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An Audit Report on Management and Fiscal Controls at the Texas Workforce Commission

December 1996

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Key Points of Report

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Overall Conclusion

We are encouraged by the progress the Texas Workforce Commission (Commission) has made during the six months following the transfer of the first programs on March 1, 1996. However, when we completed our audit work on September 30, 1996, we were concerned that management had not established all the necessary processes to minimize the risks related to the creation of a new agency and the new workforce development delivery system.

Key Facts and Findings

- The Commission has not finalized contract provisions, procurement guidelines, or oversight processes for local workforce boards. The Commission will contract with and provide funding of about \$429 million to local workforce boards during fiscal year 1997. These local workforce boards will then contract with vendors to provide the services. Other state agencies have already experienced problems with contracting program activities to the local level. Given other state agency experiences, the Commission should address this high-risk situation by completing the implementation of an effective contract administration process.
- To reduce risk and ensure effectiveness of operations and programs, the Commission should plan for and implement additional management control systems. The Commission did not have a formal risk assessment process to identify and manage risks associated with the changing operations.
- The process for documenting, tracking, and reporting the status of action plans for developing operations needs to be improved. Commission staff stated that there had not been adequate time for short- and long-term planning and that the Commission had been operating in a reactive mode.
- The Commission has not completed the development of policies and procedures for key processes such as federal reporting and program and fiscal monitoring. Thus, there is an increased risk that Commission personnel may not fully understand how the new processes operate, making them more likely to perform their work inconsistently or inefficiently.

Contact

Randy Townsend, CPA, Audit Manager (512) 479-4750



Office of the State Auditor

Lawrence F. Alwin, CPA

This management control audit was conducted in accordance with Government Code, Section 321.0133 and House Bill 1863, 74th Legislature, Regular Session.

Executive Summary

Since the transfer of the first programs on March 1, 1996, the Texas Workforce Commission (Commission) has undertaken numerous activities to consolidate 28 workforce programs from 10 state agencies, implement a new workforce development delivery system, and establish the operations for this new state agency.

We are encouraged by the progress the Commission made as it established its new operations while maintaining current levels of service delivery. However, our review of controls over policy management, information management, and contract administration indicates that these controls within the newly created Commission have not yet been fully developed, documented, and communicated. These controls are needed to help ensure the Commission achieves its mission and provides effective oversight of its funds.

To Reduce Risk, the Commission Should Plan for and Implement Management Control Systems

While the Commission has made progress in the development of its management and fiscal controls, it has yet to fully implement all necessary controls. Specifically:

- The Commission has not performed adequate risk assessment activities or fully documented and tracked the status of action plans and activities.
- The Commission has adopted rules related to the new service delivery structure. However, it has not yet fully developed policy statements and updated operating procedures to clarify Commission processes and ensure consistency of implementation.
- The Commission has not established an automation steering committee, and it has

not updated and tested the Unemployment Insurance disaster recovery system.

The Commission is scheduled to receive approximately \$800 million during fiscal year 1997. Without these and other control systems in place, the Commission is at risk of ineffective and inefficient operations.

The Commission Should Develop a Comprehensive Contract Administration Program to Manage and Minimize Risks in Contracting With Local Workforce Boards

The Commission plans to contract with and provide funding of approximately \$429 million to local workforce boards (LWBs) during fiscal year 1997. The Commission has begun efforts to plan for this new contracting arrangement. However, it has not formalized a contract administration system. For example:

- The Commission has not finalized contract provisions and procurement guidelines for local workforce boards.
- The Commission has not formalized a contract oversight process for monitoring local workforce boards.

Given the dollar values associated with the contracts and previous contracting problems within the State, the Commission faces a high-risk situation in the area of contract administration and monitoring.

Executive Summary

Objective and Scope

Our objective was to perform an audit of management and fiscal controls at the newly created Texas Workforce Commission as required by House Bill 1863.

When we began our work, the Commission was in the process of receiving the transferred programs and was in the start-up phase with essentially all of its systems undergoing development or revisions. Consequently, the scope of this audit was limited to providing useful information to assist with the development and implementation of management and fiscal systems within the Commission. In addition, we performed limited review procedures on approximately 25 programs transferred from 7 state agencies.

Summary of Management's Response

The Commission concurs with the findings and recommendations contained in the State Auditor's report evaluating the management and fiscal controls at the newly created Texas Workforce Commission. We appreciate the State Auditor's recognition of the complexity of integrating 28 programs from 10 state agencies, without disrupting program service delivery, while also restructuring all management controls and the statewide service delivery system.

The Commission is committed to fully implementing an effective management control

system. We will strengthen risk assessment activities by restructuring the internal audit function and establish internal controls training for supervisory and management personnel. The Commission will identify policies and procedures that need to be adopted to clarify Commission processes and ensure consistency of implementation. And, the Commission will form an automation steering committee comprised of the Executive Director and each Division Director and finalize contract negotiations with the West Texas Disaster Recovery Center to guarantee recovery of mission critical applications.

The Commission also concurs with the recommendation to establish a comprehensive contract administration program. A focus group is finalizing contract provisions to define relationship between TWC and LWBs, to identify restrictions regarding the contractors' use of funds, to specify performance standards and measurable outcomes, and to describe how contractor performance will be evaluated, and what sanctions or incentives exist to hold contractors accountable and reward quality performance. A second focus group is working to finalize procurement guidelines sufficient to ensure that the best contractors are fairly and objectively selected. And finally, program and monitoring functions are finalizing TWC accountability systems to ensure that contractors provide quality services and that public funds are spent effectively and efficiently and produce measurable results.

Section 1:

The Commission Has Completed Many Activities Needed to Create a New Agency, and It Now Faces the Challenge of Minimizing Risks Inherent in a New Agency

The Texas Workforce Commission was created to eliminate artificial and unnecessary boundaries between programs and to consolidate and streamline the delivery of job training, employment, and other services. The legislation directing these extensive changes to the State's workforce development functions, House Bill 1863, contained mandated actions, deadlines, and time frames for establishing the new Commission. A subsequent report by the Comptroller's office, *Final Report: Texas Workforce Commission - A Workforce Development System for Texas*, outlined recommendations, including time frames, for implementing the legislation and making the Commission operational. (Appendix 2.6, page 28, lists key activities outlined in the Comptroller's report, their due dates and status.)

The Texas Workforce Commission (Commission) completed numerous activities related to the consolidation, including the transfer of programs and staff and the development of new divisions and operations. In addition, the Commission continued to provide current levels of employment-related services.

As a result, the Commission has made progress in helping to develop an integrated workforce development system within the State of Texas. (Appendix 2.6, page 28, contains information on key mandates and the status of activities.)

Having completed the initial consolidation activities, the Commission now faces the challenge of managing and minimizing the risks inherent in a new agency. Risks are inherent in the creation of any state agency. Given that the Commission is also involved

with consolidating programs from multiple state agencies and developing a new workforce delivery system, the risks are increased. Factors that impact risk include new systems, processes, and procedures associated with the new Commission's operations. The Commission's challenge is to develop methods to manage and minimize these risks.

Section 1-A:

Transfer of Programs and Initial Operations

The Commission was challenged to consolidate workforce programs and create a new service delivery system while maintaining a preexisting service delivery system within limited resources. Although the Commission has not set deadlines for many subsequent activities, the initial consolidation of programs provides some encouragement that the Commission will continue to advance its efforts to establish an effective management control system in the new agency.

Activities completed by the Commission included:

- Twenty-eight employment-related programs from 10 agencies were transferred to the Commission as of June 1, 1996. (Figure 1, page 4, contains information on some of the larger programs, and Appendix 2.4, page 25, includes a complete list of programs and their funding levels.)

- The Commission integrated similar programs into common functional units, mostly within the Workforce Development Division, with the intent to provide quicker access to job benefits and services and to maximize resources by reducing duplication.
- The consolidation included the transfer of over 5,500 employees, property, and funds. The Commission addressed issues related to organizational structure, facilities, accounting systems, and human resources. The Commission is currently relocating state offices and employees.
- The Commission and the transferring agencies were in the process of resolving some issues as of July 25, 1996. Some of the issues involve the transfer of funds, property, and questioned costs. The detailed information has been included in Appendix 2.7, page 30, of this report.

