8/2011	\$130,000		Approved by Peachey on 7/8/2011	\$32,188
4/11/2012	\$147,468	\$30,000	LWDB Minutes dated 4/11/2012	
5/31/2012	\$180,000		LWDB Chair approved on 5/31/2012	
3/4/2015	\$174,500	\$34,900	50% to be funded by each LWDB; LWDB Chair approved.	
3/8/2015	\$209,400		No Documentation	\$34,900
12/31/2016	\$291,097		No Documentation	\$116,597
12/31/2017	\$288,864		No Documentation	\$114,364
Total Salary Paid without Approval by LWDB Board Chair: \$408,487				

Total compensation paid to Mr. Peachey in 2016 totaled \$291,097, inclusive of all fringe benefit costs, (i.e., healthcare, short/long term disability, and basic life insurance) and \$288,864 in 2017, also inclusive of all fringe benefit costs.

ETA reviewed the allocation of the CEO Peachey's salary to determine if the two LWDBs complied with the salary limitation noted in the grant agreement. The reviewers also noted other key management positions that received substantial pay increases in 2016 and 2017, again without any explanation. These instances are displayed in the table below:

	<u>Year:</u>	<u>Salary</u>	<u>Bonus</u>
Director A	2016	\$99,000	\$5,500
	2017	\$120,000	\$6,000
Director B	2016	\$109,630	\$5,750
	2017	\$120,000	\$6,000
	<u>Year:</u>	<u>Pay Raises</u>	<u>Bonus</u>
Director C	2016	\$11,000	\$10,050
	2017	\$8,500	\$8,040
Director D	2016	\$11,000	\$10,050
	2017	\$8,500	\$8,040

The increases in Mr. Peachey’s pay were based on a compensation study completed in 2012. However, the review of this study, prepared by Evergreen Solutions, LLC, reported that both the CSP and CSTB proposed pay plans were:

- a. 3.3 percent above the market average minimum across all titles;
- b. 3.5 percent above market midpoint average across all titles;
- c. 4.1 percent above the market average across all titles; and,
- d. Taken together, the proposed pay ranges on average, fall slightly above market consistently.

Accordingly, it appears that the compensation levels for both the CSP and CSTB were already above the market ranges identified in the study, yet the pay levels for the CEO position still increased in excess of these levels every year from 2011 to 2017.

In addition, while the CEO’s level of pay increased for each LWDB, the time expended by the CEO decreased from 40 hours to 30 hours at each LWDB location resulting in a combined 60-hour workweek for both locations. The justification for combining the administrative functions into one entity with reductions in positions is not justified. It also exceeds the concept of reasonableness regarding time spent on grant activities. Because these positions are the most senior level positions, they are exempt from the Fair Labor Standards Act and hours reported do not apply.

The examiners could not adequately document nor determine whether the LWDB properly approved and processed these salary increases in accordance with each LWDB’s compensation policies, payroll documents, or LWDB minutes. While one LWDB, CSP, acted as the overall employer of record, only the minutes from this Board appear to address the salary discussions and votes regarding the CEO’s pay. Further, examiners could not determine whether the CEO approved these increases since he transferred all employees who worked at both CSP and CSTB to CSP as the employer of record. The lack of documented evidence that the LWDBs and CLEOs approved and properly authorized all compensation, and the absence of transparency in making such information about these key

board actions available to the public through the sunshine provisions contributed to the associated questioned costs.

Criteria: 2 CFR § 200.430, Compensation – personal services, specifies the requirements regarding compensation paid for personal services. § 200.430(a)(1) states that as a requirement that the total compensation for individual employees “Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entities consistently applied [...] (2) Follows an appointment made in accordance with a non-Federal entity’s laws and/or rules or written policies and meets the requirements of Federal statute, where applicable.”

Also applicable, 2 CFR § 200.430(h)(8) sets forth the following:

Salary rates for non-faculty members. Non-faculty full-time professional personnel may also earn “extra service pay” in accordance with the non-Federal entity’s written policy and consistent with paragraph (h)(1)(i) of this section.

(i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities [...];

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity’s written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity [...]; and

(vi) Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(vii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim purposes [...].

Additionally, as a function of the board’s responsibilities, 20 CFR § 679.370 (i)(2) requires the board to “Ensure the proper use and management of the funds provided under WIOA”; and “Ensure the appropriate use management of the funds provided under WIOA subtitle B for the youth, adult, and dislocated worker activities and one-stop delivery system in the local area,” and § 679.370 (i)(3) continues “Ensure the appropriate use management, and investment of funds to maximize performance outcomes under WIOA sec. 116.”

Required Action: The CSP and CSTB LWDBs should have ensured that they paid salary increases and cost of living adjustments in accordance with each entity’s personnel policy and procedures. The LWDBs must review their personnel policies and ensure that the administrative entity is abiding by these personnel policies and procedures regarding personal compensation paid to staff.

The CEO’s salary increased seven (7) times between September 2006 and December 2017 without formal approval by the CSP or CSTB. Costs totaling \$408,487, equivalent to the increase in salary not formally approved by the LWDBs, are therefore questioned and subject to disallowance.

In addition, bonuses paid to four (4) individuals, totaling \$59,430, are questioned and subject to disallowance, since they exceeded reasonable salary increases approved by the LWDBs. These four individuals also received substantial salary increases in addition to the annual bonuses.

Finding #6: Lack of Staff Grievance Procedures and Equal Opportunity Representation
CMG Indicators: 2.h Personnel and 2.i Civil Rights, Complaints, Grievances, & Incident Reporting

CSTB and CSP management enforced unallowable grant activities noted in this report. This included requiring staff to falsify participant records or Social Security numbers through pressure and intimidation. CSTB and CSP leadership created and maintained a hostile work environment and used threats of termination or demotions to drive the achievement of performance goals. Management informed staff that all local area activities had the full support of the State agency. The staff did not have access to Equal Opportunity (EO) representation or grievance procedures. Furthermore, the EO representative identified on the required EO posters had apparent conflicts of interest because of her various job duties and relationship to management. Staff reported that management forced them to work after hours or on weekends with no overtime pay. In addition, management expected staff to meet unrealistic performance goals or face demotion or termination. Employees were required to accept staffing and organizational changes that affected their positions, as well as their commutes to work, without question.

Criteria: According to 20 CFR 683.285(a)(1):

Recipients, as defined in 29 CFR 37.4, must comply with the nondiscrimination and equal opportunity provisions of WIOA sec. 188 and its implementing regulations, codified at 29 CFR part 38. Under that definition, the term recipient includes state and LWDBs, one-stop operators, and sub-recipients, as well as other types of individuals and entities.

