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December 12, 2022

## Monitoring Committee Meeting Notice

Members of the Monitoring Committee will meet **on Wednesday, December 14, 2022, at 10:30 am via Zoom** link below. Due to the ongoing health concerns with the COVID-19 pandemic, we will be observing social distancing. We appreciate your patience and understanding in this matter.

### Join Zoom Meeting

<https://us06web.zoom.us/j/86462928808?pwd=Um9jVzJLRnJBbTJZTEFZSllZVGxRZz09>

**Meeting ID: 864 6292 8808**

**Passcode: 830356**

**One tap mobile +13462487799**

### Agenda

1. Call to order and introductions – Kristin Little, Chair
2. TWC 22.03.0001 Reports and Audit Resolution letter
3. Review summary of Workforce Center reviews
4. Review summary of Child Care reviews
5. Other discussion
6. Next meeting date to be determined with email poll
7. Adjourn

# Texas Workforce Commission

A Member of Texas Workforce Solutions

Bryan Daniel, Chairman  
Commissioner Representing  
the Public

Julian Alvarez  
Commissioner Representing  
Labor

Aaron Demerson  
Commissioner Representing  
Employers

Edward Serna  
Executive Director

November 16, 2022

Ms. Lisa McDaniel, Executive Director  
Workforce Solutions North Texas  
1501 Midwestern Parkway, Suite 101  
Wichita Falls, Texas 76302

Dear Ms. McDaniel:

This letter is regarding findings identified in the Texas Workforce Commission (TWC) Monitoring Report #22.03.0001. This report included a review of the Child Care Services, Choices (employment services for Temporary Assistance for Needy Families), Employment Services, and Workforce Innovation and Opportunity Act programs administered by Workforce Solutions North Texas (Board). This monitoring review identified the following findings that require further resolution action as outlined below:

**Finding:**      Ensure Costs are Reasonable and Necessary

The Board purchased more meals for a Board meeting, held on April 21, 2021, than the amount predetermined as needed from the poll taken for expected attendance. The total purchased was 20 sandwich meals for a total of \$170.00, \$8.50 per meal, when the poll indicated nine people would attend in person. The Board purchased 11 more meals than necessary, resulting in \$93.50 in questioned costs.

Without adequate controls, there is no assurance that expenditures are reasonable and necessary under state and federal requirements, which may lead to questioned costs.

**Documentation Required:**

The recommendation in the monitoring report states that the Board should strengthen controls to ensure that the quantity of meals is based on the projected attendance. Please provide implemented controls which address the weakness identified.

Regarding the questioned costs, if there's additional documentation you wish for us to consider in allowing the cost of \$93.50 for the 11 additional meals, please provide it for our review. If there's no additional documentation and you agree with the questioned costs, please provide a check payable to TWC in the amount of \$93.50, the amount of the 11 extra meals. The payment made must be from unrestricted, non-federal, non-state funds. On the attached Cash Remittance Form, please be sure to

indicate on the form that payment is made from unrestricted, non-federal, and non-state funds, for disallowed costs. Please also include the contract number(s) the payment was originally charged to. Mailing addresses are on the top right corner of the form. Prior to mailing, please forward a copy of the completed cash remittance form and a copy of the check via email to me, for our files.

Finding: Ensure MOUs and IFAs Meets Requirements

The Board did not ensure its Memoranda of Understanding and Infrastructure Funding Agreements contained all the required elements and that costs were reconciled to ensure costs were correctly applied.

Specifically, the following issues were identified:

- For both SCSEP partners and one AEL partner, the Board did not periodically reconcile the one-stop operating budget against actual costs incurred and adjust shared costs charged to the partners accordingly. Details include:
  - for one SCSEP partner and one AEL partner, de minimis calculation were provided but were not reconciled against actual cost per MOU/ IFA costs.
  - for another SCSEP partner, support was not provided to show actual cost of de minimis calculations for this partner.
- Also, one SCSEP MOU was lacking one element required by the WIOA Guide to Texas Workforce System Operations, which was a description of the process to be used among workforce partners to resolve issues related to infrastructure funding during the MOU duration period when consensus cannot be reached.

Without meeting all requirements set in the Workforce Innovation and Opportunity Act Guide to Texas Workforce System Operations, Boards cannot ensure that infrastructure costs are shared with local partners or that the program is functioning appropriately.

**Documentation Required:**

The recommendation in the monitoring report states that the Board should ensure that MOUs and IFAs contain all required elements, partners contribute to shared costs as required, and that shared costs estimated in the IFA are reconciled to actual costs. Please provide implemented controls and procedures to address each of the weaknesses identified which ensure MOUs and IFA requirements are met, as indicated in the [\*WIOA Guide to Texas Workforce System Operations\*](#). In addition, please provide de minimis shared costs calculations and recent reconciliations to actual costs for SCSEP and AEL partners. Lastly, please provide recent training agenda and sign in sheets for this area, if conducted.

Please provide the above information within 45 calendar days from the date of this letter to Ruth C. Cureton, via email [ruth.cureton@twc.texas.gov](mailto:ruth.cureton@twc.texas.gov). Additional documentation may be requested at a future date based on the documentation submitted.

Ms. McDaniel  
Page 3  
November 16, 2022

Thank you in advance for your cooperation and assistance. Should you have any further questions or concerns, please contact Ruth C. Cureton at (512) 936-2506 or me at (512) 354-9616 or [judy.ohn@twc.texas.gov](mailto:judy.ohn@twc.texas.gov).

Sincerely,

*Judy Ohn*

Judy Ohn  
Director of Fiscal Services and Audit Resolution

Enclosure



# Texas Workforce Commission

Member of the Texas Workforce Network

## Cash Remittance Report

<b>Received From: Name and Address</b>		<b>Send Report and Remittance to:</b>	
Name: _____		<u>Postal Delivery</u>	
Street Address: _____		<u>Courier Delivery</u>	
City, State: _____		Texas Workforce Commission	
ZIP: _____		Revenue & Trust Management	
Vendor I.D. #:		PO Box 322	
		Austin, TX 78767-0322	
		Texas Workforce Commission	
		Revenue & Trust Management	
		4405 Springdale Road	
		Austin, TX 78723	

Contract Number	Amount	Reason Coding (Below)	SHADED AREA TWC USE ONLY							
			Acct.	Fund	Org.	Prog.	Sub-Class	BY	Proj.-Grant	T.C.

**Total:** \_\_\_\_\_  
**Check #:** \_\_\_\_\_

Print Name of Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Phone #: \_\_\_\_\_ Ext: \_\_\_\_\_

Reason Coding:  
 1.Refund  
 2.Program Income  
 3.Lease  
 4.Title VI ChildCare  
 5.Child Care  
 6.Other (Explain): \_\_\_\_\_

An individual may receive and review information that TWC collects regarding that individual by sending an e-mail to [open.records@twc.state.tx.us](mailto:open.records@twc.state.tx.us) or writing to TWC Open Records Section, 101 East 15<sup>th</sup> St, Room 266, Austin, Texas 78778-0001.

# Texas Workforce Commission

A Member of Texas Workforce Solutions

Bryan Daniel, Chairman  
Commissioner Representing  
the Public

Julian Alvarez  
Commissioner Representing  
Labor

Aaron Demerson  
Commissioner Representing  
Employers

Edward Serna  
Executive Director

## Report #22.03.0001

ISSUE DATE: November 9, 2022

Ms. Lisa McDaniel, Executive Director  
Workforce Solutions North Texas  
1501 Midwestern Parkway, Suite 101  
Wichita Falls, Texas 76302

Dear Ms. McDaniel:

We have completed our review of the Child Care Services, Choices (employment services for Temporary Assistance for Needy Families), Employment Services, and Workforce Innovation and Opportunity Act programs administered by Workforce Solutions North Texas. Our review covered the period April 1, 2021, through January 31, 2022.