Figure 1

Selected Programs Transferred to the Commission

(Programs exceeding \$100 million in funding.)

(See Appendix 2.4, page 25, for a comprehensive list.)

Selected Programs and Transferring Agency	Funding Level for FY 1997
<i>Child Care</i> from the Texas Department of Human Services	\$ 297,135,931
<i>Job Training Partnership Act Program (JTPA)</i> from the Texas Department of Commerce	\$ 217,227,233
Unemployment Insurance (UI) and workforce service programs from the Texas Employment Commission	\$ 104,009,346

Source: Texas Workforce Commission

Section 1-B:

Preliminary Actions for Creation of New Service Delivery System

The Commission has completed some preliminary actions related to the creation of a local service delivery system mandated by House Bill 1863. In this new system, the Commission is responsible for providing funding, comprehensive training, and technical assistance, as well as monitoring the activities of the newly created local workforce boards (LWBs). The Commission has distributed planning guidelines, has developed and is delivering training to the members of certified boards, and is providing ongoing outreach and technical assistance activities. However, Commission processes and procedures for a variety of areas are still under development.

LWBs will be responsible for the planning and delivery of workforce development and training programs, contracting with service providers and monitoring service providers in their local areas. Local officials in almost all of the State's 28 workforce areas have begun the application process, and 12 LWBs are currently developing their strategic

and operating plans. Appendix 3 (page 32) contains more information on the creation of LWBs, including a list of where each area is in the process of having its own LWB.

Section 2:

The Commission Should Plan for and Implement Management Control Systems to Reduce Risk and Ensure Effectiveness of Operations and Programs

To ensure it operates at a minimal level of risk, the Commission must now fully develop and implement management control systems. Controls over policy management, information management, and contract administration have not yet been developed, documented, and communicated. These controls are needed to ensure the Commission achieves its mission. Much remains to be accomplished in terms of developing and implementing management controls to reduce risk faced by the Commission.

The Commission should have effective controls in the following areas:

- Policy management (especially planning, policies, and procedures)
- Information management (especially automation)
- Performance management
- Resource management (especially contract administration)

We are particularly concerned with the status of control systems in the following areas:

- Risk assessment and activity tracking
- Short- and long-term plans
- Policies and procedures
- Information management
- Contract administration issues (discussed in Section 3, page 13)

The Commission has made progress in developing some of its management and fiscal controls. For example, the Commission has developed its budget and strategic plan, is planning for and developing information systems, and is developing a human resources management system.

We encourage management to continue its efforts until all management and fiscal control systems have been fully developed, implemented, and monitored for adequacy. The remaining sections of this report contain specific recommendations to help management with the implementation of these control systems.

Section 2-A:

The Commission Should Prepare a Risk Assessment and Document and Track the Status of Action Plans and Activities

Since the transition of workforce programs, the Commission has been functioning in a reactive manner to operational events rather than in a proactive manner. Commission officials stated that these actions resulted in part from a need to maintain current levels of service delivery while working under limited time frames to accomplish consolidation activities.

Management should now take the steps necessary to ensure that activities are adequately planned for, implemented, and monitored by engaging in risk assessment and action planning. The time spent now may reduce the number and significance of future problems experienced by the Commission.

Indications of the need for effective action planning include:

- Commission staff members stated during interviews that they were unaware of a “master” or overall plan.
- Some divisions within the Commission had not completed the development of documented, current, short- and long-term plans.
- Commission staff members were not able to provide clear information regarding who was responsible for operational activities and when current activities would be completed. Such activities relate to the development of the new workforce delivery system and the development of management and fiscal controls.
- Commission staff stated that there has not been adequate time for planning, and the Commission is operating in a reactive versus proactive manner.

The Commission has developed a strategic plan, including many elements needed for an effective policy management system such as environmental scans, mission analysis, goal setting, and performance measures. However, management has not yet developed, documented, and communicated action plans for ensuring that integrated management control systems emerge from its various activities. These action plans are needed to ensure that the work performed by Commission staff links to the Commission’s strategies.

Management’s effort to plan and prioritize at the operational level is also complicated by the fact that it does not have the information it needs to determine where the greatest risks exist within the Commission:

- At the time of our review, the Commission did not have a formal risk assessment process to identify and manage risks associated with the Commission’s changing operating environment. Risks not identified or managed may expose the Commission to losses or adverse occurrences which

could negatively impact the Commission's ability to fulfill its goals and objectives.

- The internal audit function has not successfully contributed to aiding management's ability to make informed decisions and reduce risk in the Commission. Prior to consolidation, the Internal Audit Department's risk assessments and audit plans did not consider all major auditable areas.¹

An emphasis on needed operational developments did occur during the early stages of the Commission's development when focus groups met to plan for the transition of workforce programs to the Commission. However, the development of documented plans for all divisions did not continue after the original plans prepared by the focus groups ended.

The executive team meets weekly to discuss progress within the divisions. The focus of these meetings has necessarily been on accomplishing the deadlines in the Comptroller of Public Accounts' report (*Final Report: Texas Workforce Commission - A Workforce Development System for Texas*) and getting the local workforce boards up and running. Additional meetings or discussions should include developing action plans and monitoring progress on achieving strategic objectives.

Recommendation:

The Commission should improve the process for managing and minimize risks. The Commission should also improve the process for documenting, tracking, and reporting the status of activities for developing operations. Specifically, the Commission should:

- Continue to develop and document a clear, comprehensive, and detailed picture of what the Commission's new operations should be. The review should consider systems for managing policy, resources, performance, and information.
- Assess the Commission's current systems for managing policy, resources, performance, and information, using this and other reports generated by internal and external oversight entities (including the State Auditor's Office, internal audit departments for the transferring agencies, and federal oversight entities).
- Identify risks throughout the Commission, assess their significance, and then develop methods and guides to address the risks. Management's risk assessment process should be performed in conjunction with the Internal Audit Department:

¹SAO report on evaluating the effectiveness of internal audit is expected to be released January 1997.

- Establish formal communications that provide a mechanism for timely information exchanges between Commission executive management and the internal audit director.
- The internal audit risk assessment and audit plan should ensure that all material internal control systems, major accounting systems, material accounts, major programs, and major departments are included.
- Reallocate resources to assist with gathering, documenting, and tracking the status of activities throughout the Commission. One option would be to allocate staff to facilitate and oversee the above steps with assistance provided from each division.
- Complete the development of and document action (operational) plans to achieve the Commission's goals, objectives, and strategies. The action plans should:
 - Be structured to align with the strategic plan, with a clear description of the connection between the action plan and the strategic plan
 - Identify the actions' specific tasks, resources, and completion dates to support each strategy
 - Assign responsibility, authority, and accountability
 - Include estimates of implementation planning costs
 - Be communicated verbally and in writing to all levels
 - Be regularly monitored, analyzed, and adjusted

Management's Response:

The commission concurs with the State Auditor's recommendation and its positioning as a status report.

Substantive progress has occurred since that time on all fronts, but especially in the areas of local delivery and of risk management. Overall, the development of workforce delivery systems has been underway for the last few months. This set of practices and procedures has been the subject of a series of focus groups, composed of internal staff, local workforce staff, and other relevant parties.

Specific management control areas include, but are not limited to:

- *Accountability Systems (Including descriptions of both fiscal and program monitoring. A major change is compliance measurement during the program year versus after the grant or at year end. We are also reviewing other state/federal systems, and will incorporate applicable features. Projected completion date, December 1996.)*
- *Procurement Manual (Draft document developed and in review stage. Projected completion date, January 1997.)*

- *Employee Performance (This system is complete and is currently in the implementation stage.)*
- *Internal Audit Functions (The Commission plans to review this function and develop an implementation plan by April 1997.)*
- *Various weekly planning efforts are in process with Division Directors, Commissioners' Staff, Senior Staff, and cross divisional external focus groups in an effort to take the time to set in place a series of strategic objectives and projected outcomes, with defined target completion dates.*

Specific planning areas include, but are not limited to:

- *A number of studies and reports also exist that address the components of workforce delivery systems, its functions, outcomes, etc.*

These reports were used to provide a baseline reference for focus groups in determining the system, its applicant flow process, measurements, outcomes, etc. Target date for implementation of this system is January 1997.