Additionally, § 683.285(a)(2) states that “Nondiscrimination and equal opportunity requirements and procedures, including complaint processing and compliance reviews, are governed by the regulations implementing sec.188 of WIOA, codified at 29 CFR part 38, as administered and enforced by the DOL Labor Civil Rights Center.” , .

Further, 20 CFR § 683.600(a), requires that “Each local area, State, outlying area, and direct recipient of funds under title I of WIOA, except for Job Corps, must establish and maintain a procedure for participants and other interested parties to file grievances and complaints [...]”

Additionally, 20 CFR § 683.200(h) requires

All WIOA title I and Wagner-Peyser Act recipients of Federal awards must disclose, as required 2 CFR 200.113⁸, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in 2 CFR 200.338, (Remedies for noncompliance), including suspension or debarment.

The state or local areas have made no disclosures to ETA regarding the known falsification of participant records and data.

Required Action: The two local areas must ensure grievance procedures and EO representation is available and made known to staff, participants, and other interested parties in the local workforce development system. Additionally, the State and local areas should revisit their responsibilities under 2 CFR § 200.300, statutory and national policy requirements, including Whistleblower protections for reporting fraudulent activity. They should ensure all staff and boards are aware and familiar with the requirements and ensure a transparent process is in place for reporting such activity.

Finding #7: Lack of Firewalls and Internal Control at CSTB and CSP

CMG Indicators: 3.a Internal Controls; 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

Both CSTB and CSP designated a single entity, CareerSource Pinellas, Inc. (CSP, Inc.) to operate multiple WIOA functions without proper firewalls and internal controls. CareerSource Pinellas, Inc. operated as the LWDB, administrative entity/fiscal agent, staff to the board, and direct provider of career and youth services.

The review revealed no agreement existed between the local area LEOs, Governor of Florida (Governor), and CSP, Inc. detailing the specific roles and responsibilities of CSP, which acted as administrative entity and WIOA service provider. The CSP also assumed responsibility for CSTB’s WIOA local area, without any agreement between the CSTB chief elected officials and the Governor, as required by 20 CFR§ 679.410(b).⁹

⁸ 2 CFR § 200.113 Mandatory disclosures. “The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award[...].”

⁹ 20 CFR§ 679.410(b) “A Local WDB may act as a provider of career services only with the agreement of the chief

Reviewers also noted CEO Peachey designated CSP as the fiscal agent without the documented concurrence and written agreement of both chief elected officials and the Governor, as required by 20 CFR § 679.420(a)¹⁰. No written agreement exists that clearly defines the roles and responsibilities of the fiscal agent duties of CSP, nor an agreement designating CSP as the fiscal agent by the Tampa Bay local area chief elected official. Accordingly, there is no system of checks and balances between the CSP and CSTB staff, who perform multiple duties for the LWDBs, fiscal agent, and as WIOA Career Services provider for both local areas.

Reviewers also determined a lack of independence and internal control over various key functions of the fiscal agent. These functions included:

- a. Conducting monitoring of service providers and WIOA operations and services;
- b. Preparing financial reports of operations for both CSP and CSTB;
- c. Ensuring sustained accountability for expenditures and funds; and
- d. Reporting performance outcomes at both CSP and CSTB.

The CEO transferred staff from CSTB, their employer of record, to CSP as part of a cost savings and consolidation proposal. As a result, the CSP served as the employer of record for all staff, processed all financial transactions including payroll, and subsequently and billed these costs to the CSTB workforce area based on their approved cost allocation plan.

Criteria: 20 CFR § 679.430 provides guidance related to the requirements that entities performing in multiple functions must adhere to.

Local organizations often function simultaneously in a variety of roles, including local fiscal agent, Local WDB staff, one-stop operator, and direct provider of services. Any organization that has been selected or otherwise designated to perform more than one of these functions must develop a written agreement with the Local WDB and chief elected official to clarify how the organization will carry out its responsibilities while demonstrating compliance with WIOA and corresponding regulations, relevant Office of Management and Budget circulars, and the State’s conflict of interest policy.

While the entities, in this case, created a local agreement that lists the different roles and responsibilities, the LEOs and boards failed to implement a system of internal control mechanisms delineating how all three functions would co-exist with an effective governance system and without conflicts of interest. As a result, there were little, if any, checks and balances between the board, the board staff, and the entity serving as a direct service provider.

elected official in the local area and the Governor.”

¹⁰ 20 CFR § 679.420(a) “In order to assist in administration of the grant funds, the chief elected official or the Governor, where the Governor serves as the local grant recipient for a local area, may designate an entity to serve as a local fiscal agent[...].”

Required Action: The State, in collaboration with LEOs in CSTB and CSP, must provide a corrective action plan that ensures: 1) appropriate internal controls are put in place if multiple functions are allowed to be performed by a single entity; and 2) separate entities are designated, or procured, to perform the three functions (fiscal agent, staff to the board, and direct service provider). This corrective action plan must conform to the requirements of 20 CFR § 679.410-430.

Finding #8: Board Recruitment, Vetting, Nomination, and Appointment Inconsistent with WIOA Provisions

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

The recruitment, vetting, nomination, and appointment of board members in both local areas are not consistent with WIOA provisions and administrative policy established by the State. CSPI's failure to comply with federal and state provisions created an environment in which staff led the recruitment, vetting, and nomination process for selecting members for the LWDBs in both CSP and CSTB; not by the LEOs or CLEOs. This allowed the CEO of CSP, who was the boards' staff director, to personally select and nominate board members, whom the LEOs then appointed.

The review uncovered that starting in 2009, CEO Peachey recruited and vetted candidates for both the CSP and CSTB LWDBs, as openings became available. Mr. Peachey sent names of candidate nominees to the respective LWDBs for discussion and selection as board members. As a result, he directed and heavily influenced the placement of members on the LWDBs, determined their committee assignments, and consequently exerted full influence and control over the LWDBs through this process.

Criteria: 20 CFR § 679.320(g) requires that "Chief elected officials must establish a formal nomination and appointment process, consistent with the criteria established by the Governor and State WDB under sec. 107(b)(1) of WIOA for the appointment of members of the Local WDBs[...]. Among other requirements, this process must ensure that the procedures used and documentation of the candidates' qualifications meet the requirement of WIOA and the regulations. This also includes requirements that LWDBs appoint business representatives from among individuals nominated by local business organizations and business trade associations.

The chief elected official did not meet nor properly document all requirements. In many instances, the staff solicited, recruited, selected, and recommended business representatives not formally nominated by business organizations and business trade associations. This created a board and governing structure where the staff's wishes drove key decisions about oversight and administrative activities.

Required Action: The chief elected officials in both local areas, in consultation with the State, must develop and implement clear processes and procedures for recruiting board members and documenting their qualifications in alignment with the requirements of WIOA, the regulations, and State policy. These processes and procedures should ensure that the

board staff does not influence the selection of board members.