Our findings are summarized in the enclosed report. TWC Audit Resolution will contact you with an initial notification letter requesting the documentation necessary to resolve the outstanding findings identified in the report. The Board will have 45 calendar days from the issuance of the letter to respond to Audit Resolution with the documentation.

During the review, we tested the Board's monitoring function and found that it incorporates the necessary attributes for certification, e.g., a risk assessment and monitoring plan, program and fiscal reviews, follow ups and resolution process. We are able to place reliance in Fiscal and the following programs: WIOA and Child Care. As a result, we are able to re-certify the monitoring function.

Thank you again for your cooperation and assistance. Should you have any further questions concerning the review, please contact me at (512) 936-3612.

Sincerely,



Mary B. Millan, Director of Field Operations  
Subrecipient Monitoring  
Division of Fraud Deterrence and Compliance Monitoring

Attachment



Monitoring Report  
#22.03.0001  
Workforce Solutions North Texas

Issued by Texas Workforce Commission  
Subrecipient Monitoring Department

## Board Background

Workforce Solutions North Texas is part of Texas Workforce Solutions – a statewide network of 28 Workforce Development Boards for regional planning and service delivery, their contracted service providers and community partners, and the TWC unemployment benefits Tele-Centers. This network, which includes the Texas Workforce Commission, gives customers local access to workforce solutions and statewide services through Workforce Solutions offices and Tele-Centers throughout the state.

The Board serves the following counties: Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger and Young.

Equus Workforce Solutions is the subrecipient responsible for management of the Workforce Centers and Rolling Plains Management Corporation is subrecipient responsible for Child Care Services.

## Executive Summary

The Texas Workforce Commission, Subrecipient Monitoring Department conducted a review of Workforce Solutions North Texas. This review identified opportunities to strengthen management controls and support compliance with contract requirements.

The Board is responsible for providing its Partners, Subrecipients, and Contractors with these findings and areas of concern and following up to ensure that any needed corrective actions are completed.

### Finding #1: Ensure Costs are Reasonable and Necessary

The Board purchased more meals for a Board meeting, held on April 21, 2021, than the amount predetermined as needed from the poll taken for expected attendance. The total purchased was 20 sandwich meals for a total of \$170.00, \$8.50 per meal, when the poll indicated nine people would attend in person. The Board purchased 11 more meals than necessary, resulting in \$93.50 in questioned costs.

The Board should strengthen controls to ensure that the quantity of meals is based on the projected attendance. TWC Audit Resolution will work with the Board on the \$93.50 in questioned cost.

### Finding #2: Ensure MOUs and IFAs Meets Requirements

The Board did not ensure its Memoranda of Understanding and Infrastructure Funding Agreements contained all the required elements and that costs were reconciled to ensure the costs were correctly applied. The Board should ensure that MOUs and IFAs contain all required elements, partners contribute to shared costs as required, and shared costs estimated in the IFA are reconciled to actual costs.

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## Findings

### Ensure Costs are Reasonable and Necessary

The Board purchased more meals for a Board meeting, held on April 21, 2021, than the amount predetermined as needed from the poll taken for expected attendance. The total purchased was 20 sandwich meals for a total of \$170.00, \$8.50 per meal, when the poll indicated nine people would attend in person. The Board purchased 11 more meals than necessary, resulting in \$93.50 in questioned costs.

Without adequate controls, there is no assurance that expenditures are reasonable and necessary under state and federal requirements, which may lead to questioned costs.

*Technical Assistance Bulletin 259: Provision of Meals and Refreshments* states the following:

“Reasonable, Necessary, and Allowable

Boards are required, under Chapter 802, the Texas Workforce Commission’s Integrity of the Texas Workforce System rules, to adhere to the requirements of Office of Management and Budget (OMB) Circulars A-21, A-87, and A-122, which require all costs to be reasonable, necessary, allocable, and adequately documented in order to be allowable. Additionally, these cost principles specifically allow for the costs of meals incidental to the cost of meetings and conferences where the primary purpose is the dissemination of technical information. The allowability of meals and refreshments— e.g., bottled water, coffee, other nonalcoholic beverages, fruit, cookies, pastries— provided during other events (such as job fairs, awards ceremonies, etc.) is subject to the same cost principles. While the allowability of such costs is determined on a case-by-case basis, it is important to consider:

- the reasonableness of the aggregate costs to demonstrate that Boards have “acted with [due] prudence in circumstances, considering their responsibilities to the governmental unit, its employees, the public at large, and the state or Federal Government” [Uniform Grant Management Standards (UGMS)]; and
- aggregate costs periodically—e.g., over a 12-month period—to identify needed changes to policies in order to avoid incurring individual and aggregate costs that appear excessive or lavish.

#### Justification

The costs of meals and refreshments are not inherently allowable or unallowable. However, in accordance with the authorities cited above, costs can be incurred only when necessary and reasonable for the proper and efficient performance and administration of a grant award.

Examples of when a bona fide need arises to incur such costs include, but are not limited to, the following:

- an all-day meeting will not cover all necessary technical information unless technical information is also provided during a time when a meal would normally be consumed;
- technical information needs to be provided on a date when the only time that attendees are available to attend the meeting is during a mealtime;
- it is necessary to hold the event or provide the technical information during a time when a meal would normally be consumed, and attendance would be diminished because attendees would forego the event or technical assistance for their meal; or
- disruption of scheduled events (e.g., whether attendees would be likely to return—or their absence would cause significant delays—if required to leave the event to obtain a meal or refreshments).

Other key factors affecting the allowability of such costs include:

- the reasonableness of the cost (i.e., the per-participant cost is not excessive when compared to what a prudent person might incur under the circumstances);
- the event duration or timing (e.g., all day or when it is necessary to hold or continue an activity during a normal mealtime);
- location (e.g., limited access to or limited number of establishments); and
- quantity of meals or refreshments provided compared to projected attendance.”

*FMGC Chapter 8: Cost Principles, General Allowability Criteria* states:

“In order to be allowable under a federal or state award, a cost must meet the general allowability criteria established by the Office of Management and Budget Circulars, and/or the Uniform Grant Management Standards, as applicable.

A cost must meet the following general criteria in order to be allowable under a federal or state award:

- Be necessary and reasonable for proper and efficient performance and administration of the award.”

## Recommendation

The Board should strengthen controls to ensure that the quantity of meals is based on the projected attendance. TWC Audit Resolution will work with the Board on the \$93.50 in questioned cost.

## Ensure MOUs and IFAs Meets Requirements

The Board did not ensure its Memoranda of Understanding and Infrastructure Funding Agreements contained all the required elements and that costs were reconciled to ensure costs were correctly applied.

Specifically, the following issues were identified:

- For both SCSEP partners and one AEL partner, the Board did not periodically reconcile the one-stop operating budget against actual costs incurred and adjust shared costs charged to the partners accordingly. Details include:
  - for one SCSEP partner and one AEL partner, de minimis calculation were provided but were not reconciled against actual cost per MOU/ IFA costs.
  - for another SCSEP partner, support was not provided to show actual cost of de minimis calculations for this partner.
- Also, one SCSEP MOU was lacking one element required by the *WIOA Guide to Texas Workforce System Operations*, which was a description of the process to be used among workforce partners to resolve issues related to infrastructure funding during the MOU duration period when consensus cannot be reached.