- *Crosswalk between TCWEC, TWC, and Local Workforce Board strategic plans is completed*
- *Budget and LAR are complete*
- *Completion dates for implementation of strategies that include local delivery systems cannot be specifically identified:*
 1. *Local Workforce Boards form at their option*
 2. *Will occur on an ongoing basis over next 12-18 months*
 3. *Need to remain flexible versus fixed*
 4. *Some will contract back, others will take all programs.*

Finally, the Commission has implemented an ongoing "communications" system in an attempt to include all employee levels in meeting statewide, the agency's goals, objectives, progress, key policy changes, etc. For example:

1. *Division Director/Commissioners' Staff workshops for senior staff*
2. *Implement Senior Staff/Team Meetings*
3. *Brown Bag lunch session with the Executive Director and Staff. This also occurs in concert with field trips. The first session occurred on 11/14/96. The second will occur the first week of December, and regularly thereafter.*
4. *Quarterly Workforce Board-Area Meetings*
5. *Annual Statewide Meeting for Workforce Boards, TWC Staff, Suppliers, etc.*
6. *Expanded Directline Newsletter to include Video Version*
7. *Expanded Agency Data on the Internet*

The Commission Should Develop Policy Statements and Update Operating Procedures to Clarify Processes and Ensure Consistency of Implementation

While the Commission has acted on rules related to the development of LWBs, the Commission has not completed development of specific policies and procedures for key processes. Thus, there is an increased risk that Commission personnel may not know how processes operate. As a result, Commission personnel are more likely to perform their work inconsistently or ineffectively.

The transfer of programs into the Commission changed many processes. When processes change, policies and procedures for the processes should be updated or revised where possible. New policies and procedures should be developed for new Commission processes.

While a personnel manual has been developed by the Administration Division, instances were noted where policies and procedures have not been developed or updated. Some of these examples include:

- **Workforce Development Division** - The Workforce Development Division is currently using policies and procedures manuals of the former agencies for the programs which transferred into the Commission. For example, prior *Job Training Partnership Act Program (JTPA)* policies and procedures are being used in the fiscal and programmatic monitoring efforts until new procedures are in place.
- **Finance Division** - According to Commission staff, the Finance Division is currently using policies and procedures from transferring agencies and is in the process of developing fiscal monitoring procedures. Management stated that although changes for the federal reporting processes have occurred, these changes have not been documented.
- **Administration Division** - The Administration Division is currently working on developing policies and procedures for performance evaluations. Policies and procedures for legal contracts have not been prepared.
- **Information Systems Division** - Policies and procedures for the local area network (LAN) need to be consolidated and a formal LAN security access process adopted.

Policies and procedures are integral to the planning process and are essential tools for managerial direction and control of the Commission's operating environment. Policies and procedures ensure that Commission operations:

- Are consistent
- Conform to applicable legislation and regulations

- Are aligned with higher-level plans
- Comply with technical, professional, and ethical standards
- Promote achievement of the Commission's mission, goals, objectives, and strategies

Recommendation:

Each division within the Commission should take an inventory of policies and procedures to determine where existing policies and procedures can be adopted or updated and where new policies and procedures are needed. Approved policies and procedures should be distributed to the appropriate individuals who will need this information, both internal and external to the Commission.

Management's Response:

Management concurs with the State Auditor's Office recommendation. The TEC General Administrative Series is currently under revision and serves as a guide for developing a comprehensive set of policies and procedures for the agency. The administrative series addresses general administration, facilities, data processing, and fiscal policies and procedures and provides a common reference for information necessary to support the management of the agency. Since the completion of audit field work, the Commission has approved a new policy and procedure for employee performance planning and review. Several other draft policies are now complete, including travel management, ethics, and local area networks.

Each Division Director will conduct an inventory of all policies and procedures to be included in the new TWC Administrative Series and develop a plan for preparing and submitting policies and procedures for Commission approval. Each Division Director will prioritize the list so that administrative and financial issues key to the management of the agency are addressed first. Target completion date for both the inventory and implementation plan is December 31, 1996.

Section 2-C:

The Commission Should Establish an Automation Steering Committee, and Update and Test the Unemployment Insurance Disaster Recovery System to Improve Information Management

The Commission did not have a functioning automation steering committee during the initial program consolidation. Although a technology workgroup comprised of all stake holders developed the system consolidation plan, the most effective control mechanism for planning and coordinating information resources systems is through an automation steering committee. The Commission's operations are currently supported by 27 major automated application systems and databases, with four additional projects under development and five major development projects scheduled to begin in

fiscal year 1997. According to the Commission's Biennial Operating Plan, costs for information systems for fiscal years 1997 through 1999 are projected to be \$139.6 million.

The Commission does not have an operational disaster recovery plan in place. Although the Commission does have a disaster recovery plan for the Unemployment Insurance (UI) system, it should be updated and tested. Updating and testing of the UI disaster recovery system is required by state regulation, which directs agencies to have a contingency plan for continuing critical operations in the event of a disaster. The regulation also requires annual testing and updating of the contingency plan.

The resumption of the Commission's current computer operations after a disaster is not possible under the existing plan. The Commission does not have a contract in place for its current Disaster Recovery Plan (DRP), which requires the Unemployment Insurance (UI) systems to be restored within three days of a disaster. Responsibility for backup of application data and systems is delegated across various application support areas in the Commission. Disaster Recovery Plan testing has not included testing of the back-up data. The last annual test of the system was a walk-through test held on August 10, 1995. The plan has not been updated for the UI modifications and applications resulting from the merger which formed the new Commission.

Recommendation:

The Commission should develop an automation steering committee. An automation steering committee should be formed to address new application needs, prioritize modifications that would enhance existing systems, and be involved in the planning, monitoring, and implementation of information systems. The steering committee should include representation from each division.

The Commission should update its current disaster recovery plan to include all payment programs including Unemployment Insurance, the Job Training Partnership Act, Job Opportunities and Basic Skills, and Food Stamp Employment and Training. The Disaster Recovery Plan should be updated and tested to ensure that adequate and accurate backups exist to restore a system. In addition, the need for an alternate or "hot-site" contract should be reviewed.

Management's Response:

TWC management concurs with the audit findings in Section 2-C and is taking the following action in response:

- 1. Effective immediately the agency will form an automation steering committee comprised of the Executive Director and each Division Director. This committee will meet monthly at a date and time to be determined by the Executive Director.*

2. *TWC staff are currently in the process of negotiating a contract with the West Texas Disaster Recovery Center. This agreement will include a revised agency disaster recovery plan, a hot site test of the plan, and the ongoing ability to recover mission critical applications at the West Texas Center.*

Section 3:

The Commission Should Develop a Comprehensive Contract Administration Program to Manage and Minimize Risks in Contracting with Local Workforce Boards

The Commission faces a high-risk situation if its contract administration process is not well-developed and implemented for the new system of contracting with local workforce development boards (LWBs). The Commission will provide funding to LWBs, which will then contract out for services. These contracts could total approximately \$429 million for the 28 workforce development areas during fiscal year 1997; the Commission expects to fund the first LWBs in January 1997.

The Commission has begun efforts to plan for this new contracting arrangement with LWBs, but it has not yet developed its contract administration system. Such a system should include contract provisions, procurement guidelines, and an oversight system. The State has previously experienced problems with contracting program activities to the local level. Given the State's previous experiences, we believe the Commission can reduce some of the risks inherent to contracting through a comprehensive and well-planned contract administration system.