Finding #9: Chief Elected Officials Improperly Delegated Key Roles and Responsibilities

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

The chief elected officials in Tampa Bay and Pinellas delegated some of the key statutory roles and responsibilities, such as the establishment of by-laws, to the LWDB in violation of WIOA requirements. These actions weakened the chief elected officials' ability to design and authority to implement an effective local governance and oversight system in both local areas.

Criteria: 20 CFR § 679.310(g) delegates the establishment of by-laws to the chief elected official. The chief elected official must establish the by-laws in order to constitute an effective LDWB. The requirement denotes that the chief elected official, not the LWDB, to outline the process and roles for LWDB members, establishing clear roles, responsibilities, procedures, authority, and expectations. The requirement also helps increase the board's functionality and ensures transparency with the public about the board's operations.

In their agreements with the LWDBs, both Tampa Bay and Pinellas chief elected officials delegated this responsibility to the boards; essentially allowing the boards to write their own by-laws. In addition, the LWDBs delegated this responsibility to the CSP Administrative entity, thereby, allowing this entity to create the governing by-laws that would apply to both boards. This and other actions by the chief elected officials contributed to a governing structure that failed to establish proper checks and balances, clear roles and responsibilities, and appropriate internal controls in both local areas.

Required Action: The State must work with both local areas to ensure that chief elected officials, not the boards or staff in CSTB and CSP, are properly functioning as the authoritative governing bodies responsible for establishing the local areas' by-laws. The boards and the staff may assist and provide support in the process; however, the chief elected officials should perform this function to constitute an effective LWDB.

Finding #10: Non-Compliant with WIOA Transparency and Sunshine Provisions

CMG Indicators: 2.g Records Management; Objective 2.I: Complaints, Grievances & Incident Reporting; 2.i.1: Policies and Procedures; 2.i.2: Notices; 2.i.4: Grievance and Complaint System

CareerSource Tampa Bay and CareerSource Pinellas did not comply with the transparency and sunshine provisions of WIOA by failing to make available, through electronic means, the minutes of formal meetings of the boards.

Criteria: The “Sunshine Provision,” WIOA sec. 107(e)¹¹ requires boards to operate in a transparent manner. When the regulations require local boards to make information about their activities available to the public, on a regular basis and through electronic means and open meetings, the board minutes should be available for public access. The CFR also sets forth parameters for both State (20 CFR § 679.140) and Local (20 CFR § 679.390) WDBs to conduct business in an open and transparent manner. Transparency in operations also assures that all parties are accountable to the public and can mitigate concerns of inappropriate influence. Because this information was not available, the public did not have an opportunity to be informed the boards’ actions.

Required Action: CSTB and CSP must post, and make available electronically to the public, all minutes of formal meetings. The State must also ensure that all local areas are compliant with these provisions.

Finding #11: CSTB and CSP Lack Evidence of LWDBs Fulfilling Required Functions

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

CSTB and CSP lack evidence showing the boards are carrying out functions that are required of local workforce boards.

Criteria: As provided in WIOA 107(d), “Functions of Local Board”, in addition to 20 CFR § 679.370, “What are the functions of the Local Workforce Development Board?”, the roles, responsibilities, and functions of the LWDB are clearly stated, as are the purposes for which the boards exist.

In interviews with multiple board members at both CSP and CSTB, all indicated that they had not received any training about their roles, responsibilities, and the boards’ functions. Reviewers also noted, through staff interviews and document reviews, that the boards were not performing all necessary functions, nor did they have plans in place to carry out all functions. The boards could not substantiate that required board functions were being implemented or how they may be implemented in the future, including activities required at 20 CFR § 679.370(e)(1, 2, and 4); § 679.370(f); § 679.370(g); and § 679.370 (h)(3 and 4).

None of the board members interviewed at either CSP or CSTB received an overview of their roles and responsibilities, by-laws, WIOA (law), CFR Title 20 (regulations), or other training to prepare them in fulfilling their roles on the LWDBs.

¹¹ “The local board shall make available to the public, on a regular basis through electronic means and open meetings, information regarding the activities of the local board, including information regarding the local plan prior to submission of the plan, and regarding membership, the designation and certification of one-stop operators, and the award of grants or contracts to eligible providers of youth workforce investment activities, and on request, minutes of formal meetings of the local board.”

The reviewers could not verify the two boards were carrying out or had plans to carry out many functions and roles, including those required in 20 CFR § 679.370. The LWDBs must ensure that they are fulfilling the statutory and regulatory roles and functions mandated by WIOA for local boards.

Required Action: The State must verify and ensure that the LWDBs are fulfilling their responsibilities under WIOA sec. 107(d) and Title 20 CFR § 679.370.

Finding #12: One-Stop Competitive Procurement Not Compliant

CMG Indicator: 2.d Procurement and Contract Administration

The one-stop operator competitive procurement conducted by CSTB, CSP, and CareerSource Pasco Hernando (CSPH) did not comply with the requirements of WIOA Sec 121(d), Title 20 CFR § 678.605, or ETA's Training and Employment Guidance Letter (TEGL) No. 15-16. The review disclosed that CSP issued a Request for Proposal (RFP) containing approximately \$15,000 in funding to procure a One-Stop Operator (OSO) for three locations; CSTB, CSP, and CSPH. The response to the RFP consisted of only one proposal from a current eligible training provider. The board then selected that provider as the OSO for all three local areas.

The review team determined that the RFP did not contain sufficient funding to receive an adequate number of responses to meet the competition requirements under WIOA and the Uniform Guidance. The combined LWDBs have a budget of approximately \$25 million in available funds and operate in a geographic area that has a population of approximately 2.3 million (11.3 percent of the State's population). Accordingly, budgeting for only \$15,000 to operate in multiple locations is exceptionally insufficient and does not meet the requirements of a competitive selection. The RFP was not widely distributed in a manner that would attract a sufficient pool of potential bidders/respondents. CSP's procurement process and the manner in which it conducted the competition did not comply with the requirements of a full and fair competitive procurement.

ETA issued guidance in the form of Frequently Asked Questions and TEGs concerning OSO competitive procurement proposals. That guidance indicated that an RFP or invitation for bid "with no funding or nominal funding will restrict competition" and "would violate the prohibition on non-competitive pricing practices under 29 CFR 97.36(c)(1)(iii) and 2 CFR § 200.319(a), which states "All procurement transactions must be conducted in a manner providing full an open competition."

Criteria: WIOA sec. 121(d)(2)(A) requires that an entity "shall be designated or certified as a one-stop operator through a competitive process." The WIOA Joint Final Rules and TEG 15-16 also require that LWDBs must use a competitive process based on principles of competitive procurement in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200), including the Department of Labor specific requirements (2 CFR part 2900).