Without meeting all requirements set in the Workforce Innovation and Opportunity Act Guide to Texas Workforce System Operations, Boards cannot ensure that infrastructure costs are shared with local partners or that the program is functioning appropriately.

WIOA, *Guide to Texas Workforce System Operations*, TWC, Workforce Development Division, December 2020, D. Infrastructure Funding, 1. Texas Workforce System Operating Costs states:

#### “Infrastructure Costs

Infrastructure costs are non-personnel costs that are necessary for the general operation of the Workforce Solutions Office. Infrastructure costs include, but are not limited to, the following non-personnel costs:

- The rental costs of the facilities
- The costs of utilities and maintenance
- The costs of equipment (including assessment-related products and assisting technology for individuals with disabilities)
- The costs of technology to facilitate access to the Workforce Solutions Office, including technology used for planning and outreach activities.”

#### ...Infrastructure Costs - Funding Options

#### ...Valuation of Noncash and Third-Party In-Kind Contributions

...As required by 20 CFR §678.720(c)(5), all workforce partner contributions, regardless of type, must be reconciled on a regular basis (monthly or quarterly), comparing actual expenses incurred to relative benefits received, to ensure that each workforce partner program is contributing its proportionate share in accordance with the terms of the MOU.

....As cited in 2 CFR Part 200, all workforce partner contributions, regardless of the source, must be reconciled and adjusted accordingly on a regular basis (monthly or quarterly) to ensure that each workforce partner is contributing no more than its proportionate share, based on the relative benefits received.

## 2. One-Stop Operating Budget, Benefits

### Definition of the One-Stop Operating Budget...

WIOA §121(c)(2)(A) requires that each MOU contain provisions describing how the costs of the services to be provided through the local workforce system and the operating costs of the workforce system will be funded. Furthermore, 20 CFR §678.755(b) requires Boards and workforce partners to establish, in the MOU, how they will fund the infrastructure costs and other shared costs of the Workforce Solutions Offices. In the MOU, Boards and workforce partners must also include identification of an infrastructure and shared services budget. This infrastructure and shared services budget is also known as the one-stop operating budget.

The one-stop operating budget and supporting schedules must be included in the MOU (20 CFR §678.760(e)). The one-stop operating budget shows each contributing workforce partner’s allocable share of the operating costs of the workforce system. Supporting schedules show the cost allocation methodology and basis used to arrive at those amounts.

...As required by 20 CFR §678.755(b), the one-stop operating budget must be periodically reconciled against actual costs incurred and adjusted accordingly.

## 3. Cost Allocation Methodology

### ...Relative Benefits Received

...workforce partner contributions that are initially based on budgeted amounts must be reviewed and reconciled periodically during the program year against actual costs incurred. Adjustments must be made to ensure that workforce partner contributions are proportionate to their use of the Workforce Solutions Office and the relative benefits received.

#### Standards for Acceptable Bases

"The standards for acceptable allocation bases are as follows:

...Represents Actual Cost or Effort Expended should be a measure of actual cost or actual effort expended. It should be based on historical data and not solely on a plan, projection, budget, job description, or other estimates of planned activity. This means that workforce partner contributions determined from allocation methodologies based originally on a budget must be reconciled periodically to actual costs to ensure that the contribution reflects the relative benefits received by the partner over time".

...Actual Costs - any method that initially uses estimated numbers, such as, participants, data elements, space use, or other costs that must use pre-budgeted, amounts, must be adjusted to actual data when it is available. Cost allocation must be determined using actual costs. While workforce partners may agree on a methodology for determining the proportionate share of costs by partner and for conducting preliminary allocations based on estimates or the shared budget, these estimates must be reconciled to actual costs on a periodic basis. An integral part of this step in the process is developing a schedule for the provision of information and the reconciliation process".

#### ...Budget Controls

The one-stop operating budget must be periodically reconciled against actual costs incurred and adjusted accordingly. This reconciliation ensures that the budget reflects a cost allocation methodology that demonstrates how infrastructure costs are charged to each workforce partner in proportion to the partner's use of the Workforce Solutions Office and the relative benefit received.

#### ...4. Infrastructure Funding Agreement, Requirements for Infrastructure Funding Agreements

##### Requirements for Infrastructure Funding Agreements

Boards must include the following information related to infrastructure costs in their IFAs:

- A budget that outlines the infrastructure costs for the comprehensive center and any affiliate sites in the workforce area and includes a detailed description of the costs included in each line item
- The cost allocation methodology chosen to charge each workforce partner in proportion to the partner's use of the Workforce Solutions Office and the benefit received, in accordance with Uniform Guidance
- The initial proportionate share of infrastructure costs allocated to each partner based on the agreed-upon cost allocation methodology, each partner's estimated total contribution amount, and the funding type; that is, cash, noncash (in-kind), and/or third-party in-kind contributions. The initial determination must be periodically reconciled against actual costs incurred and adjusted accordingly
- Any noncash or in-kind contributions must include a description of the method by which the value of the contribution was or will be fairly evaluated (see Funding Options in Section I of Part D of this guide for detailed descriptions of cash, noncash, and third-party contributions)
- ...The steps the Board, CEOs, and workforce partners used to reach consensus...
- A description of the process to be used among workforce partners to resolve issues related to infrastructure funding during the MOU duration period when consensus cannot be reached

#### ...5. Local Infrastructure Funding Mechanism

#### Requirement for the LFM

- In accordance with 20 CFR §678.715(a)(1), the LFM must meet all of the following requirements:
- ...Workforce partner contributions must be periodically reviewed (monthly or quarterly) and reconciled against actual costs incurred and adjusted to ensure that actual costs charged to any workforce partner are proportionate to the use of the Workforce Solutions Office and relative to the benefit received by the workforce partner and its respective programs or activities.”

#### Recommendation

The Board should ensure that MOUs and IFAs contain all required elements, partners contribute to shared costs as required, and that shared costs estimated in the IFA are reconciled to actual costs.

## Appendix A. Abbreviations and Terms

Board	Workforce Solutions North Texas
CCS	Child Care Services
CEO	Chief Executive Officer
CFR	Code of Federal Regulations
Choices	Employment services for TANF (Temporary Assistance for Needy Families)
DFPS	Department of Family and Protective Services
ES	Employment Services
FMGC	Financial Manual for Grants and Contracts
IFA	Infrastructure Facilities Agreement
LFM	Local Infrastructure Funding Mechanism
MOU	Memorandum of Understanding
OMB	Office of Management and Budget
QA	Quality Assurance
SCSEP	Senior Community Service Employment Program
SNAP E&T	Supplemental Nutrition Assistance Program Employment and Training
TWC	Texas Workforce Commission
UGMS	Uniform Grant Management Standards
WIOA	Workforce Innovation and Opportunity Act

## Appendix B. Review Objectives, Scope, and Methodology

### Review Objectives

The purpose of our review was to provide reasonable assurance that Workforce Solutions North Texas uses TWC grant resources in accordance with state and federal requirements. We also sought to determine whether activities are conducted toward the goal of achieving program objectives while maintaining fiscal accountability.

