



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL (617) 727-6200
FAX (617) 727-5891

June 16, 2010

2010-0003-3R2

Kevin Madden, Executive Director
South Coastal Career Centers
152 Parkingway
Quincy, Massachusetts 02169

Dear Mr. Madden:

The Office of the State Auditor (OSA) has completed its review of certain activities of the South Coastal Career Centers (SCCC). This review was conducted in conjunction with our audit of the Executive Office of Labor and Workforce Development's (EOLWD) management and accountability of the American Recovery and Reinvestment Act (ARRA) Summer Youth Employment Program and Workforce Investment Act (WIA) Youth Worker stimulus funding.

Pursuant to ARRA, the Commonwealth received \$24.8 million in recovery funds through the WIA Title I Youth funding stream, of which \$21.1 million was allocated to support programs for disadvantaged youths. EOLWD also received \$3.1 million in public safety funds through the US Department of Justice Edward Byrne Memorial Justice Assistance Grant Program. The purpose of these two awards is to provide summer employment opportunities and training activities for low-income individuals between the ages of 14 to 24 with certain prescribed barriers to employment as delineated by the policies and procedures issued by the U.S. Department of Labor (DOL) and further enumerated by EOLWD.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the OSA conducted a review of certain Workforce Investment Boards to examine compliance with applicable laws and the rules and regulations issued by the DOL and EOLWD governing the distribution and expenditure of these funds.

The purpose of our review was to determine SCCC's compliance with the requirements of the ARRA Summer Youth Employment Program for the period July 6, 2009 to September 30, 2009 and to verify the accuracy of the number of participants that were reported by SCCC to EOLWD.

We conducted our fieldwork at SCCC in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our auditing objectives. We believe that the data and evidence obtained provided us a reasonable basis for our findings and conclusions based on our audit objectives. To achieve our audit objectives, our review included:

- Analyzing all applicable laws, rules, and regulations pertaining to the WIA ARRA funding stream;
- Interviewing management and staff of SCCC to assess the level of internal control over its oversight of the Summer Youth Employment Program;
- Reviewing the Awards Letter received by SCCC to verify the amount of funds received and the purpose of the funding;
- Reviewing participant files to verify compliance with the DOL and EOLWD guidelines on eligibility requirements and income verification;
- Reviewing payroll records at SCCC to determine the level of participation by eligible enrollees; and
- Reviewing the process and procedures established by EOLWD by which SCCC entered data on certified participants in its 2009 Summer Youth Employment Program into the Massachusetts One-Stop Employment System (MOSES).

Based upon our audit, except as noted in the Review Results section of this report, for the areas tested, SCCC was in compliance with the rules, regulations, policies, and directives issued by the DOL and EOLWD.

Funding and Expenditures

SCCC received \$1,055,446 in federal stimulus funding through EOLWD to support its Summer Youth Employment Program. The ARRA funds supplemented an already existing program supporting summer youth employment opportunities. These funds are available through June 2011. During our analysis of the ARRA grant funds available, SCCC provided the OSA with various communications in which the DOL strongly encouraged states and local areas to use as much of these funds as possible to operate an expanded summer youth employment program during the summer of 2009. Additionally, EOLWD set a goal of spending 60% of regional ARRA youth funding on education and employment activities in the summer of 2009.

SCCC's Quarterly Financial Status Report (QFSR) for the period May 1, 2009 through September 30, 2009 indicated that SCCC had expended \$643,783 of the \$1,055,446 it was awarded by EOLWD to support its Summer Youth Employment Program. SCCC also expended \$6,556 in ARRA funds for its pre-summer youth program. Total ARRA funds expended by SCCC from the beginning of the ARRA program to September 30, 2009 was \$650,339, or 61.6% of the total award. Accordingly, it appears that SCCC has achieved and exceeded the desired goal of 60%.

Also, according to the QFSR provided for the same period, SCCC has approximately \$405,107 remaining from its ARRA allocation to support summer youth employment opportunities over the next two summers. It is expected that most of the remaining ARRA funds will be expended in the summer of 2010 program, with little or no funds left for 2011.