Required Action: The LWDBs must conduct a competitive procurement as required by WIOA Section 121, 20 CFR§ 678.605, and 2 CFR § 200.319. Furthermore, the State must ensure that the LWDBs comply with the competitive procurement requirements in selecting the OSO.

Finding #13: Conflict of Interest Policies Not Compliant

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

The conflict of interest policies developed by CSTB and CSP are not compliant with the WIOA regulations and Uniform Guidance requirements. The review of both LWDBs' policies revealed that they do not require board members to exclude themselves from participating in decision-making discussions for services and activities that could financially benefit them or their organizations. The State also informed ETA reviewers that State policy requires LWDBs to disclose all funds paid to entities, including an LWDB-affiliated member. ETA reviewers also learned that several board members sit on committees that make decisions from which they could benefit. As a result, board members that represent organizations that received substantial grant funds could be participating in discussions about the awarding of such funds, thereby creating potential conflicts of interest. However, the review team could not document if board members with these known conflicts had participated in the discussions, which involve the awarding of funds.

Criteria: 20 CFR § 683.200(c)(5) imposes specific conflict of interest requirements on WIOA recipients, in addition to those applicable under the uniform administrative requirements. Further, the requirements at 2 CFR § 200.318, address codes of conduct and conflict of interest, as well as 20 CFR § 683.200(c)(5)(i).

A State WDB member, Local WDB member, or WDB standing committee member must neither cast a vote on, nor participate in any decision-making capacity, on the provision of services by such member (or any organization which that member directly represents), nor on any matter which would provide any direct financial benefit to that member or that member's immediate family. The State's sunshine policy is also consistent with WIOA requirements in prohibiting members from participating in the decision-making capacity that could potentially benefit them.

Both local areas' board policies, however, did not require members to remove themselves from any discussions involving their organization or funding prior to any voting. The policy only requires LWDB members to remove themselves from voting on known conflicts of interest.

Required Action: The State must review and ensure that both local areas bring their conflict of interest policies into compliance with WIOA regulations and the Uniform Guidance requirements. The State should take additional steps to make sure CSTB and CSP revise their conflict of interest policies and should conduct follow-up monitoring.

Finding #14: CSTB and CSP LWDB Compositions Not Compliant

CMG Indicators: Objective 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration

The CSTB and CSP board compositions did not meet the majority business requirements of WIOA. The review uncovered that both the CSTB and CSP LWDBs did not have the required business representation on their respective boards as required by WIOA.

Both boards' membership comprised fewer than 51 percent of business representatives. Additionally, several private sector slots, nearly 26 percent in CSTB remained vacant and appeared to have been unfilled for substantial periods. In CSP, nearly 40 percent of private sector slots were vacant and appeared to have remained unfilled for a substantial period. The absence and lack of participation of a large segment of board members, particularly the private sector, questions whether or not there was meaningful input from business and industry related to key workforce decisions, as well as proper oversight of the areas' workforce system.

Criteria: WIOA sec. 107(b)(1)¹² and 20 CFR §679.320 describe the LWDB membership requirements as enumerated in WIOA. WIOA sec. 107(b)(2)(A) requires “a majority of the members of each local board shall be representatives of business in the local area”.

Required Action: The State must work with chief elected officials in both local areas to appoint new members that bring the boards into compliance with the business majority requirement. The board should fill vacancies as quickly as possible to ensure full and adequate participation of both public and private sectors in the local workforce systems.

Finding #15: Non-Compliant with Stevens Amendment

CMG Indicators: Internal Controls; 2.d Procurement and Contract Administration; 2a.1: Specific Award Conditions

CSTB and CSP did not fulfill the requirement to provide certain information in public communications for non-Federal entities receiving public funds. Reviewers found that the RFP for the OSO competitive procurement for CSTB, CSP, and CSPH did not contain required language regarding the Stevens Amendment.

Criteria: Provisions of P.L. 115-31, Division H, Title V, Section 505, requires that:

When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds [...] shall clearly state—

- (1) The percentage of the total costs of the program or project that will be financed with Federal money;
- (2) The dollar amount of Federal funds for the project or program; and

¹² “The Governor, in partnership with the State board, shall establish criteria for use by chief elected officials in the local areas for appointment of members of the local boards in such local areas in accordance with the requirements of paragraph (2).”

(3) Percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

Required Action: The State must work with all local areas to incorporate the Stevens Amendment provisions into their policies, processes, and monitoring procedures. The State must also monitor all local areas to ensure the implementation of the Stevens Amendment.

Finding #16: State Did Not Conduct Adequate and Effective Oversight

CMG Indicators: 2.f Sub-recipient Management & Oversight; 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.3: Coordination and Integration

The State did not conduct adequate and effective oversight of both local areas to ensure multiple issues in governance and other areas of program administration were compliant with WIOA requirements. The examination of governance structures revealed that the frequency and depth of monitoring activities by the State were not sufficient to identify issues in governance and other areas of local operations and program administration.

It was determined that the State had not provided adequate policy guidance and training on the WIOA regulations regarding key provisions including governance requirements, internal controls, separation of duties, and adequate mechanisms to ensure the proper delineation of authority based on those duties. This also includes functions performed by the various entities operating within each local workforce area.

The lack of guidance and training from the State created a situation that caused confusion, related to roles, responsibilities, and requirements, at the local level. The State did not implement some key provisions of WIOA in its oversight of workforce development systems at the local level. While it is appropriate for the State to allow local flexibilities, it does not appear that the State provided adequate policy guidance, training, and technical assistance to ensure that the implementation of the workforce development system was compliant with WIOA.

Criteria: 20 CFR § 679.130 and WIOA 101(d) outline the functions of the State Workforce Development Board (SWDB). Among SWDB functions is the development of effective LWDBs,¹³ as well as the “review of statewide policies and programs and making recommendations on actions that must be taken by the state to align workforce development programs to support a comprehensive and streamlined workforce development system”¹⁴.

Required Action: The State must conduct more in-depth monitoring of the local areas to ensure compliance with provisions of WIOA, including governance structures, internal controls, and separation of duties. As appropriate, the State should develop guidance and policies related to local governance, oversight, and proper administration at the local level. The State should provide training and appropriate technical assistance to help local boards.

¹³ 20 CFR § 679.130(e)(2)

¹⁴ 20 CFR § 679.130(b)

Finding #17: Lack of Internal Controls over Supportive Services & Prepaid Credit Cards
CMG Indicator: 3.a Internal Controls and 3.f Allowable Costs and Cost Classification

The review found that CSP and CSTB must improve the internal controls with regard to pre-loaded credit cards used to pay supportive services to participants in order to safeguard these funds from fraud and abuse.