### Scope and Methodology

Monitoring reviewed the CCS, Choices, ES, and WIOA programs administered by the Board. We conducted this review from April 11, 2022, to April 16, 2022. Our goal was to provide reasonable but not absolute assurance regarding compliance with contract terms and objectives.

Toward this goal, we randomly selected and tested samples of transactions that occurred during the period of April 1, 2021, through January 31, 2022. Although no material issues came to the reviewers' attention other than those contained in this report, there is no assurance that other issues may not exist. Within the accounting and program books, records and documentation we tested control systems and transactions in the following areas:

#### Board

- Monitoring and Oversight
  - Monitoring Certification
  - Monitoring Recertification
- Automation
- Governance
  - MOUs and IFAs

#### Child Care

- DFPS Referrals
- Recoupment

#### Service Provider

- Choices
- Noncooperation

#### Fiscal

- Allowable Costs and Pooled Expenditures
  - Disbursements
  - Cost Allocation
- Procurement
  - Small and Micro-Purchases
  - Formal
- Fiscal Controls
  - Cash Management
  - Financial Reporting

## Appendix C. Report Distribution List

Copies of the report will be provided to the following parties:

### Workforce Solutions North Texas

Kristin Little, Chair

### United States Department of Health and Human Services

Gwendolyn Jones, Regional Program Manager

Deborah Daniels, Program Specialist

Alisa Matthews, Program Specialist

### United States Department of Labor

Nicholas E. Lalpui, Regional Administrator, Employment and Training Administration

M. Frank Stluka, Regional Director, Office of State Systems, Employment and Training Administration

### Texas Workforce Commission

Bryan Daniel, Chairman and Commissioner Representing the Public

Julian Alvarez, III, Commissioner Representing Labor

Aaron Demerson, Commissioner Representing Employers

Edward Serna, Executive Director

Randy Townsend, Deputy Executive Director

Courtney Arbour, Director, Division of Workforce Development

Reagan Miller, Director, Division of Child Care and Early Learning

Charles E. Ross, Jr., Director, Division of Fraud Deterrence and Compliance Monitoring

Chris Nelson, Chief Financial Officer

Adam Leonard, Director, Division of Information, Innovation and Insight

## Appendix D. Exit Conference

**Date:** April 14, 2022

### Attendees:

Lisa McDaniel, Executive Director, Workforce Solutions North Texas

Josie Gonzalez, Child Care Contract Manager, Workforce Solutions North Texas

Sharon Hulcy, Contract Manager, Workforce Solutions North Texas

Scott W. Essary, Program Supervisor, Equus Workforce Solutions

Crystal Ojeda, Program Supervisor, Equus Workforce Solutions

Darla Silva, Quality Assurance, Equus Workforce Solutions

Annette Jackson, Project Accountant, Equus Workforce Solutions

Leslee Escobedo, Child Care Program Director, Rolling Plains Management Corporation

Keren Whitney, Financial Director, Childcare, Rolling Plains Management Corporation

Tiffany Jones, Lead Client Services Specialist/QA Childcare, Rolling Plains Management Corporation

Dennis Wilde, Executive Director, Nortex Regional Planning Commission

Shana Ferguson, Finance Director, Nortex Regional Planning Commission

Lanette McHazlett Sanchez, Project Manager, TWC

Nadine Butler, Monitor, TWC

George Daiy, Monitor, TWC

Roger Weiselogel, Monitor, TWC

Tangela Johnson, Monitor, TWC

# Texas Workforce Commission

A Member of Texas Workforce Solutions

**Report #22.03.0001**

ISSUE DATE: November 9, 2022

Ms. Lisa McDaniel, Executive Director  
Workforce Solutions North Texas  
1501 Midwestern Parkway, Suite 101  
Wichita Falls, Texas 76302

Dear Ms. McDaniel:

Our review of the Supplemental Nutrition Assistance Program Employment and Training program administered by Workforce Solutions North Texas indicates fiscal and program systems are effectively managed.

The review covered the period April 1, 2021, to January 31, 2022, and included tests of transactions and fiscal and program controls.

We appreciate the cooperation and assistance you and your staff provided throughout the review. Should you have any questions, please contact me at (512) 936-3612.

Sincerely,



Mary B. Millan, Director of Field Operations  
Subrecipient Monitoring  
Fraud Deterrence and Compliance Monitoring Division

cc: Kristin Little, Chair, Workforce Solutions North Texas  
Gwendolyn Jones, Regional Program Manager, U. S. Department of Health and Human Services  
Deborah Daniels, Program Specialist, U. S. Department of Health and Human Services  
Alisa Matthews, Program Specialist, U. S. Department of Health and Human Services  
Bryan Daniel, Chairman and Commissioner Representing the Public, TWC  
Julian Alvarez, III, Commissioner Representing Labor, TWC  
Aaron Demerson, Commissioner Representing Employers, TWC  
Edward Serna, Executive Director, TWC  
Randy Townsend, Deputy Executive Director, TWC  
Courtney Arbour, Director, Division of Workforce Development, TWC  
Charles E. Ross, Jr., Director, Division of Fraud Deterrence and Compliance Monitoring, TWC  
Chris Nelson, Chief Financial Officer, TWC  
Adam Leonard, Director, Division of Information, Innovation, and Insight, TWC

Bryan Daniel, Chairman  
Commissioner Representing  
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Julian Alvarez  
Commissioner Representing  
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Edward Serna  
Executive Director

ISSUE DATE: November 9, 2022

Ms. Lisa McDaniel, Executive Director  
Workforce Solutions North Texas  
1501 Midwestern Parkway, Suite 101  
Wichita Falls, Texas 76302

Dear Ms. McDaniel:

We recently completed data validation testing of the Workforce Innovation and Opportunity Act (WIOA) program for the State of Texas, as administered by Workforce Solutions North Texas. Data validation is required by the U.S. Department of Labor Employment and Training Administration Training and Employment Guidance Letter (TEGL) 07-18, "Guidance for Validating Jointly Required Performance Data Submitted under the Workforce Innovation and Opportunity Act (WIOA)," and Workforce Development Letter 27-19, Change 3, "State Data Validation Requirements-Update". It is a process for verifying data elements in client records by comparing them to source documentation to ensure compliance with federal requirements and appropriateness of fund use. This data validation initiative was conducted to ensure the accuracy of data collected and reported to United States Department of Labor (USDOL) for the Fiscal Year 2021.

Attached is a Summary Report that outlines the results for each program tested in your area. The scope of review was from July 1, 2020, through June 30, 2021.

We appreciate the support of you and your staff and look forward to our continuing partnership to ensure the quality of the data reported by the State of Texas.