Section 3-A:

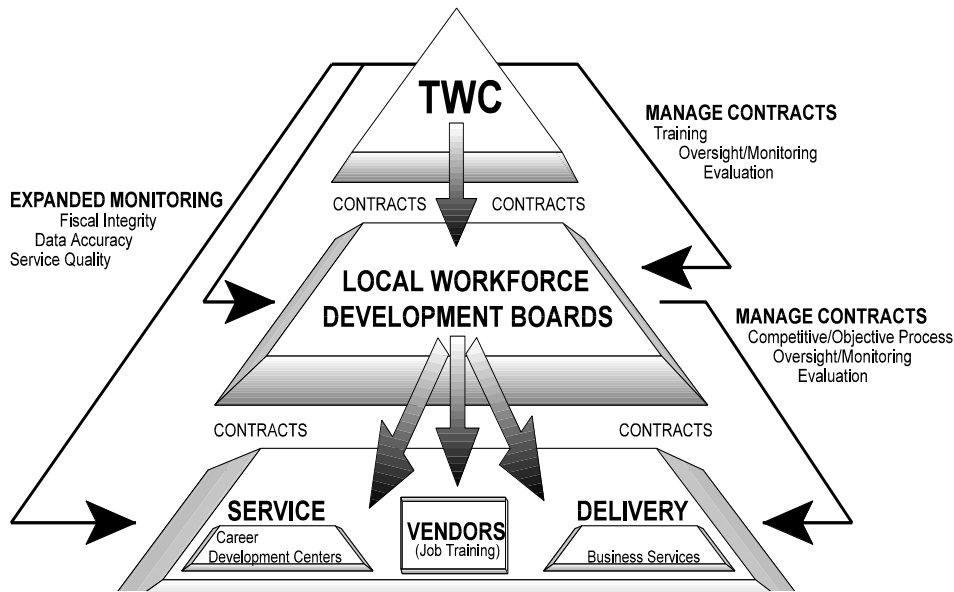
The Commission Has Not Finalized Contract Provisions or Procurement Guidelines for Local Workforce Boards

The Commission will rely on LWBs to provide job training and other related services, but the processes and procedures for contracting with the LWBs and directing their procurement activities are not fully developed. Commission officials stated that they will adopt the contracting model proposed in the Comptroller's report. Under this model, the Commission will contract with LWBs, who will in turn manage the contracts for the actual service delivery. (See Figure 2, page 14, for a more detailed description of this system.)

LWBs will be responsible for selecting and contracting with the service providers and will monitor the individual service provider's activities. The Commission will be responsible for monitoring the fiscal integrity, data accuracy, and service quality of these service providers and the LWBs. An effective contract administration system should contain contract provisions such as clear statements of services expected and how contractor performance will be evaluated, sanctions to hold contractors accountable, and appropriate restrictions regarding the contractors' use of public funds.

Figure 2

Texas Workforce Contracting Model



While Commission officials have stated that no LWBs will be funded until proper safeguards are in place, much work remains in developing contract provisions and procurement guidelines. The following areas needing attention by the Commission were noted:

- The Commission had not developed or documented the contract language and provisions for the LWB contract at the time of this review. However, the Commission had made progress by developing some boiler plate contract language, having the legal and financial departments develop and review key contracting language, and creating a flow chart that outlines the contract review and approval process.
- The Commission has not positioned itself to provide consistent and reliable information to LWBs about effective procurement guidelines, which includes the selection of subcontractors as well as the LWBs' purchasing activities. The Commission is drafting a procurement handbook that will apply to the procurement activities of the LWBs. The draft addresses such issues as ethical standards, methods of procurement, and the procurement process which should help ensure the efficient and effective use of the public monies that flow to LWBs. As of September 30, 1996, the handbook had not been finalized.

The overall lack of planning for these items, according to Commission officials, resulted in part from the need to meet concurrent goals. These goals included addressing the immediate activities associated with maintaining current service levels

as well as completing transition activities related to the consolidation. While the contracts and procurement provisions could not have been developed immediately, the Commission faces an inherent risk simply because of the programs and the nature of the contractual arrangements. For example, other state agencies have previously experienced problems with questioned costs and state contracts to local entities have suffered in the past because of unclear performance standards and a lack of competition in selecting providers.

Section 3-B:

The Commission Has Not Formalized a Contract Oversight Process for Monitoring Local Workforce Boards

At the time of the audit, the Commission was addressing the contract oversight process, but had not yet completed the development and documentation of this critical process. Commission officials acknowledge that a new, comprehensive monitoring approach must be developed, but stated that the planning efforts have often been hampered by the pressing day-to-day demands of Commission operations.²

The Commission had begun to develop segments of a contract monitoring process which included, among other things, monitoring the outcomes of services, the cost-effectiveness of expenditures, reporting findings, and following up on these findings. The specific actions underway at the time of our audit included the following:

- The Commission made the decision to separate its fiscal and program monitoring activities, and it is in the process of developing these two monitoring systems. The development of these systems was initially hampered by a lack of time, resources, and coordinated efforts. Efforts are underway to address how the Commission's separate fiscal and program monitoring units will be coordinated and how they will communicate.
- Some progress has been made by the fiscal monitoring department of the Finance Division. The Finance Division has drafted an audit program that is intended to encompass all categorical programs that LWBs could receive. The Division was in the process of developing a comprehensive financial monitoring manual
- The Quality Assurance Office within the Workforce Development Division is also developing new program monitoring guidelines for the LWBs.

² Since the Commission was developing new contract monitoring processes, we did not evaluate the current monitoring activities or systems, which rely on the procedures used for the individual programs that transferred to the Commission.

Recommendation:

The Commission should focus its efforts on establishing effective contract provisions and monitoring functions for the upcoming contracts with LWBs. Previous problems experienced with contracting program services should be identified and addressed to minimize future risks. A recent report on state contracting issued by the Joint General Investigating Committee contains many recommendations that could help guide the Commission as it develops its contract administration system.³ The current environment provides the Commission with a rare opportunity to “start from scratch” regarding its contract administration, and allows for the creation of new ways to address problems that have occurred in the past. To take advantage of this opportunity, the Commission should ensure that:

- The contracts contain clauses related, but not limited to, performance measures, sanctions, and requirements that the contractors disclose all funding sources from the State.
- Clear policies and procedures governing procurement are published. These documents should be clear, comprehensive, and user-friendly. In addition, a provider compliance guide should be developed that establishes rules, regulations, and enforcement tools.
- The monitoring system is comprehensive, coordinated, and includes risk assessments. In addition, communication and coordination between the fiscal and program monitoring staff members should be formalized to ensure the effectiveness of their activities.

Appendix 4 (page 40) contains more information on the elements of an effective contract administration system.

Management's Response:

We agree with the State Auditor's Office that the Commission needs to ensure that it has an effective contract oversight process for monitoring LWBs. The Finance Division's Fiscal Monitoring Department has begun (or has completed) the implementation of several processes to address the recommendations made by the auditors.

These processes include:

- *Developing a detailed audit (monitoring) guide to review all TWC programs at the subrecipient level. These audit programs have been utilized out in the field by the fiscal monitors since July 1996.*

³Texas Senate and Texas House of Representatives, Joint General Investigating Committee, *Report on State Contracting*, October 14, 1996.

- *Developing and implementing policies and procedures for reporting findings and following up on these findings.*
- *Developing a comprehensive financial monitoring manual which should be completed during January 1997. As part of this manual, there will be a section dealing with fiscal monitoring.*
- *Developing a risk assessment methodology to effectively allocate the Commission's resources to those entities and program areas that present the highest risk to the Commission.*
- *Holding several meetings with the program monitors to coordinate monitoring reviews, develop a risk assessment database, and exchanging monitoring results.*

Risk Assessment

The Fiscal Monitoring Department realizes the importance of using a risk assessment methodology to identify those entities and those areas that present the highest risk to the Commission's programs. The Department currently has posted a position that will be solely dedicated to assessing the financial risk at the TWC subrecipient level. Also, we have developed elements and criteria to be utilized in assessing risk. Finally, we will develop a comprehensive risk assessment database which will utilize information from the field to help us identify any "red flags" and minimize serious problems from arising at the local workforce boards.