Criteria: 2 CFR § 200.302(b)(4) states have a responsibility to ensure, “Effective control over, and accountability for all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

During the review, staff told examiners that the CSP and CSTB used pre-loaded credit cards to provide supportive services to enrolled participants. The cards are only available in set denominations: \$25, \$50, \$75, and \$100.

Due to the pre-determined amounts on the cards, participants could receive reimbursement according to their needs or, in some cases, receive reimbursement that exceeded their needs. CSP and CSTB should have issued supportive service payments in the actual amount of documented need. In addition, because the CSP and CSTB used pre-paid credit cards, there was no confirmation that participants used the funds to cover allowable and approvable costs, per the regulations. Furthermore, there were no restrictions placed on credit card use.

Reviewers also learned that both the CSP and CSTB incurred monetary losses on some of the cards due to staff embezzlement of funds from the cards.

While both CSP and CSTB indicated that they had taken steps to improve internal controls, security, and safeguards over credit card inventories and balances, the local areas need to assess whether they made overpayments and whether participants misused program funds.

Required Action: Both the CSP and CSTB must develop supportive services systems that provides funds to participants in the actual amount of need. The local areas should document that the participants’ expenditures are approved and allowable. Further, they should establish additional controls to safeguard both the number of cards issued and the funds available on the cards. The State must conduct a full review of all credit card balances to determine the actual amount of cash on hand and ensure supportive service payments were based on actual needs. The LWDBs must also establish adequate internal controls to safeguard these funds.

III. **AREAS OF CONCERN**

Area of Concern #1: Lack of Training for CLEOs and LWDB Members on Roles and Responsibilities

CMG Indicator: 1.A: Planning and Program Design; 1.a.1: Strategic Planning;

Based on interviews conducted and information reviewed, it was determined that chief elected officials and board members lacked proper training and lacked basic knowledge

about their statutory roles and responsibilities. The lack of knowledge made it difficult for boards and chief elected officials to carry out their functions.

Recommendation: The boards should develop a plan to provide orientation and training for all new members and LEOs on their functions. The boards should also provide periodic updates to board members and LEOs as needed.

Area of Concern #2: Improper Appointment or Assignment of Staff as Voting Members of Subcommittees

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 1.a.3: Coordination and Integration; 2.H: Personnel; 2.h.1: Personnel Policy and Procedures

The CEO and board staff may not serve as members of a subcommittee or support staff to the committee. This practice is not a proper role for board staff. The practice also appears to enable staff to influence the work of the boards in ways that affect the board's ability to provide effective oversight that is free of undue influence and interference by staff.

Recommendation: The board should clearly define the roles and responsibilities of staff, ensuring compliance with WIOA requirements.

Area of Concern #3: Adequacy of State Oversight over Local Area Self-Monitoring

CMG Indicators: 1.A: Planning and Program Design; 1.a.1: Strategic Planning; 1.a.2: Service Design; 3.A: Internal Controls; 3.a.1: Effectiveness and Efficiency of Operations

Both boards function as service providers and conduct self-monitoring of program activities without external evaluation of their oversight operations.

Recommendation: The State must examine how the local areas monitor themselves to determine if proper safeguards are in place to ensure adequate oversight and to avoid conflicts of interest.

IV. STATE ACTIONS

The CSP, CSTB, and the State have implemented changes to address some of the issues identified in this report. ETA still needs to review, verify, and confirm changes as part of the State's corrective action plan.

CAREERSOURCE TAMPA BAY

Governance:

- The once combined local area operations are now separate, effective September 1, 2018.
- The new organizational structure includes CEO, Chief Operating Officer and Chief Financial Officer (CFO). The new CEO started January 21, 2019.
- CSTB conducted board orientation to include an overview of several programs and

administrative areas: Wagner-Peyser; WIOA; Welfare Transition Program (WTP); SNAP; Finance; Program Monitoring; FLDEO monitoring; Sunshine Law; and committee formation and attendance. Additionally, training regarding the roles and responsibilities for the LWDB and board staff, CEO, FLDEO, CareerSource Florida, and Hillsborough County was completed.

- CSTB updated the Board Orientation Toolkit for onboarding new members.
- CSTB updated their website, which now addresses transparency and WIOA sunshine provisions. The website now includes all updated board and committee meeting minutes and agendas.

Financial, Internal Controls & Personnel:

- CSTB imposed stricter regulations on monitoring procedures. In addition to scheduled bi-monthly inventory counts, the local area added unannounced periodic reviews of supportive service cards, in addition to regular on-going monitoring of supportive service cards.
- CSTB revised the Supportive Service Policies and Procedures to ensure appropriate and sufficient internal controls are in place regarding eligibility, issuance, storage and reconciliation of supportive service throughout the region.
- CSTB ceased the mail-out process of supportive service cards.
- CSTB researched alternatives to bank visa cards for supportive service items provided to eligible participants, including gas cards, bus passes, direct billing with select vendors, online ordering and reloadable debit cards.
- Staff provided the new salary cap for Florida chief elected officials to the board of directors for reference in establishing the salary range for the CEO position.
- The Board voted to remove incentive plan from Business Services Program structure.
- CSTB discontinued all monetary incentives based on performance. *If CSTB should ever decide to offer monetary awards*, CSTB will create additional earnings codes in ADP to process monetary awards through payroll instead of bank visa cards. Additionally, payments are taxable income.
- CSTB updated their Employee Handbook, Paid Time-Off (PTO) policy, and nepotism policy.
- CSTB launched an anonymous reporting hotline operated by a neutral third party company, Ethicspoint, to ensure thorough and fair review of complaints and concerns.
- Recognizing the potential conflict of interest with the previous Human Resources Director, CSTB appointed the Director for Audits, Contracts and Procurement to serve as the Equal Employment Opportunity Commission Officer.
- CSTB conducted management training at the Supervisor and Director-levels to address the current direction for evaluations, the proper way of approving time in ADP, Family Medical Leave Act, leave requests, job postings, and future job descriptions.
- CSTB provided optional staff training to all staff on Languages of Appreciation in the Workplace.

Program Design & Service Delivery:

- CSTB created a policy/performance position to provide local guidance and training for staff on TEGs, FLDEO policies, and policy changes. The agency launched dashboards for board members and staff.