Sincerely,



Mary B. Millan, Director of Field Operations  
Subrecipient Monitoring  
Division of Fraud Deterrence and Compliance Monitoring

# WIOA Data Validation Results Report

PY2022 Data Validation Results for North Texas (3)



## WIOA Adult

### Assessment

Field Description	Records Tested	Records Unmet	Unmet Percentage
Type of Recognized Credential (WIOA)	11	1	9.09%
Date Attained Recognized Credential (WIOA)	11	1	9.09%
Type of Recognized Credential #2 (WIOA)	6	0	0%
Date Attained Recognized Credential #2 (WIOA)	6	0	0%
<b>SUB TOTALS</b>	<b>34</b>	<b>2</b>	<b>5.88%</b>

### Characteristics

Field Description	Records Tested	Records Unmet	Unmet Percentage
Date of Birth (WIOA)	13	0	0%
Individual with a Disability (WIOA)	1	0	0%
Employment Status at Program Entry (WIOA)	3	0	0%
Date of Actual Dislocation	1	0	0%
Supplemental Nutrition Assistance Program (SNAP)	5	0	0%
Low Income Status at Program Entry (WIOA)	10	0	0%
<b>SUB TOTALS</b>	<b>33</b>	<b>0</b>	<b>0.00%</b>

### Education

Field Description	Records Tested	Records Unmet	Unmet Percentage
Highest Educational Level Completed at Program Entry (WIOA)	13	0	0%
School Status at Program Entry (WIOA)	13	0	0%
<b>SUB TOTALS</b>	<b>26</b>	<b>0</b>	<b>0.00%</b>

### Service Tracking

Field Description	Records Tested	Records Unmet	Unmet Percentage
Type of Training Service #1 (WIOA)	12	0	0%
Date of Program Entry (WIOA)	13	1	7.69%
Date of Program Exit (WIOA)	13	0	0%
<b>SUB TOTALS</b>	<b>38</b>	<b>1</b>	<b>2.63%</b>

## WIOA Dislocated Worker

### Assessment

Field Description	Records Tested	Records Unmet	Unmet Percentage
Type of Recognized Credential (WIOA)	5	0	0%
Date Attained Recognized Credential (WIOA)	5	0	0%
Type of Recognized Credential #2 (WIOA)	1	0	0%
Date Attained Recognized Credential #2 (WIOA)	1	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>12</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>

### Characteristics

Field Description	Records Tested	Records Unmet	Unmet Percentage
Date of Birth (WIOA)	5	0	0%
Date of Actual Dislocation	1	0	0%
Supplemental Nutrition Assistance Program (SNAP)	1	0	0%
Low Income Status at Program Entry (WIOA)	1	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>8</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>

### Education

Field Description	Records Tested	Records Unmet	Unmet Percentage
Highest Educational Level Completed at Program Entry (WIOA)	5	0	0%
School Status at Program Entry (WIOA)	5	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>10</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>

### Service Tracking

Field Description	Records Tested	Records Unmet	Unmet Percentage
Type of Training Service #1 (WIOA)	5	0	0%
Date of Program Entry (WIOA)	5	0	0%
Date of Program Exit (WIOA)	5	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>15</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>

## WIOA Youth

### Characteristics

Field Description	Records Tested	Records Unmet	Unmet Percentage
Date of Birth (WIOA)	1	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>1</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>

### Service Tracking

Field Description	Records Tested	Records Unmet	Unmet Percentage
Type of Training Service #1 (WIOA)	1	0	0%
Date of Program Entry (WIOA)	1	0	0%
Date of Program Exit (WIOA)	1	0	0%
<b><i>SUB TOTALS</i></b>	<b><i>3</i></b>	<b><i>0</i></b>	<b><i>0.00%</i></b>



Summary of Monitoring by Center 12/12/2022

Workforce Center Contractor: Equus Inc.

INTERNAL MONITORING REPORT	PERIOD	ACCURACY RATE	FINAL ACCURACY RATE	Disallowed Cost
CHOICES CASE MGMT REVIEW-10%	2022.Q3	95%	99% due to svc 68 entered that CU never signed	None
CHOICES ENGAGEMENT REVIEW-100%	2022.10	82%	100%	None
PII REVIEW-1 CENTER PER QUARTER	2022.Q4	100%	100%	None
PROCUREMENT REVIEW-100%	2022.Q2	95%	98%	None
SNAP CASE MGMT REVIEW-10%	2022.Q3	94%	99%	None
SUPPORT SERVICES REVIEW-100%	2022.10	92%	100%	None
WIOA CASE MGMT REVIEW-10%	2022.Q2	90%	99%	None
WIOA CASE NOTE REVIEW-100%	2022.11	57%	100%	None
WIOA ELIGIBILITY REVIEW-100%	2022.11	100%	100%	None

# Child Care QA Report -October 2022

Wednesday, December 14, 2022

The Quality Assurance (QA) process is an in-house, case file auditing process that involves a preliminary QA audit and a final QA audit for any case being determined eligible for child care services.

## Quality Assurance Numbers

Total Cases Reviewed	147	Average Monthly Accuracy rate	96.91%	100% Accuracy for all cases	Disallowed Cost	\$0.00	
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Report on the  
Annual Financial  
Risk Assessment  
Evaluation  
Of the:

# Contractors of Workforce Solutions North Texas

In their capacities of *Workforce Center, Child Care* and *Specialty*  
Contractors in the **North Texas Workforce Development Area**

December 8, 2022

# R

## eport Demographics

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**Report Number:** WFSNT 23-02

**Report Type:** **Final**

**Report Issue Date:** December 8, 2022

**Review Type:** *Annual Child Care, Workforce and Specialty grants contractors financial risk assessment*

**Review Population:** *Arbor E&T, LLC dba Equus Workforce Solutions (EWS)  
Rolling Plains Management Corporation, (RPMC)  
In their capacities of Workforce Center, Child Care and Specialty Contractors  
in the **North Texas Workforce Development Area***

**Applicable Period:** October 1, 2022 through September 30, 2023

**Review Conducted by:** **D**iaz, **S**mith and **A**ssociates  
Anna Rocha Diaz  
Sujuane Smith  
Edward Taylor

**Report Developed by:** Edward Taylor

# **F**inancial Risk Assessment Background

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## **Background**

Risk assessment is the identification, analysis, and measuring of relevant risk(s) that may impede or impair an organization's ability to achieve contracted goals and objectives.

This report provides the results of the financial and procurement risk assessment evaluation of the Boards *Workforce, Child Care* and *Specialty* contractors.

This risk assessment of the Board subcontractors was conducted pursuant to the *Texas Workforce Commission's Agency Monitoring Activities, rule §802.83, Risk Assessment* below.

### ***§802.83. Risk Assessment.***

- (a) Boards and workforce service providers shall include the use of a risk assessment tool in their monitoring functions.*
- (b) The risk assessment tool shall identify high-risk workforce service providers and high areas of risk within an individual workforce service provider's operation. The entity responsible for including the risk assessment tool in their monitoring functions shall be responsible for determining what constitutes high risk or an area of high risk.*
- (c) Boards and workforce service providers shall establish monitoring schedules and monitoring programs that best use monitoring resources. Boards and workforce service providers shall quantify, as much as possible, and document areas of risk identified for assessment.*

*The provisions of this §802.83 adopted to be effective February 7, 2011, as published in the Texas Register, February 4, 2011, 36 Texas Register 604.*

Additionally, the Texas Workforce Commission (TWC) has promulgated a number of rules that have impacted the conduct of this year's risk assessment analysis. These rules adopted under the *Texas Labor Code* include the following:

§802.20. Definitions

§802.21. Board Contracting Guidelines

- (a) Fiscal Integrity Provisions
- (b) Bonding, Insurance, and Other Methods of Securing Funds to Cover Losses
- (c) Standards of Conduct
- (d) Disclosures

§802.41. Board Member Conflicts of Interest

§802.64. Fiscal Monitoring Activities

§802.83. Risk Assessment.

Certain applicable aspects of a TWC risk assessment model have been utilized in the conduct of the Boards risk assessment evaluation.

In consideration of the TWC model the following definitions shall apply:

**Risk Category**

The Risk Category provides the topical area for which the risk is being measured. The risk category evaluates a number of directly and indirectly relevant and related category items.

**Maximum Risk Score for Category**

The Maximum Risk Score Identifies the highest possible risk scores for the reflected category.