Participants and Eligibility

According to information issued by the Administration, the Commonwealth, through a combination of state and ARRA-allocated funds under WIA, was able to surpass its goal of 11,000 youths employed in its 2009 Summer Youth Employment Program. According to published reports by EOLWD, the ARRA funds were responsible for approximately 6,908 participants of the 11,000 (63%) employed through the program in 2009.

Although a significant number of the youths that filed applications for consideration in the summer jobs program may have met the income eligibility criterion set forth under WIA, they were disqualified

from participating in this Summer Youth Employment Program because they could not meet or document any of the additional eligibility criteria required by the DOL. Individuals who are between the ages of 14 and 24, are low-income, and meet one or more of the following criteria are eligible for admission in the summer youth jobs program:

- Deficient in basic literacy skills;
- School dropout;
- Homeless, runaway, or foster child;
- Pregnant or parenting;
- Offender;
- Is an individual (including a youth with disabilities) who requires additional assistance to complete an educational program or secure and hold employment.

Applying the above-referenced criteria, SCCC was able to certify 262 qualified candidates for enrollment in its 2009 Summer Youth Employment Program.

Review Results

Of the 262 qualified participants, only 260 were actually enrolled and received compensation from the ARRA Summer Youth Employment Program allocation and were enrolled for a 25 hour per week, six-week period (150 hours). Of the 260 active enrollees, our review disclosed that SCCC determined that 131 were classified as individuals who required additional assistance to complete an educational program or to secure and hold employment; 65 were classified as school dropouts; nine were deemed to be deficient in basic literacy skills; 31 were classified as from foster care or homeless; five were deemed to be single parents; and 19 were determined to be offenders. Our review also disclosed that of the 260 active enrollees eligible for 150 hours, 83 participated less than 100 hours, with 30 of the 83 participating in less than 50 hours. Employment for these 260 youths was a concentration between local municipalities and nonprofit agencies. It was also determined that six of the eligible candidates never reported to either the SCCC for training or their actual worksite. Our reconciliation of eligible enrollees also determined that SCCC reported to EOLWD that 262 had participated in the Summer Youth Employment Program. We believe that this overstatement may be a problem with the use of MOSES and SCCC's monitoring of the system.

Conclusion and Recommendation

Overall, the OSA found SCCC to be in compliance with the enrollment of eligible youths pursuant to directives issued by the DOL and EOLWD. However, we did find that the actual number of youths being reported as participating in the SCCC program was overstated by two. Additionally, of the 260 eligible enrollees for 150 hours, 83 participated in less than 100 hours, with 30 of the 83 participating in less than 50 hours. SCCC needs to develop stricter controls for the monitoring of MOSES to ensure the number of participants is accurate and that applicants who fail to complete a substantial portion of the offered program hours are not reported to EOLWD in the same manner as participants who have achieved a higher degree of participation.

Auditee's Response

According to the former Executive Director of SCCC, the ARRA funding that SCCC received presented significant issues for its operation. She noted that SCCC was operating with limited staff and that the impact of the recession, particularly with the number of unemployed seeking services from SCCC, coupled with the compliance issues associated with the ARRA funding, placed an undue burden on the overall operations at SCCC. In order to administer the SCCC 2009 Summer Youth Employment Program, SCCC had to hire and train additional staff and design, develop, and distribute recruitment strategies and application materials to comply with additional filing and reporting requirements associated with the receipt of ARRA funding. Despite these difficulties, the former Executive Director stated that the benefits derived from the ARRA funding provided critical services and invaluable opportunities to those participants who were able to take full advantage of the programs offered at SCCC.

Should you have any questions or need further assistance from my office concerning these or any other matters, please feel free to contact my First Deputy, John Parsons, at (617) 727-6200 ext. 140.

Sincerely,



A. JOSEPH DeNUCCI
Auditor of the Commonwealth