Coordination with Program Monitoring

The Fiscal and Program Monitoring Departments have had several meetings to discuss coordination efforts to perform monitoring reviews. These discussions have led to:

- *Sharing monitoring reports with the other department. The Local Workforce Development Area (LWDA) Assistance Director is given a copy of all fiscal monitoring reports.*
- *Schedule of the fiscal monitoring reviews has been shared with LWDA to coordinate visits. We have already coordinated with program monitors when we performed the pre-award at Brazos Valley Development Council. In addition, this week's (November 18) review of the JTPA program at South Plains will have fiscal and LWDA staff on-site.*
- *The LWDA has given us the assignments of their program monitors so that the fiscal monitors know the TWC contact person for a given entity.*

- *Fiscal Monitoring invites program monitors and consultants to their pre-meetings which are conducted before going on-site. At these meetings, we share information and concerns regarding the entity to be reviewed.*
- *Fiscal and LWDA are coordinating efforts with regard to each Department's risk assessment methodology.*

Objective, Scope, and Methodology

Objective

Our objective was to complete an audit of management and fiscal controls at the newly created Texas Workforce Commission, as required by House Bill 1863, 74th Legislature, Regular Session.

Scope

When we began our work, the Commission was in the process of receiving the transferred programs and was in the start-up phase with essentially all of the systems undergoing development or revisions. The scope of this audit was then limited to providing useful information to assist with the development and implementation of management and fiscal systems within the Commission.

Our work included the following questions:

- What is the current status of the consolidation?
- Has the Commission established and adjusted its operations to comply with House Bill 1863 and other applicable laws, regulations, and rules?
- Has the Commission planned for and implemented new policies, procedures, and systems?
- Has the Commission developed a system for administering contracts with the local workforce boards?

In addition, we performed limited review procedures on approximately 25 programs transferred from 7 state agencies. The results of this review can be found in Appendix 2.7 (page 30).

Methodology

The audit methodology consisted of collecting and analyzing information and, where appropriate, evaluating the information against established criteria.

Information collected to accomplish the audit objectives included the following:

- Interviews with management and staff of the Texas Workforce Commission
- Interviews with concerned stakeholders both in state government and among the Commission's customers

- Documentary evidence, including:
 - State and federal statutes, regulations, and rules
 - Commission documents, plans, policies, procedures, manuals, reports, publications, surveys, memoranda, minutes, and other written communications
 - Various audit and management reports from both internal and external sources
 - Agency-generated financial data and reports
- Enabling legislation (House Bill 1863)
- Comptroller of Public Accounts' *Final Report: Texas Workforce Commission - A Workforce Development System for Texas*

Analytical techniques:

- Process review and analysis
- Trend analysis
- Comparison of planned and actual project and program implementation dates
- Chronologies of program development
- Flow charts

Criteria used:

- Statutory requirements (House Bill 1863)
- Comptroller of Public Accounts' *Final Report: Texas Workforce Commission - A Workforce Development System for Texas*
- General and specific criteria developed and published by the State Auditor's Office in *Key Accountability Control Systems of State Agencies and Universities*
- State Auditor's Office Management Control Methodology and Models

Other Information

Fieldwork was conducted from April 1996 through September 1996. The audit was conducted in accordance with applicable professional standards including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

There were no significant instances of noncompliance with these standards for our work on the management control audit. However, we performed only limited review procedures on the transfer of workforce-related programs to the new Commission.

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

- Michael P. Doerr, MBA (Project Manager)
- Scott Bertrand
- John R. Davis, CPA
- Myra Kerr, CPA
- Robert B. Launius, CPA
- Janet Melton, CPA
- Jill Schamberger, MPA
- Robert Shultz
- Dennis Teinert, CPA
- Won Whitty
- Jeanmarie C. Henderson, CPA (Quality Control Reviewer)
- Randy Townsend, CPA (Audit Manager)
- Deborah Kerr, Ph.D. (Audit Director)

Mission of the Texas Workforce Commission

In May 1995 House Bill 1863 was passed, which moved the State toward an integrated workforce delivery system. Effective September 1, 1995, the law created a single state agency, the Texas Workforce Commission, to manage the State's workforce training efforts. The law consolidated within the new Commission 28 job training, employment, and education programs previously administered by 10 different state agencies. It abolished the Texas Employment Commission and created a new system of service delivery through local entities called local workforce development boards.⁴

The Commission was charged with operating an integrated workforce development system and administering the unemployment insurance program in the State. The Commission's mission is "to place Texans in jobs and equip workers with the skills that foster economic development," including encouraging local control and competition in the providing of services to individuals who assume personal responsibility for improving their own lives. The Commission recognizes that the needs of business must drive the system so that people can be trained for jobs that are available, and plans for the State and local partnership to result in a workforce system that benefits individuals and the Texas economy.

The goal of the Commission's current strategic plan is "to support a statewide service delivery and evaluation system that assists local communities to identify and meet the workforce needs of employers and workers of the state." The objective of this plan is that "by August 31, 2001, every local workforce development area will have integrated programs and services to match the workforce needs of employers and workers."

⁴House Bill 1863 anticipated that Employment Services, funded under the Wagner-Peyser Act, would also be contracted to LWBs. The U.S. Department of Labor ruled that this was an inherent state function and such services must be provided by state employees. This decision is currently being appealed.

Operations and Structure

Three full-time commissioners perform policy and rule-making functions as well as hold higher level appeals hearings for Unemployment Insurance benefits. The Commissioners are appointed by the Governor—one representing labor, one representing employers, and one representing the general public. The members serve six-year staggered terms. The first three commissioners were appointed in October 1995.

The Commission appoints an executive director to administer agency programs, and the executive director appoints the division directors. The executive director for the agency was named in November 1995.

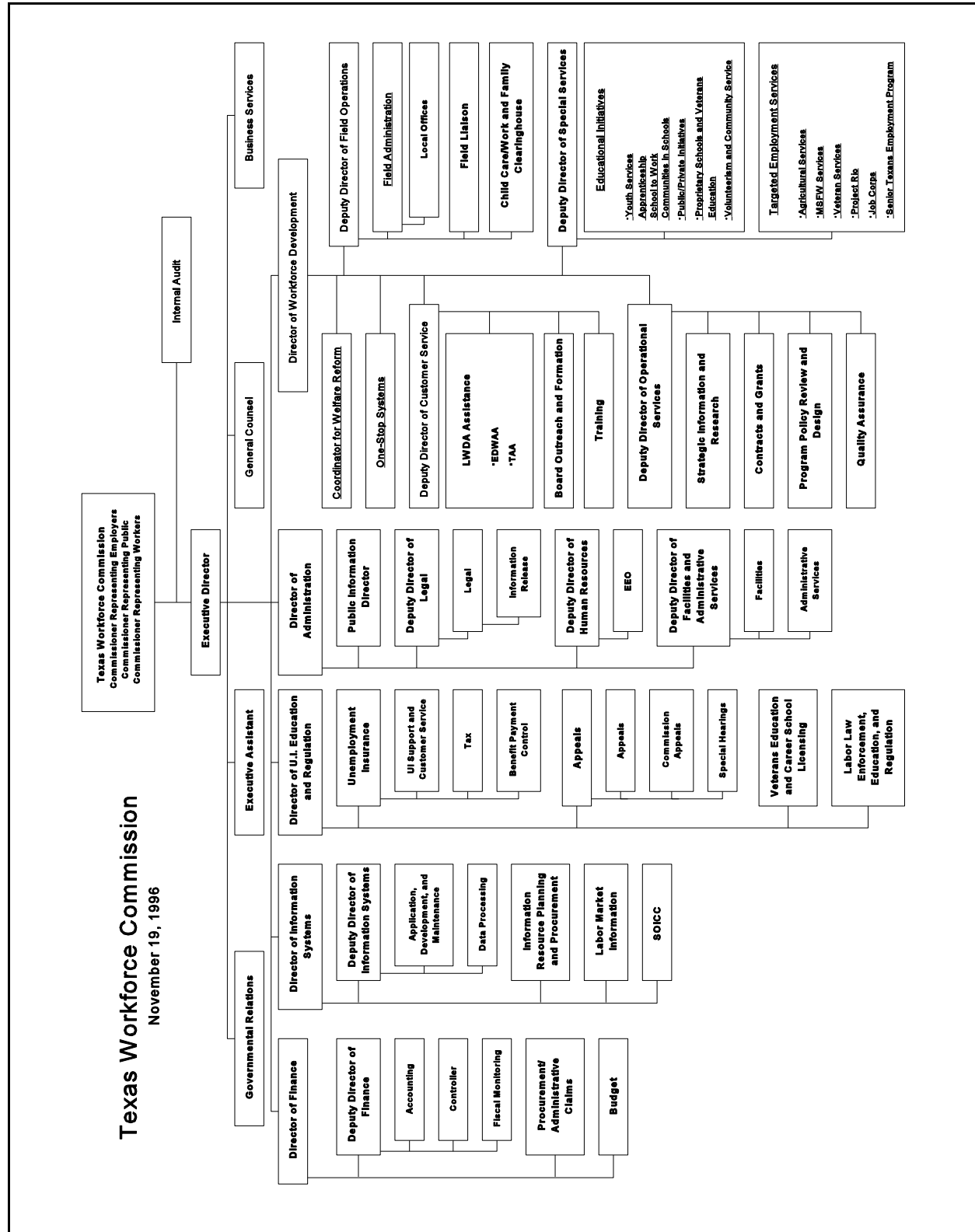
The legislation mandates that there be two divisions within the Commission—the Division of Workforce Development and the Division of Unemployment Compensation. In addition, the legislation allows the executive director to establish additional divisions as necessary. The executive director then has the power to appoint division directors. Appendix 2.3 (page 24) contains the organizational chart of the Commission.