**Entity Category Score**

The number depicted for each risk category represents the subjective score determination of the entity being reviewed. This score measures the risk possibility of potential issues within the topical area and is used to determine the financial monitoring review scope.

**Risk Rank for Category**

The risk ranking categories are alpha designated and color coded. In addition to the color-coded risk rankings, the Board also assigns numeric score ranges for each of the risk categories. The contractor in the risk assessment population was evaluated with the final categorical risk designation depicted with a color-coded alpha designation and a numeric score using the parameters reflected in the diagram. The cumulative scores utilized to determine the contractor's overall score in the conduct of this risk assessment evaluation, are reflected in the diagram below.

<b>Max Score</b>	<b>3,741.00</b>	
<b>RANGE</b>	<b>LOW</b>	<b>HIGH</b>
<b>HIGH</b>	3,325.33	3,741.00
<b>HM</b>	2,909.67	3,325.33
<b>HL</b>	2,494.00	2,909.67
<b>MH</b>	2,078.33	2,494.00
<b>MM</b>	1,662.67	2,078.33
<b>ML</b>	1,247.00	1,662.67
<b>LH</b>	831.33	1,247.00
<b>LM</b>	415.67	831.33
<b>L</b>	-	415.67

**Range Designations**

**High:** The Occurrence of risk at this level could impact the accuracy of fiscal information and potential noncompliance with federal and state rules and regulations. Strong evidence exists to suggest that controls may not be in place or may not be effective. An element within a category with a high designation will be included in the scope of the fiscal monitoring review.

**Medium:** The Occurrence of risk at this level could impact the accuracy of fiscal information. Evidence, (not as strong as that in the High designation) exists to suggest that controls may not be in place or may not be effective. An element within a category with a medium designation will be included in the scope of the fiscal monitoring review. However, the sample size may be less than that of the high designation.

**Low:** The Occurrence of risk at this level could minimally impact the accuracy of fiscal information. There are indications that suggest that current controls maybe weak and/or need minor improvements to alleviate the possibility of future issues. An element within a category with a low designation may not be included in the scope of the fiscal monitoring review. Depending on the item it may be treated as a briefing item during the financial monitoring review.

### **Population**

This financial risk assessment evaluated the contractors of *Workforce Solutions North Texas* identified in on the demographic's page of this report.

Reflected following are the documents, itemized by entity, evaluated in the conduct of this financial risk assessment evaluation. The evaluation was conducted on the behalf of **Workforce Solutions North Texas** (the Board) as required by the TWC requirements at its rule §802.21.

**A. Arbor E&T, LLC dba Equus Workforce Solutions (EWS)**

1. **Questionnaire:** *Diaz, Smith and Associates' Fiscal Integrity and Financial Risk Assessment Questionnaire (FIRA) completed by the EWS Project Director and dated (unsigned) July 7, 2022. The completed questionnaire indicates:*
  - *Their contract for the October 1, 2021 through September 30, 2022 year will be approximately \$2,200,000 and cost reimbursement without funds advanced.*
  - *EWS has incurred \$929.61 in questioned costs during the preceding five-year period per the prior year FIRA response.*
  - *EWS states the following regarding the TWC 10% fiscal integrity requirement: "N/A – Cost reimbursable contract and Equus does not drawn down Federal funds nor requires advances from the Board"*
  - *The EWS FIRA indicates an anticipated indirect cost budget in the amount of \$178,977.*
  
2. **Current Contract:** EWS provided the following:
  - *Contract No. 2021-005 WFC; Period: 10/1/21 – 9/30/22; Contract Amount: \$2,000,000.00*
  - *Contract No. 2021-005 WFC, Amend 2022-1; Date: 1/19/22; Amount: \$2,599,925.04*
  - *Contract No. 2021-005 WFC, Amend 2022-2; Date: 3/11/22; Amount: \$2,679,925.04*
  - *Contract No. 2021-005 WFC, Amend 2022-3; Date: 3/25/22; Amount: \$2,735,519.22*
  - *Contract No. 2021-005 WFC, Amend 2022-4; Date: 5/27/22; Amount: \$2,735,519.22*
  - *Contract No. 2021-005 WFC, Amend 2022-5; Date: 6/13/22; Amount: \$2,806,488.22*
  
3. **Audit Reports:** EWS provided the following audit reports/documents:
  - *FY2020 Final Indirect Cost Rates Schedule, Independent Auditor's Report for the Fiscal Year Ended December 31, 2020; Audited By: ML Weekes & Company, PC; Date: 7/12/21*
  - *Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards, For the Fiscal Year Ended December 31, 2020; Audited By: ML Weekes & Company, PC; Date:7/12/21*
  - *FY2021 Provisional Indirect Cost Rates Schedule, Independent Accountant's Report for the Fiscal Year Ended December 31, 2021; Audited By: ML Weekes & Company, PC; Date: 7/12/21*

4. **Organization Chart:** The EWS North Texas Organizational Chart dated June 23, 2022.
5. **Cost Allocation Plan:** The “*Equus Workforce Solutions Cost Allocation Plan for Contracts with the North Texas Workforce Development Board*” for the period October 1, 2021 through September 30, 2022. The plan was signed by the *Director of Revenue Cycle* on November 19, 2021. Additionally, EWS provided the following:
  - *Final Indirect Cost Rates, For the Year Ended December 31, 2020*
  - *Provisional Indirect Cost Rates, For the Fiscal Year Ending December 31, 2021*
  - *Letter of Indirect Cost Rate percentage; Date: July 15, 2021*
  - *FY2021 Provisional Indirect Cost Rates Schedule, Independent Accountant’s Report for the Fiscal Year Ended December 31, 2021; Audited By: ML Weekes & Company, PC; Date: July 12, 2021*
6. **Monitoring Reports:** The following monitoring reports were provided by EWS:
  - *Choices Monitoring (21 Monitoring Reviews for 2020 – 2021)*
  - *-PII Review; Review Period: 5/13/21 – 6/8/21*
  - *-Procurement Monitoring (16 Monitoring Reviews for 2020 – 2021)*
  - *-SNAP Monitoring (6 Monitoring Reviews for 2020 – 2021)*
  - *-Support Services Monitoring (17 Monitoring Reviews for 2020 – 2021)*
  - *-WIOA Monitoring (43 Monitoring Reviews for 2020 – 2021)*

**External**

  - *-Richard Rogers, Board Monitor; Choices Program Monitoring Final Report – North Texas; Date: February 7, 2022*
  - *-Richard Rogers, Board Monitor; SNAP Program Monitoring Report – North Texas; Date: February 7, 2022*
  - *-Richard Rogers, Board Monitor; WIOA Program Monitoring Final Report – North Texas; Date: February 7, 2022*
  - *-Texas Workforce Commission; Date: 3/4/21; Audit Resolutions Report*
  - *-Texas Workforce Commission; Date: 1/29/21; Letter on Monitoring of North Texas Board’s Equal Opportunity Compliance*
  - *-Richard Rogers, Board Monitor; 2020 Alternate Funded Program Monitoring Report - North Texas; Date: December 5, 2020*
7. **Cash Management:** EWS did not provide the requested cash management information.
8. **Escrow Accounts:** EWS states the following regarding the TWC 10% fiscal integrity requirement: “N/A – Cost reimbursable contract and Equus does not drawn down Federal funds nor requires advances from the Board”
9. **Policies and Procedures:** EWS provided the following policies and procedures:
  - *Procurement Policy and Procedure; Effective Date: 5/10/16; Revised Date: 4/1/19*

10. **Insurance:** The EWS *Certificate of Liability Insurance* reflecting the following coverages for the period July 1, 2021 through July 31, 2022.