- CSTB conducted Extensive Staff Development Training to include the following:
 - Procured GeoSol subject matter expert trainers to deliver three weeks intensive hands on Employ Florida, statewide labor exchange service system to train frontline and management staff on all facets of the system. Also providing recorded webinars for ongoing staff training needs.
 - Sent three key management staff to the National Association of Workforce Development Professionals Youth Symposium in Chicago on December 11th to 14th, 2018.
- CSTB reissued the OSO RFP to address one of the report findings. The Board expanded the scope of services and increased value of contract in order to meet the deliverables and purpose of the One Stop Operator. They also expanded the scope of services and increased value of contract to include establishing a Memorandum of Understanding database.
 - RFP 18-0428 OSO Services released June 4, 2018.
 - July 3rd, 2018 CSTB Board approved recommendation to move forward with Kaiser Group, Inc. d/b/a Dynamic Workforce Solutions as the OSO.
 - Notice of Intent to Award posted on July 3, 2018.
- CSTB developed an outreach plan for the universal customer on how to register on Employ Florida for job search assistance.
- CSTB developed their strategic plan to regain community participation from Employers and Job Seekers.
- CSTB imposed restrictions on application window for new training vendors. Vendor deadline is within the first quarter of the fiscal year.
- CSTB approved a new Eligible Training Provider Policy. The updated policy adds criteria that: (1) limits new training providers/new training programs to 12 enrollments until performance is established; (2) limits training programs to those with a minimum entry level wage rate of \$14.63 per hour; (3) requires 70% completion rate per training program; and (4) requires 70% Job Placement Rate.
- CSTB conducted a Training Provider meeting.
- CSTB ceased acquisition and use of all new hire lists for all programs associated within Business Services.
- CSTB halted documenting WIOA eligibility on all universal customers. Any customer interested in WIOA funding assistance must follow the application process aligned for all interested customers.
- CSTB modified OJT, Employed Worker Training (EWT) & Paid Work Experience (PWE) agreement templates to reflect ETA/FLDEO best practices. They added a year-end date to the OJT, PWE and EWT agreements to establish a financial period end, with an annual term limit. The CSTB board attorney reviewed and edited the OJT/PWE for verification of language to the applicant and employer.
- CSTB updated their Desk Guides to reflect updated policies and changes. They changed the Statement of Needs Policy for WIOA and Welfare Transition Program (WTP)/Supplemental Nutrition Assistance Program (SNAP) to include exclusion of benchmarks and reduced dollar amount of support service per need, based on transportation research.
- CSTB implemented the revised Supportive Services Policy:

- Established a Supportive Services maximum cap of \$700 per PY per customer. CSTB Career Counselors are required to track supportive service amounts per PY to ensure they do not exceed the established caps.
- Services are limited to transportation, tools, and work-related uniforms.
- Removed all programmatic benchmarks and incentives from Supportive Service Policy.
- CSTB modified the OJT Staffing Structure:
 - Integrated Business Services OJT team with the WIOA Program team.
 - Implemented process for the use of OJT Job Orders with WIOA occupational skills training completers (90 days prior to completion) and job search.
- CSTB incorporated the OJT team into the business services model, requiring Account Executives and Recruiters to recruit for OJT job orders sourcing WIOA, and WTP completers, Employ Florida and Monster resources. The Management Information System (MIS) provides monthly updated lists.

CAREERSOURCE PINELLAS

Governance:

- Since July 2018, the local board replaced approximately 60 percent of its board members. The Pinellas County Board of County Commissioners (BOCC) or CLEO reviewed and approved these members. CSP held a Board Orientation for new and current board members.
- In an effort to enhance public accountability and transparency, the BOCC specifically asked that the new bylaws include appointment of a CSP board member position from the current Pinellas County School Board.
- The BOCC requested CSP to continue in the role of fiscal agent and administrative entity during the transition period but reserves the right to withdraw that approval and reassign those duties in the future, should conditions warrant.
- As of September 1, 2018, CSP and CSTB transitioned from a shared services model to a non-shared services model; CSP selected a new CEO at the October 2018 Board meeting.
- CSP revamped the finance department, bringing on a new CFO consultant, during the interim. The new CFO is bridging the gap until CSP hires a permanent CFO to ensure fiscal operations continue without disruption during the transition.
- The BOCC engaged a consultant to conduct a review of the current organizational structure and governance model for CSP and made recommendations for improvement. BOCC requested the CSP Board form an Ad Hoc Committee to review the Inter-local Agreement.

Financial, Internal Controls & Personnel:

- Two audits completed in 2018 to include the statement of financial position as of June 30, 2018, the related statements of activities, functional expenses, cash flows, the related notes to the financial statements, and review of internal controls and procedures.
- CSP reviewed and completed the Internal Control Questionnaire and Assessment (ICQ). FLDEO and the Bureau of Financial Monitoring and Accountability used the ICQ as a self-assessment tool for evaluating internal controls.

- CSP modified their bank visa distribution process and implemented additional internal controls to maintain the cards.
- CSP eliminated the Business Services incentive program in August 2018.
- CSP will be working with the Compensation Committee to conduct a full compensation/benefits review in the spring, including a review of the benefits stipend, compensation, benefits and salary ranges.
- CSP reviewed CSF Policy and the Local Workforce Development Plan 2018-2020 outlining how CSP carries out multiple responsibilities. This includes how CSP develops appropriate firewalls to guard against conflicts of interest.

Program Design & Service Delivery:

- CSP revised their Local Workforce Development Plan and submitted it to FLDEO.
- CSP made immediate changes to program activities as identified by ETA and FLDEO.
- CSP reissued the OSO RFP and selected a new entity to ensure that they follow a competitive process. In addition to coordinating the delivery of One-Stop partners and service providers, the OSO will provide customer service training and conduct bi-annual programmatic monitoring utilizing the FLDEO monitoring tool.
- CSP reviewed and approved the adoption of CSF Ethics and Transparency policy.
- CSP reviewed the hire list process and requested staff no longer utilize hire lists for placement.
- CSP reviewed the hire list process for determining OJT/PWE and immediately requested that staff no longer utilize hire list for reverse referrals, based on recent FLDEO/ETA guidance relating to OJT/PWE; this also includes justification and assessment. CSP will conducted a full review of OJT/PWE policy and will make additional changes as necessary.

DEPARTMENT OF ECONOMIC OPPORTUNITY

Progress/Oversight Structures/Plans:

- FLDEO increased the number of on-site Programmatic monitoring reviews for PY 2018-19.
- FLDEO revised the program monitoring participant file sampling methodology (i.e., random, stratified and targeted based on program area).
- FLDEO implemented the use of a Data Anomaly technology tool to:
 - Identify (more-real time) missing or incomplete data elements that may indicate discrepancies with participant records.
 - Assist with identification of local program practices, policies, and operating procedures that may conflict with current state policies.
- NOTE: FLDEO has also dedicated additional resources to identify and implement other technology solutions to enhance data analytics and the programmatic monitoring processes.
- To help maintain continuity of operations during the transition, FLDEO, CSP, and key LWDB Executive Directors compiled a comprehensive Milestones Matrix outlining key local board activities and due dates for the Interim Executive Directors for CSTB and CSP.