In moving towards providing integrated services, the decision was made to administer the programs along a functional, rather than categorical, line. As such, most programs fall within the venue of the Workforce Development Division. The Commission's total fiscal year 1997 budget will be approximately \$800 million. Appendix 2.4 (page 25) contains a list of the programs transferred into the Commission, the transferring agencies, and possible funding levels for program year 1997.

The legislation also changed the way in which workforce development and training programs will be planned for and delivered throughout the State. A fragmented state planning and program delivery system will be replaced by an integrated, statewide system of delivery which will support local workforce development initiatives in any of the 28 local workforce development areas that form a local workforce development board. This framework calls for the involvement of representatives of business, labor, education, community-based organizations, and the general public. Appendix 3 (page 32) contains more information on the local workforce development boards.

The Commission oversees the activities of 28 workforce development areas. The regional structure under the previous' operations, including the 11 regional offices and over 30 area offices, is currently under revision. Management stated they are redesigning the field structure to separate program management from administrative support services, eliminating the regional office concept, and significantly reducing the number of field offices and personnel required to support field operations.

Organizational Chart



Workforce Programs Merged Into the Texas Workforce Commission and Anticipated Funding Levels

The following table contains information on the programs that transferred into the Commission, including the transferring agency name, the program, and the anticipated funding for Program Year 1997. Some types of programs, such as child care, have more than one type of funding source. In this table each individual source is listed. In addition, the total dollars in this table is larger than the Commission's estimated operating budget for fiscal year 1997 because some funding sources may be spent over more than a one-year period.

Transferring Agency	Programs	Anticipated Funding for Program Year 1997
Texas Employment Commission	Boys and Girls Club	\$ 16,748
	Child Labor Law	839,354
	Communities in Schools	13,629,083
	Employment Services	53,622,919
	Labor Market Information	4,567,788
	Minimum Wage Law	104,677
	NAFTA-TAA	3,276,650
	One-Stop Grants	4,386,288
	Payday Law/Wage Claim Adjudication	3,489,290
	School Child Care Services Fund	400,000
	Trade Adjustment Assistance	457,278
	Unemployment Insurance	104,009,346
	Veterans Employment Program	8,474,000
	Work and Family Policies	840,000
	Job Corps	4,132,900
Texas Department of Commerce	Job Training Partnership Act	217,227,233
	Literacy Programs	5,203,840

Workforce Programs Merged Into the Texas Workforce Commission and Anticipated Funding Levels, concluded

Transferring Agency	Programs	Anticipated Funding for Program Year 1997
Texas Department of Human Services	Food Stamp Employment and Training	\$ 14,544,191
	Job Opportunities and Basic Skills	54,415,209
	Child Care	297,135,931
	Low-Income Child Care	10,175,408
Texas Education Agency	Apprenticeships	1,382,360
	Proprietary School Regulations	781,644
	Veterans Education Certification	758,579
Texas Higher Education Coordinating Board	Post-secondary vocational-technical programs not leading to licensing, certification, or associate degree	
Texas Council of Workforce and Economic Competitiveness	State Occupational Information Coordinating Committee	1,920,550
	School-to-Work Transition	613,706
Texas Department of Aging	Senior Texans Employment Program	5,513,561
Texas Department of Criminal Justice	Project RIO	8,792,156
General Services Commission	Community and National Service	3,501,791
Attorney General's Office	Attorney General-Child Support	280,611
	AG Contract	460,000
TOTAL		\$ 824,953,091

Source: Texas Workforce Commission

Note: In addition to these programs, House Bill 1863 created the Skills Development Fund, which is intended to aid public community and technical colleges in meeting industry and workforce training needs. Twenty-five million from the State's General Revenue Fund was provided for the 1996-1997 biennium.

Appendix 2.5:

Staffing Levels Within the Commission and Regional Offices for Fiscal Year 1997

Administrative Entity	Number of Budgeted, Full-Time Equivalent (FTE) Positions
Commissioners' Offices	30.0
Executive Director	4.0
Government Relations	8.0
Business Services	3.0
Finance Division	189.0
Information Systems Division	385.0
UI, Education, and Regulations Division	873.0
Administration Division	219.0
Workforce Development Division	279.5
Subtotal, State Office	1,990.5
Austin Region	354.0
San Antonio Region	385.0
Corpus Christi Region	474.0
Houston Region	765.5
Midland Region	108.0
Amarillo Region	181.0
Abilene Region	104.5
Beaumont Region	164.5
Dallas/Fort Worth Region	729.0
Longview Region	217.0
El Paso Region	181.5
Subtotal, Regional Offices	3,664.0
TOTAL, COMMISSION	5,654.5

Source: Texas Workforce Commission

Status of Key Mandates and Recommendations

Both the enabling legislation, House Bill 1863, and the Comptroller of Public Accounts' report outlined key activities and time frames for Commission activities. These mandates and recommendations ranged from directing the structure of the new Commission to deadlines for submitting plans for federal programs. The following table contains key activities and due dates, along with the Commission's status in completing these activities.

Activities to Meet the Deadlines Mandated by House Bill 1863 and Recommended by the Comptroller's report	Status (as of September 30, 1996)
1. House Bill 1863 directs the Commission to name an executive director.	The executive director of the Commission was named in November 1995.
2. The Comptroller's report stated that the Commission should adopt board certification rules in December 1995.	The Commission adopted board certification rules on January 19, 1996.
3. The Comptroller's report stated that the areas wishing to receive block grants by July 1996 must submit requests for local workforce development board (LWB) certification by December 31, 1995.	The local areas that submitted under old rules had to submit additional information.
4. The Comptroller's report stated that the Commission should issues guidelines to LWBs for preparation and submission of local service delivery plans in January 1996.	The Commission issues guidelines to LWBs for preparation of local plans on March 29, 1996.
5. The Comptroller's report stated that key Commission staff should be in place by January 1, 1996.	The key Commission staff were in place by April 1996.
6. The Comptroller's report stated that the Commission should begin reporting the core performance measures to the Legislative Budget Board and the Governor's Office, as per House Bill 1863, by February 29, 1996.	The Commission received an extension.
7. The Comptroller's report stated that the Commission should develop formulas for the distribution of workforce development block grants to local areas on a need basis, as required by House Bill 1863, by February 1, 1996.	Block grants of job training programs did not occur. The Commission did determine preliminary funding levels in February 1996 for each program.
8. The Comptroller's report stated that the Commission should issue minimum infrastructure specifications for LWBs in February 1996.	The Commission issued minimum infrastructure specifications in March 1996.
9. The Comptroller's report stated that the Commission should begin assessing its facilities needs no later than February 1, 1996.	Initial assessment was completed February 1996.
10. The Comptroller's report stated that LWBs should continue developing service delivery plans in March 1996.	The certified LWBs are currently developing service plans.