Type of Insurance	Limits	
<b>Commercial General Liability</b>	each occurrence	4,000,000.00
Damage to rented premises	each occurrence	4,000,000.00
Medical Expenses	any one person	10,000.00
	Personal and ADV injury	4,000,000.00
	general aggregate	6,000,000.00
	Products	4,000,000.00
<b>Automobile Liability</b>	Combined single limit each accident	2,000,000.00
<b>Workers Compensation</b>	Each accident	2,000,000.00
	Disease each employee	2,000,000.00
	Disease policy limit	2,000,000.00

11. **Conflict of Interest:** EWS provided the following:

- The EWS response to item 62 in the FIRA questionnaire states that EWS requires its Board members and personnel to sign a (non) conflict of interest attestation.
- EWS indicates that its personnel are not required to disclose gifts greater than \$50, given to a Board member or Board employee.

12. **Adverse Judgements:** EWS indicated it did not have any adverse judgements or findings during the last twelve months that would impede their ability to perform the services pursuant to a contract with the Board.

## B. Rolling Plains Management Corporation, (RPMC)

1. **Contract:** The following contracts were provided:
  - Contract No. CC/FCA/PY2022; Contract Period: 10/1/21 to 10/31/22;
  - Contract No. CC/FCA/PY2022-02; Contract Period: 10/1/21 to 10/31/22; Dated: 5/13/22;
2. **Organization Charts:**
  - *The Rolling Plains Management Corporation Organization dated June 1, 2020.*
  - *The Rolling Plains Management Corporation Organization Chart (Child Care Assistance) dated June 1, 2020.*
3. **Fiscal Integrity Questionnaire:** *Diaz, Smith and Associates' Fiscal Integrity and Financial Risk Assessment Questionnaire (FIRA) for the period October 1, 2022 through September 30, 2023 completed by the RPMC Financial Director and dated September 10, 2021. The questionnaire responses indicate the following:*
  - RPMC's contract with the Board will be cost reimbursement without advances of approximately \$6,930,000.
  - RPMC indicates it has incurred \$37.47 in disallowed costs in the preceding five years
4. **Audit:** RPMC provided the following:
  - *Rolling Plains Management Corporation of Baylor, Cottle, Foard, Hardeman and Wilbarger Counties Financial Statements and Independent Auditor's Report, For the Year Ended November 30, 2020; Audited By: MWH Group, Certified Public Accountants Consultants; Dated: July 27, 2021*
  - *-Management Letter; Dated: July 27, 2021*
5. **Cash Management:** RPMC provided its May 2022 bank statements and reconciliations for the following accounts:
  - *Operating Account*
  - *Payroll Account*
  - *RPMC 1*
  - *Sweep Account*
6. **Fiscal Integrity 10% Requirement:** In response to applicable questions in the FIRA questionnaire RPMC states it will use *Directors and Officers* insurance coverage of \$2,000,000 to satisfy the TWC 10% fiscal integrity requirement.

7. **Monitoring Reports and Workpapers:** The following monitoring reports were considered in the conduct of this fiscal integrity evaluation:
- *DSA financial monitoring review report and associated workers for the year ending September 30, 2022*
  - *Texas Department of Transportation; Financial Monitoring Reports (4 reports for FYE 2022)*
  - *Texas Veterans Commission; Letter Date: 3/14/2022; \*\*Findings Indicated\*\**
  - *Texas Veterans Commission; Letter Date: 5/6/2022; \*\*Findings Resolved\*\**
  - *Texas Workforce Commission; Dated: 1/29/21; Letter on North Texas Board’s equal opportunity compliance monitoring review*
  - *-Richard Rogers, Board Monitor; Child Care Services Final Report; Date: 11/12/20*
  - *-Administrative for Children and Families; Date: 6/4/20; Program Performance Summary Report*
  - *-Texas Department of Transportation; Financial Monitoring Reports (14 reports for 2020 – 2021)*
  - *-Workforce Solutions North Texas; Review Date: 1/21/20 – 2/20/20; Monitoring of Disbursements, Procurement and Bank Reconciliations*
  - *-Texas Department of Housing and Community Affairs; Date: 3/9/21*
8. **Cost Allocation:** RPMC provided its Cost Allocation Plan for the for the fiscal year 2022. The plan was executed on December 1, 2021.
9. **IRS Form 990:** RPMC provided its IRS form 990 and supporting schedules for the 2019, and 2018 years.
10. **Insurance:** The RPMC provided its *Certificate of Liability Insurance* for the period March 17, 2022 through March 17, 2023 reflecting the following coverages.

Type of Insurance	Limits	
<b>Commercial General Liability</b>	each occurrence	1,000,000.00
	Damage to rented premises	100,000.00
	Medical Expenses	5,000.00
	Personal and ADV injury	1,000,000.00
	general aggregate	3,000,000.00
	Products	3,000,000.00
<b>Automobile Liability</b>	Combined single limit each accident	1,000,000.00
<b>Workers Compensation</b>	Each accident	1,000,000.00
	Disease each employee	1,000,000.00
	Disease policy limit	1,000,000.00

**11. Policies and Procedures:** The following procedures were considered in the conduct of this fiscal integrity evaluation:

- Financial Procedures Manual (12/3/19)
- Personnel Policies; Amended: 9/22/20

**12. Adverse Judgments:** RPMC indicated it did not have any adverse judgements or findings during the last twelve months that would impede their ability to perform the services pursuant to a contract with the Board.

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*Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.*

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# F inancial Risk Assessment Determinations

Our evaluation of the documents and completed questionnaires submitted by the contractors in the review population determined overall and categorical risk rankings as reflected in the following diagrams.

## Arbor E&T, LLC dba Equus Workforce Solutions (EWS)

### OVERALL

Risk Category	Maximum Risk Score	Entity Score	Risk Rank	Number of Risk Elements	Number of high-risk elements	Number of medium risk elements	Number of low-risk elements
Overall	3,741.00	823.00	LM	129	16	33	80

### CATEGORICAL

Risk Category	Maximum Risk Score for Category	Entity Category Score	Risk Rank for Category	Number of Risk Elements in Category	Number of high-risk elements	Number of medium risk elements	Number of low-risk elements
Fiscal Controls and General Risk Items	638	124	LM	22	0	7	15
Cash Management	783	185	LH	27	8	2	17
Cost Allocation	464	186	ML	16	1	11	4
Procurement, Budgeting, Reporting	696	156	LH	24	4	5	15
Audit and Monitoring	464	65	LM	16	0	5	11
Tax Return and Conflict of Interest	377	39	L	13	0	3	10
Financial Reporting, Obligations, Provider Payments, Support Services, ITA'S	319	68	LM	11	3	0	8

## Rolling Plains Management Corporation, (RPMC)

### OVERALL

<b>Risk Category</b>	<b>Maximum Risk Score</b>	<b>Entity Score</b>	<b>Risk Rank</b>	<b>Number of Risk Elements</b>	<b>Number of high-risk elements</b>	<b>Number of medium risk elements</b>	<b>Number of low-risk elements</b>
Overall	<b>3,741.00</b>	<b>904.00</b>	<b>LH</b>	<b>129</b>	<b>6</b>	<b>44</b>	<b>79</b>