- Several key LWDB Board Executive Directors throughout the State provided the Interim Executive Directors for CSTB and CSP an opportunity for Peer-to-Peer mentoring.
- FLDEO and CSF have enhanced the policy development process. The new process provides a more collaborative approach and ensures further engagement between CSF, FLDEO, and the LWDBs in the development of policies.
- FLDEO has evaluated current program policies and further strengthened existing policies to ensure policy directives are clearly stated and support consistency across the State.
- CSF, in partnership with DEO and Maher & Maher, implemented a comprehensive WIOA program performance metrics training series.
- CSF created an Ethics and Transparency Policy to codify the expectations about ethics and transparency in Florida's workforce system to maintain integrity, accountability and transparency in decisions and actions that earn and protect the public trust. The CSF Board of Directors approved this policy in September 2018.

Plans:

- CSF, in partnership with FLDEO and National Association of Workforce Boards, are collaborating to develop a standardized Workforce System Orientation for Local Chief Elected Officials and Local Board Chairs.
- FLDEO is planning to enhance the state's Management Information Systems to increase direct communication with job seekers and employers to confirm the accurate reporting of activities and services provided.
- FLDEO is currently scheduling intensive, on-site training and technical assistance to the local areas to include in-depth local policy analysis to ensure compliance with the State's policies, programmatic training, and hands-on demonstrations on the correct use of Management Information Systems.

Program/Personnel/Organizational Restructuring to help with Statewide Oversight:

- FLDEO re-organized the existing organizational structure and recruited new talent to ensure a dedicated focus on anomaly identification, trend analysis, and increased communication with the local areas to resolve issues identified.
- FLDEO continues to provide on-going technical assistance with the local boards, and support to the other FLDEO business areas, as needed.
- FLDEO is conducting additional analysis of the current organizational structure to determine if a different organizational model would allow the state to provide more meaningful and targeted oversight and support to the local areas.
- CSTB and CSP have successfully reorganized into two separate local boards. FLDEO and CSF continue to work with these boards on program design and service delivery.
- FLDEO continues to monitor the financial impact of the reorganization of CSTB and CSP during their transition. Both local boards currently have adequate funding levels and there have been no disruption in services.

- End of Report -

V. APPENDICES:

Findings Summary Chart: Compliance Review of CareerSource Tampa Bay and Pinellas LWDA's, WIOA Program		
Finding #	Description	Questioned Costs
1	Fabrication of Placements, Falsification of Information and Records	N/A
2	Lack of Documented Program and Service Eligibility for OJT Participants	\$9,753,923.75
3	Supportive Services Payments Potentially Issued to Ineligible Participants OJT	\$5,449,113
4	Improper Business Services Staff Incentive Compensation	\$2,031,886.12
5	Improper Executive Director and Management Compensation Salary Increases	\$408,487
6	Lack of Staff Grievance procedures and Equal Opportunity Representation	N/A
7	Lack of Firewalls and Internal Control at CSTB and CSP	N/A
8	Board Recruitment, Vetting, Nomination, and Appointment Inconsistent with WIOA Provisions	N/A
9	Chief Elected Officials Improperly Delegated Key Roles and Responsibilities	N/A
10	Non-Compliant with WIOA Transparency and Sunshine Provisions	N/A
11	CSTB and CSP Lack Evidence of LWDBs Fulfilling Required Functions	N/A
12	One-Stop Competition Not Compliant	N/A
13	Conflict of Interest Policies Not Compliant	N/A
14	CSTB and CSP LWDB Compositions Not Compliant	N/A
15	Non-Compliant with Stevens Amendment	N/A
16	State Did Not Conduct Adequate and Effective Oversight	N/A
17	Lack of Internal Controls for Supportive Services & Prepaid Credit Cards	N/A
Total		\$ 17,643,409.87

COMPLIANCE REVIEW BACKGROUND INFORMATION:

Dates of Review:

April 1-6, 2018 – Local Level
April 9-13, 2018 – State Level
April 16-20, 2018 – Local Level
October 29, 2018 – November 2, 2018 – Local Level
November 5-9, 2018 – Local Level

Site(s) Visited:

CareerSource Tampa Bay & CareerSource Pinellas
Tampa, Florida – Local Level
Department of Economic Opportunity (FLDEO)
Tallahassee, Florida – State Level

ETA Reviewer(s):

Winston Tompoe, Office of State Systems (OSS) Director
Lane Boseman, Chief, Division of Financial Management and Administrative Services (DFMAS)
Thomas DiLisio, Division Chief DFMAS, Chicago
Rachel Floyd-Nelson, Federal Project Officer (FPO)
Jessica Otieno, FPO
Susan Tesone, FPO
Julian Hardy, FPO
Carol Andry, FPO

Programs Reviewed:

WIOA Title I, Adult, Dislocated Worker, and Youth
WIOA Title III, Wagner-Peyser

Time Period for Data Covered in Review:

July 1, 2014 through June 30, 2018

Date of Entrance Conferences:

April 1 and 9, 2018
October 29, 2018

In Attendance:

- Winston Tompoe, OSS Director - ETA
- Lane Boseman, Chief, DFMAS - ETA
- Rachel Floyd-Nelson, FPO - ETA
- Thomas DiLisio, Division Chief, Chicago – ETA
- Rachel Floyd-Nelson, FPO - ETA
- Jessica Otieno, FPO - ETA
- Susan Tesone, FPO - ETA

- Julian Hardy, FPO - ETA
- Carol Andry, FPO - ETA
- Andrew Collins, Chief Operating and Financial Officer – CSF
- Shila Salem, Chief of One-Stop and Program Support - FLDEO
- Kathy Keeton, Sr. Management Analyst Supervisor – Performance Reporting and Analysis Unit - FLDEO
- Janice Hutchinson, Chief of Financial Monitoring - FLDEO
- Maureen Castano, Revenue Program Administrator (FMA Manager over LWDB Monitoring) - FLDEO
- Tom Abney, Senior Management Analyst II- Financial Monitoring Unit - FLDEO
- Chadwick Myrick, Senior Management Analyst II- Financial Monitoring Unit – FLDEO
- Jennifer Brackney, Executive Director – LWDB 14 (CareerSource Pinellas)
- Juditte Dorcy, Interim Executive Director – LWDB 15 (CareerSource Tampa)
- Donald Shepherd, Director of Programs Operations – LWDB 14 (CareerSource Pinellas)
- Jody Toner, Director of Policy, Performance and MIS – (CareerSource Tampa Bay)
- Ron Barton, Hillsborough County
- Ken Jones, Hillsborough County
- Mimi Tran, CareerSource Tampa Bay
- Anna Munro, CareerSource Tampa Bay
- Michelle Schultz, CareerSource Tampa Bay

Date of Exit Conferences:

April 20, 2018

November 14, 2018

In Attendance:

- Shila Salem, Chief of One-Stop and Program Support - FLDEO
- Kathy Keeton, Sr. Management Analyst Supervisor – Performance Reporting and Analysis Unit - FLDEO
- Maureen Castano, Revenue Program Administrator (FMA Manager over LWDB Monitoring) - FLDEO
- Jennifer Brackney, Executive Director – LWDB 14 (CareerSource Pinellas)
- Juditte Dorcy, Interim Executive Director – LWDB 15 (CareerSource Tampa)
- Ken Jones, Hillsborough County
- Donald Shepherd, Director of Programs Operations – LWDB 14 (CareerSource Pinellas)
- Jody Toner, Director of Policy, Performance and MIS – (CareerSource Tampa Bay)
- Damon Steffens, Chief Financial Officer – FLDEO
- James Landsberg, Inspector General - FLDEO
- Casey Penn – FLDEO
- Mary Lazor – CSF
- Winston Tompoe, OSS Director - ETA
- Thomas DiLisio, Division Chief, Chicago - ETA

REVIEW SCOPE – CORE GUIDE COVERED

ETA used its Core Monitoring Guide and Financial Supplements to conduct the compliance review. The following general areas of the Guide and Supplement were covered in the review:

Core Activity 1 Service Design & Delivery

Objective 1.A: Planning and Program Design

(C/E) Indicator 1.a.1: Strategic Planning

(C/E) Indicator 1.a.2: Service Design

(C/E) Indicator 1.a.3: Coordination and Integration

Objective 1.B: Implementation

(C/E) Indicator 1.b.1: Designating Personnel, Staff, and Hiring

(C/E) Indicator 1.b.2: Participant Recruitment Activities

(C/E) Indicator 1.b.3: Partnerships

(C/E) Indicator 1.b.4: Required One-Stop Partner

(C) Indicator 1.b.5: Establishing Contracts and Subawards

(C) Indicator 1.b.6: Timely Equipment Purchases

Objective 1.C: Products and Deliverables

(C) Indicator 1.c.2: Product Development

Objective 1.D: Business Services and Employer Engagement

(C/E) Indicator 1.d.3: Business Services

Objective 1.E: Participant Services

(C) Indicator 1.e.1: Service Delivery

(C) Indicator 1.e.2: Priority of Service

(C) Indicator 1.e.3: Eligibility/Enrollment

(C/E) Indicator 1.e.4: Assessment

(C/E) Indicator 1.e.5: Participant Service Plan

(C) Indicator 1.e.6: Supportive Services

(C/E) Indicator 1.e.7: Training Services

(C/E) Indicator 1.e.8: Placement

(C/E) Indicator 1.e.9: Follow-Up Services

Core Activity 2 Grant Operations

Objective 2.A: Project Management

(C/E) Indicator 2.a.1: Specific Award Conditions

(C) Indicator 2.a.2: Prior Approval of Project Modifications

Objective 2.B: Budget

(C) Indicator 2.b.1: Budget Controls

(C) Indicator 2.b.2: Budget Modifications

Objective 2.C: Property Management

(C) Indicator 2.c.1: Insurance Coverage

(C) Indicator 2.c.2: Real Property

(C) Indicator 2.c.3: Equipment

(C) Indicator 2.c.4: Rental or Leasing Costs for Property

(C) Indicator 2.c.5: Supplies

(C) Indicator 2.c.6: Intangible Property

- Objective 2.D: Procurement and Contract Administration
 - (C) Indicator 2.d.1: Procurement Standards
 - (C) Indicator 2.d.2: Competition
 - (C) Indicator 2.d.3: Methods of Procurement
 - (C) Indicator 2.d.4: Cost or Price Analysis
 - (C) Indicator 2.d.5: Contract Administration
- Objective 2.E: Performance Management
 - (C) Indicator 2.e.1: Performance Reporting
 - (C) Indicator 2.e.2: Progress Monitoring
- Objective 2.F: Sub-recipient Management and Oversight
 - (C) Indicator 2.f.1: Sub-recipient and Contractor Determination
 - (C) Indicator 2.f.2: Pre-Award Risk Analysis
 - (C) Indicator 2.f.3: Post Sub-award Responsibilities
 - (C) Indicator 2.f.4: Sub-recipient Monitoring
- Objective 2.G: Records Management
 - (C) Indicator 2.g.2: Accessibility
 - (C) Indicator 2.g.3: Protected Personally Identifiable Information
 - (C) Indicator 2.g.4: Custody and Transfer
- Objective 2.H: Personnel
 - (C) Indicator 2.h.1: Personnel Policy and Procedures
 - (C) Indicator 2.h.2: Staff Positions
 - (C) Indicator 2.h.3: Salaries
 - (C) Indicator 2.h.4: Organizational Chart
- Objective 2.I: Civil Rights, Complaints, Grievances & Incident Reporting
 - (C) Indicator 2.i.1: Policies and Procedures
 - (C/E) Indicator 2.i.2: Notices
 - (C) Indicator 2.i.3: Facilities
 - (C) Indicator 2.i.4: Grievance and Complaint System
 - (C) Indicator 2.i.5: Incident Reporting

Core Activity 3 Financial Monitoring

- Objective 3.A: Internal Controls
 - (C) Indicator 3.a.1: Effectiveness and Efficiency of Operations
 - (C) Indicator 3.a.2: Reliability of Reporting for Internal and External Use
 - (C) Indicator 3.a.3: Compliance with Applicable Laws and Regulations
 - (C) Indicator 3.a.4: Performance Reports
- Objective 3.B: Accounting System and Financial Reporting
 - (C) Indicator 3.b.1: Basis of Reporting
 - (C) Indicator 3.b.2: Financial Reporting
 - (C) Indicator 3.b.3: Sub-recipient's Financial Reporting
 - (E) Indicator 3.b.4: Performance Reports
- Objective 3.C: Payment and Cash Management
 - (C) Indicator 3.c.1: Cash Disbursements
 - (C) Indicator 3.c.2: Improper Payments
- Objective 3.E: Program Income
 - (C) Indicator 3.e.1: Program Income Policies and Procedures

- (C) Indicator 3.e.2: Expending and Documentation
- Objective 3.F: Allowable Costs and Cost Classification
 - (C) Indicator 3.f.1: Cost Principles
 - (C) Indicator 3.f.2: Financial Management Systems
- Objective 3.G: Cost Allocation/Indirect Costs
 - (C) Indicator 3.g.1: Cost Allocation Principles
 - (C) Indicator 3.g.2: Cost Allocation Plan
 - (C) Indicator 3.g.3: Negotiated Indirect Cost Rate Agreements
 - (C) Indicator 3.g.4: De Minimis
- Objective 3.H: Audits and Audit Resolution
 - (C) Indicator 3.h.1: Audit Process
 - (C) Indicator 3.h.2: Sub-recipient's Audit
 - (C) Indicator 3.h.3: Report on Internal Controls