Status of Key Mandates and Recommendations, concluded

Activities to Meet the Deadlines Mandated by House Bill 1863 and Recommended by the Comptroller's Report	Status (as of September 30, 1996)
11. House Bill 1863 stated that the Commission should train LWB members and their staff within 90 days from the LWB's certification.	First LWB certified in April 2, 1996; staff training was held in July 1996.
12. The Comptroller's report stated that the Commission should receive all money, records, property, and equipment of programs transferred March 1, 1996, by April 1, 1996.	The Commission completed the transfers, but some outstanding issues remain. (See Appendix 2.7, page 30.)
13. The Comptroller's report stated that LWBs wishing to receive funding by July 1, 1996, should submit their service delivery plan to the Commission by April 1, 1996.	As of September 30, 1996, no service delivery plans had been received. The first LWB was certified on April 2, 1996.
14. The Commission must submit the state Job Training Partnership Act plan (May 1996), State Strategic plan (May 1996), State Wagner-Peyser plan (May 1996) in May 1996.	State Strategic plan submitted August 30, 1996. Other plans submitted in a timely manner.
15. The Comptroller's report stated that the Commission should receive all money, records, property, and equipment of programs that transferred on June 1, 1996, by July 1, 1996.	The Commission completed the transfer with several outstanding issues. (See Appendix 2.7, page 30.)
16. The Comptroller's report stated that the Commission should submit FY 98-99 Legislative Appropriations Request (LAR) in August 1996.	The Commission received an extension, and the LAR was submitted on October 17, 1996.
17. House Bill 1863 stated that the Commission should develop a system of annual performance evaluations.	The Commission is in the process of developing a system of annual performance evaluations to be completed by December 1996.
18. House Bill 1863 stated that the Commission should develop an inter-agency career ladder and maintain a written Equal Employment Opportunity policy.	The Commission addressed these policies in the personnel manual.
19. House Bill 1863 stated that the Commission should consolidate administration and programmatic functions to the extent that is feasible.	The Commission is organized along functional lines. See organizational chart, dated July 2, 1996, in Appendix 2.3 (page 24).
20. House Bill 1863 stated that the Commission should develop a uniform, statewide client application and enrollment process.	The Commission is developing a uniform, statewide application and enrollment process.
21. House Bill 1863 stated that the Commission should review local workforce training and services plans.	The Commission has not received any plans as of September 20, 1996.

Results of Limited Review of Programs Transferred Into the Commission

At the request of the Commission, the State Auditor's Office completed a review of the workforce-related programs required to transfer into the Commission. The review included approximately 25 programs at 7 state agencies, but was not a comprehensive audit of each program. Instead, limited review procedures were performed that helped to ensure:

- External reports reconciled to the transferring agency's internal accounting system.
- Each agency's internal accounting system was reconciled to the Uniform Statewide Accounting System (USAS).
- Transactions were supported by the accounting records.
- Prior audit issues were corrected before programs were transferred.
- Fixed assets purchased with program resources were transferred along with the program.
- Management was aware of contingent liabilities and questioned costs.
- Controls over the internal leave accounting systems of transferring agencies provided accurate compensatory leave balance transfers.

Based on the review procedures performed, the transfer of programs to the Commission appeared fair and equitable. However, some issues remained outstanding as of July 25, 1996. We recommended that the Commission ensure final resolution of the following unresolved issues:

- The Texas Employment Commission initiated, but had not completed, a physical property inventory needed before recording the transfer of this property to the Commission on the Comptroller's State Property Accounting System.
- The transfer of \$187,688 in earned federal funds related to funding the Veterans Education and Proprietary Schools programs during fiscal year 1996 has not been resolved.
- Approximately \$30,000 in Job Training Partnership Act (JTPA) 8 percent-funded equipment was not transferred with the program.
- The Texas Department of Human Services is in the process of analyzing a list of 127 property items valued at \$278,937.98 that our analysis indicated should have been on the transfer list but were not. The Texas Department of Human Services reports that it has assigned responsibility for analyzing the list.

- Questioned costs of \$274,059 related to the School-to-Work Grant should be considered a contingent liability. Currently, the questioned costs cited in the tentative audit findings have not been resolved because the U.S. Department of Labor is waiting on a legal opinion. Once decided, the Federal Employment and Training Administration may take up to another 180 days to reach a final resolution.
- The Commission needs controls in place to ensure all required reports are filed. The Texas Employment Commission (TEC) did not file quarterly financial status reports for four of five NAFTA Federal Grants for up to 24 months.
- Controls need to be strengthened to ensure that state matching requirements are met and that they are correctly reported and appropriately monitored. Our tests revealed errors in seven of ten contractor files which support the state matching figure for the Dependent Care Development Grant Report (SF 269).
- Approximately \$206,000 in Veterans Education Funds were used to finance the administrative costs of the program. As reimbursements are received from the Veterans Administration, these funds should be forwarded to the Commission.
- The JTPA 8 percent and the Quality Workforce Planning grant balances do not reconcile to the TEC's internal accounting system (FMS). Once the correcting entries identified during our review are made, program records should tie to FMS. FMS printouts should be reviewed to ensure that the entries are correctly entered.

(According to Commission management, the last four issues have been resolved.)

Creating Local Workforce Development Boards

House Bill 1863 established a framework for decentralized local planning by allowing for the creation of a new workforce development system through local workforce development boards (LWBs). The LWBs are empowered to accept responsibility for the planning and delivery of workforce development and training programs in their areas. Through this system, the State offers local control and decision-making authority in planning and allocating resources. The system is to be business-driven and focus on meeting the needs of business and industry by training and educating customers whose skills match projected needs of local business and industry. The State designated 28 local workforce development areas in which the new structure may form. Appendix 3.3, page 35, contains a map of the State's workforce development areas.

Local officials are encouraged to form LWBs, although the legislation does not require it. In the workforce development areas in which the elected officials chose to form a LWB, the new LWB is accepting responsibility for the planning and administration of federal and state employment and training programs at the local level. LWBs can be responsible for a variety of programs, with a goal of providing these categorical programs in a seamless manner so that the source of funding is not apparent to those receiving the services. For those areas in which the elected officials choose not to form a LWB, program services will be provided through the current structure of state offices, private industry councils, and other organizations.

For those areas that chose to form a LWB, the Commission has outlined the steps and provided guidance and technical assistance for making a LWB operational. These processes include the initial application, certification of the LWB, and the steps necessary to become eligible to receive funding. Once a LWB is certified, it then submits a strategic plan and an operating plan to the Commission. These documents address which programs the LWB will assume responsibility for and which services they will rely on the State to provide. LWBs are allowed to select which services they will be responsible for. Once these plans are approved, the LWB can begin operating its career development centers. Funding to the LWBs will depend on what services the LWB plans to administer and what funds are allocated to their areas based on funding rules specific to each program. Appendix 3.5, page 38, contains information on the possible program funding levels for each local workforce development area.

While the application process to become a LWBs was slow at first, there has been an increase in the movement towards creating the service delivery structure envisioned in the law. LWBs were initially slow to form for a variety of reasons, including uncertainty regarding what would happen to efforts at the federal level to block grant job training funds and unresolved issues regarding the LWBs' liability for disallowed costs.

Appendix 3.2, page 34, contains a summary of the status of LWB development, and Appendix 3.4, page 36, contains a detailed list of the status of board development in each of the 28 local workforce delivery areas. As of September 20, 1996, 12 LWBs

had been certified, and local officials in only 4 of the 28 workforce areas had not begun the application process to become a LWB. The Commission has been completing outreach activities and providing technical support to facilitate the creation and operation of LWBs. The Commission hopes to have 20 boards certified by December 1996. At the time of our review no LWBs had begun operating, although the Commission expects 2 LWBs to receive funding for operations in January 1997.