### CATEGORICAL

<b>Risk Category</b>	<b>Maximum Risk Score for Category</b>	<b>Entity Category Score</b>	<b>Risk Rank for Category</b>	<b>Number of Risk Elements in Category</b>	<b>Number of high-risk elements</b>	<b>Number of medium risk elements</b>	<b>Number of low-risk elements</b>
Fiscal Controls and General Risk Items	638	102	<b>LM</b>	<b>22</b>	<b>0</b>	<b>5</b>	<b>17</b>
Cash Management	783	124	<b>LM</b>	<b>27</b>	<b>1</b>	<b>5</b>	<b>21</b>
Cost Allocation	464	213	<b>MM</b>	<b>16</b>	<b>0</b>	<b>13</b>	<b>3</b>
Procurement, Budgeting, Reporting	696	224	<b>LH</b>	<b>24</b>	<b>5</b>	<b>8</b>	<b>11</b>
Audit and Monitoring	464	79	<b>LM</b>	<b>16</b>	<b>0</b>	<b>2</b>	<b>14</b>
Tax Return and Conflict of Interest	377	68	<b>LM</b>	<b>13</b>	<b>0</b>	<b>3</b>	<b>10</b>
Financial Reporting, Obligations, Provider Payments, Support Services, ITA'S	319	94	<b>LM</b>	<b>11</b>	<b>0</b>	<b>8</b>	<b>3</b>

Annual Financial  
Monitoring Plan  
Of the:

# Workforce Solutions North Texas

For Financial Monitoring Reviews Conducted during the  
Fiscal Year October 1, 2022 through September 30, 2023

**December 8, 2022**

# R

## Report Demographics

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**Report Number:** WFSNT 23-03

**Report Type:** Annual Financial Monitoring Plan

**Report Issue Date:** December 8, 2022

**Applicable Period:** October 1, 2022 through September 30, 2023

**Review Population** *Arbor E&T, LLC dba Equus Workforce Solutions (EWS)  
Rolling Plains Management Corporation, (RPMC)  
In their capacities of Workforce Center, Child Care and Specialty Contractors  
in the **North Texas Workforce Development Area***

**Plan Developed By:** **D**iaz, **S**mith and **A**ssociates  
Edward Taylor

## S cope and Schedules

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This financial monitoring plan provides the schedule and scope of the *annual* financial monitoring reviews of the contractors reflected in the review population. The basis for the scope and schedule is the *Workforce Solutions North Texas* (the Board) annual financial risk assessment and fiscal integrity evaluations.

### Proposed Review Scope by Contractor

It is the position of the Board that certain areas must be included in the scope of any financial monitoring evaluation without regard to risk assessment/fiscal integrity determinations. These beliefs derive from the nature of *Workforce Development/Child Care* contracts and past review experiences. The must review areas are *cash management, cost allocation, payroll, transaction testing and fiscal integrity*. The balance of each entities financial monitoring review scope is risk assessment/fiscal integrity determined.

In addition to the financial risk assessment and fiscal integrity evaluations determined areas, risk consideration is given to the applicable TWC review areas. TWC recently issued a document outlining their review areas. Accordingly, where applicable, the following areas excerpted from their document will be examined:

#### Applicable DSA and TWC review areas/scope

- Internal Controls
- Disbursements (all funding sources)
  - Cost Allocation
  - Support Services & Needs Related Payments (all applicable programs)
- Procurements
  - Formal
  - Micro purchases
  - Small purchases
  - Leases - facilities
  - Other leases (copier, printer, etc.)
  - Insurance, payroll services, etc.
- Cash Management
  - Immediate Cash Needs
  - Expenditures by Contracts
- Financial Reporting
  - Monthly General Ledger Ties to CDER Reported Expenditures

- Property
  - Annual Inventory
  - Eight elements
  - Ability to trace equipment to the location on the property list
    - Safeguarding of Assets (Internal Control Process)
- Child Care
  - Improper Payment
  - Parent Share of Cost
  - Child Care Exception Reports
  - Children Too Old for Care
  - Early Terminations
  - Child Care Recoupment

Following are the Boards proposed scope and schedule of financial monitoring and follow-up activities by contractor.

**Note:** Circumstances and conditions may require schedule and/or scope changes.

## A. Arbor E&T, LLC dba Equus Workforce Solutions (EWS)

Review Type: **Annual Financial Review**

Proposed Review Dates: **See Proposed Schedule at Page 6**

Review Areas by Category Based on Risk Assessment

1. **General Risk Items and Fiscal Controls**
  - Accounting policies and procedures
  - Internal Controls
2. **Cash Management**
  - Testing of cash equivalents
  - Bank reconciliations
3. **Cost Allocation, Transaction Testing**
  - Cost allocation plan compliance with the FMGC
  - Indirect Cost Rate and Allowable Cost testing
  - Allocated cost transaction testing for FMGC compliance
  - Payroll transaction testing
  - Disbursement transaction testing
  - Obligation and Encumbrance testing, as applicable
4. **Procurement, Budget and Property**
  - Procurement Policies and procedures
  - Procurements
    - Formal
    - Micro purchases
    - Small purchases
  - Budget vs expenditures
5. **Audit and Monitoring**
  - Evaluation of latest OMB compliant audit report

## 6. Conflict of Interest

- Examine executed conflict of interest certifications and policies for FMGC compliance where applicable

## 7. Financial Reporting and Client Services

- Timeliness and accuracy of financial reporting
- Reconciliation of financial reports submitted to the Board
- Testing of ITA's, OJT's
- Support Services & Needs Related Payments (as applicable)

# B. Rolling Plains Management Corporation, (RPMC)

Review Type: **Annual Financial Review**

Proposed Review Dates: [See Proposed Schedule at Page 6](#)

Review Areas by Category Based on Risk Assessment

### 1. General Risk Items and Fiscal Controls

- Accounting policies and procedures

### 2. Cash Management

- Bank reconciliations
- Internal cash controls

### 3. Cost Allocation, Transaction Testing

- Cost allocation pal for compliance with the FMGC
- *De Minimis* indirect base (*modified total direct costs*) verification
- *De Minimis* indirect rate application
- Allocated cost transaction testing for FMGC compliance
- Payroll transaction testing
- Disbursement transaction testing
- Obligation and Encumbrance testing, as applicable

### 4. Procurement, Budget and Property

- Procurement Policies and procedures
- A representative sample of the following procurements will be tested, where applicable;
  - Formal
  - Micro purchases
  - Small purchases
- Budget vs expenditures
- Property, Annual Inventory and insurance adequacy

### 5. Audit and Monitoring

- Evaluation of latest OMB compliant audit report

### 6. Tax Return and Conflict of Interest

- Examine executed conflict of interest certifications where applicable

### 7. Financial Reporting and Client Services

- Timeliness and accuracy of financial reporting
- Reconciliation of financial reports submitted to the Board

- Child Care
  - Improper Payment
  - Parent Share of Cost
  - Eligibility
  - Child Care Exception Reports
  - Children Too Old for Care
  - Early Terminations
  - Child Care Recoupment

## Proposed Review Schedule

ENTITY	REVIEW PERIOD	DOC REQUEST	REVIEW START	REVIEW END	TARGET EXIT	Issue Draft Report
Equus	10/1/21 - 11/30/22	12/19/22	1/23/23	2/3/23	2/24/23	3/8/23
Rolling Plains	10/1/21 - 11/30/22	12/19/22	1/30/23	2/10/23	2/3/23	3/15/23