Appendix 3.2:

Summary of the Development of Local Workforce Boards

Date	Number of LWBs in Operation	Number of Business Plans Submitted by LWBs	Number of LWBs Certified	Number of LWB Applications in the Review Process	Number of LWBs in Process of Preparing Application	Number of LWBs That Have Not Begun Application Process
May 31, 1996	0	0	4	7	8	9
July 19, 1996	0	0	6	8	5	9
September 6, 1996	0	0	10	8	6	4
September 20, 1996	0	0	12	6	6	4

Source: Texas Workforce Commission

Status of Local Workforce Boards in Workforce Development Areas as of September 20, 1996

Status of LWB Formation	Workforce Development Area Number and Name
<p>Certified LWBs may now begin to develop strategic and operating plans.</p>	2. South Plains
	4. North Central
	5. Fort Worth/Tarrant County
	6. Dallas/Dallas County
	9. West Central Texas
	14. Austin/Travis County
	16. Brazos Valley
	18. South East Texas
	21. South Texas
	24. Cameron County
<p>Tier I LWBs that have submitted applications which are in the review process and/or require additional information before recommendation for certification.</p>	3. North Texas
	11. Permian Basin
	17. Deep East Texas
	22. Corpus Christi/Rural Coastal Bend
	25. Texoma
<p>Tier II LWBs that are in the process of preparing their applications for submittal.</p>	1. Panhandle
	10. Upper Rio Grande
	8. East Texas
	15. Rural Capital
	19. Golden Crescent
	20. Alamo Area

Appendix 3.4:

Status of Local Workforce Boards in Workforce Development Areas as of September 20, 1996, concluded

Status of LWB Formation	Workforce Development Area Number and Name
Tier III LWBs that have not begun the process of preparing their applications for submittal, and that may not be considering board formation at this time.	7. North East Texas
	12. Concho Valley
	13. Heart of Texas
	23. Hidalgo/Willacy

Source: Texas Workforce Commission

Possible Funding Levels to Workforce Development Areas for Program Year 1997

Number	Workforce Development Area	Job Training Partnership Act	Job Opportunities and Basic Skills	Food Stamp Employment and Training Program	Low-Income Child Care	Total Possible Funding Levels
1	Panhandle	\$ 2,339,391	\$ 909,431	\$ 206,905	\$ 3,330,297	\$ 6,786,024
2	South Plains	3,011,791	1,715,069	293,966	4,213,985	9,234,811
3	North Texas	1,513,794	532,282	221,555	1,894,537	4,162,168
4	North Central	5,879,152	2,562,285	266,293	7,732,766	16,440,496
5	Fort Worth/ Tarrant County	9,293,871	3,971,239	599,999	12,128,903	25,994,012
6	Dallas/Dallas County	13,998,924	8,939,785	1,427,459	22,173,331	46,539,499
7	North East Texas	3,070,047	1,082,350	233,682	2,545,431	6,931,510
8	East Texas	5,791,699	2,446,023	524,738	4,912,049	13,674,509
9	West Central Texas	2,669,569	649,219	231,985	2,835,782	6,386,555
10	Upper Rio Grande	8,899,736	4,000,637	1,132,151	9,384,488	23,417,012
11	Permian Basin	3,311,513	1,166,158	269,775	4,220,778	8,968,224
12	Concho Valley	1,024,828	377,558	127,560	1,357,718	2,887,664
13	Heart of Texas	1,960,841	1,594,175	7,568	2,229,163	5,791,747
14	Austin/Travis County	3,160,689	1,764,474	300,673	7,086,365	12,312,201
15	Rural Capital	1,643,100	299,423	66,607	1,164,372	3,173,502
16	Brazos Valley	1,361,704	874,725	70,475	2,240,730	4,547,634
17	Deep East Texas	2,637,216	931,819	225,788	2,840,018	6,634,841
18	South East Texas	5,039,238	2,095,240	774,322	3,570,297	11,479,097
19	Golden Crescent	1,660,691	450,482	34,714	1,878,236	4,024,123

Possible Funding Levels to Workforce Development Areas for Program Year 1997, concluded

Number	Workforce Development Area	Job Training Partnership Act	Job Opportunities and Basic Skills	Food Stamp Employment and Training Program	Low-Income Child Care	Total Possible Funding Levels
20	Alamo Area	\$ 10,065,723	\$ 7,944,256	\$ 1,473,876	\$ 21,102,710	\$ 40,586,565
21	South Texas	4,356,702	943,799	198,158	4,277,613	9,776,272
22	Corpus Christi/ Rural Coastal Bend	6,793,534	3,409,091	346,931	7,025,347	17,574,903
23	Hidalgo/Willacy	10,617,789	5,217,679	1,685,786	6,553,188	24,074,442
24	Cameron County	4,775,569	3,015,469	918,782	4,466,902	13,176,722
25	Texoma	1,158,028	503,276	48,424	1,453,529	3,163,257
26	Central Texas	2,038,114	878,268	149,363	2,821,155	5,886,900
27	Middle Rio Grande	3,281,491	767,628	0	2,765,231	6,814,350
28	Gulf Coast	31,790,634	17,841,344	2,419,537	37,154,820	89,206,335
TOTAL DOLLARS		\$153,145,378	\$ 76,883,184	\$ 14,257,072	\$185,359,741	\$429,645,375

Source: Texas Workforce Commission

Note: Job Opportunities and Basic Skills and Food Stamp Employment and Training amounts include funding for both employment services and child care. These dollar amounts are preliminary planning targets for funding allocations to local workforce development areas as of September 26, 1996, and these allocations may change significantly depending on decisions required under the recent federal legislation "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." The dollar amounts do not include funds for Wagner-Peyser Employment Services. Dollar values to local workforce development areas will vary because of formula funding and because not all counties have Job Opportunities and Basic Skills or Food Stamp Employment and Training programs (31 counties have Job Opportunities and Basic Skills only; 56 counties have Job Opportunities and Basic Skills and Food Stamp Employment and Training programs).

Elements of an Effective Contract Administration System

All four of the control areas are important to an effective system of contract management. However, the significance of each control area varies depending on the nature of the contracting relationship.

Control Area	Elements
Contractor Selection	<p>Procurement process should be sufficient to ensure that the best contractors are fairly and objectively selected.</p> <ul style="list-style-type: none"> • Whenever feasible, and unless otherwise prohibited by law or other restrictions, contractors should be selected through competitive procurement procedures. • Past performance should be considered in subsequent selection/contract renewal decisions. • Formal, documented procedures should be used to assess prospective contractors' strengths and weaknesses.
Contract Provisions	<p>Contract provisions and agency regulations should be sufficient to hold contractors accountable for delivery of quality services and prevent the inappropriate or inefficient use of public funds.</p> <p>Contract provisions should contain all of the following:</p> <ul style="list-style-type: none"> • Clear statements of services and goods expected from the contractor • Clearly defined performance standards and measurable outcomes • Clear statements of how contractor performance will be evaluated • Sanctions sufficient to hold contractors accountable for failing to meet intended objectives • Appropriate restrictions regarding the contractors' use of public funds • Specific audit clauses which allow the funding agency and other oversight entities access to the contractors' books and records
Payment Reimbursement Methodology	<p>Methods used to establish contractor reimbursement should be sufficient to ensure that the State pays fair and reasonable prices for services.</p> <ul style="list-style-type: none"> • Prior to the contract award, the cost of services, as well as the services themselves, should be analyzed in order to determine the most effective payment methodology. • Approval of proposed contractor budgets should focus on ensuring that proposed expenses are reasonable and necessary to accomplish program objectives. Both program results and contractor efficiency should be considered as part of the budget approval process. • For unit-rate contracts, the rate setting process should ensure that there is a reasonable correlation between the quality of the services provided, costs of providing the services, and the rate paid.
Contractor Oversight	<p>Contractor oversight should be sufficient to ensure that contractors consistently provide quality services (by measuring performance against well-documented expectations) and that public funds are spent effectively and efficiently.</p> <ul style="list-style-type: none"> • Monitoring functions should focus on the outcomes of services provided and the cost-effectiveness/prudence of contractor expenditures in addition to compliance with regulations. • Results of monitoring reviews, audits, and investigations should be routinely followed up on to ensure corrective actions have been taken and to identify common problem areas. • A formalized risk assessment process should be used to select contractors for review and identify the level of review necessary at each contractor. • Standardized criteria should be established to evaluate contractor performance.

Source: State Auditor's Office