



## North Central Texas Council of Governments

March 19, 2021

Mr. David Setzer  
Director of Workforce Development  
Workforce Services for North Central Texas  
P.O. Box 5888  
Arlington, TX 76005-5888

Dear Mr. Setzer:

The North Central Texas Council of Governments Risk and Compliance Division has completed the FY2021 Workforce Development (WFD) Cost Allocation Plan Review of the WFD board under Agency Board Agreement #0420AB0001 in accordance with Texas Administrative Code, Title 40, Part 20, Chapter 802, Subchapter D, Rule §802.64, and applicable provisions of 2 CFR §200 Uniform Administrative Requirements. We reviewed the reasonableness of the activity against documentation and guidance for cost allocation plans, controls and changes as prescribed by the Financial Manual for Grants and Contract (FMGC), Chapter 11, Cost Allocation and Resource Sharing. The review was based on information provided by WFD management, as Workforce boards are required to exercise due diligence to provide oversight of fiscal, operational and program requirements. Fiscal monitoring activities are required to ensure that resources are used efficiently and effectively for authorized purposes and are protected from waste, fraud, and abuse.

The attached report details the FY2021 Cost Allocation Plan Review for compliance with applicable requirements and WFD procedures, as recommended by Texas Workforce Commission. Of the items reviewed and our subsequent discussions with management, there were no fiscal observations that would contribute to a material weakness or significant deficiency in internal controls. This review is considered to be closed upon issuance of this report.

We appreciate the cooperation and assistance of WFD management in providing us the necessary information during this review. If you have any questions, please contact Debra Pirtle at 817-704-5622 or Fatima Parsons at 817-704-5671.

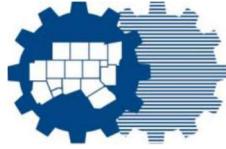
Sincerely,

Debra M. Pirtle, CPA, CFE  
Audit Manager  
Risk & Compliance Division

cc: **North Central Texas Workforce Development Board**  
Carlton Tidwell, Chairman, Oversight and Accountability

**North Central Texas Council of Governments**  
Molly Rendon, Director of Administration  
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***FY2021 WFD Cost Allocation Plan Review Report***  
for  
Workforce Solutions for North Central Texas

*Prepared by the  
Risk and Compliance Division*  
**North Central Texas Council of Governments  
Workforce Solutions for North Central Texas**  
March 19, 2021

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## Background

The North Central Texas Council of Governments represents the North Central Texas Workforce Development Board as Administrative Entity and Grant Recipient/Fiscal Agent. The purpose of the NCTWDB is to advance an innovative workforce system that fosters a competitive economy and improves the quality of life in a 14-county region in North Central Texas. All funding received from Texas Workforce Commission for the operation and management of Workforce and Child Care programs is subject to the requirements of TWC's Financial Manual for Grants and Contracts for the accounting of these funds. NCTCOG Risk and Compliance Division completed a Cost Allocation Plan review under Texas Workforce Commission Agency Board Agreement #0420AB0001, in accordance with Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter D, Rule §802.64, 2 CFR 200 Uniform, 2 CFR200 Uniform Administrative Requirements and as prescribed by FMGC, Chapter 11 guidance.

Workforce Development Boards are required to provide oversight of fiscal, operational, and program requirements in exercising due diligence. Fiscal monitoring activities are required to ensure that resources are used efficiently and effectively for authorized purposes and are protected from waste, fraud, and abuse. As part of internal oversight, and the Workforce Rotational Review Workplan, R&C performed a review of the FY2021 WFD Cost Allocation Plan processes and methodology application based on information provided by WFD fiscal management. The cost allocation plan and processes are necessary to properly allocate expenditures incurred during the course of normal business conducted on behalf of the NCTWDB to the appropriate cost pools, grants, and projects. Using WFD provided documentation, R&C reviewed the processes methodology and application of the FY2021 Cost Allocation Plan.

## Risk

NCTCOG conducted the review to address risks in order to ensure the following:

- Cost allocation plan policies and processes were operating effectively,
- Cost allocation plan methodology was applied consistently, and
- Cost allocation plan percentages were calculated correctly and applied accurately.

## Objective

The overall objective of NCTCOG's review was to assess the WFD Cost Allocation Plan methodologies and applications to ensure that the implementation of the cost allocation processes was effective and applied accurately.

The focused objective was to provide assurance that fundamental cost allocation components were in place and functioning correctly to effectively and accurately implement the detailed calculations of the WFD Cost Allocation Plan. R&C assessed various process steps required to generate specific statistical calculations required to reperform WFD cost allocation methodology. R&C also reviewed the following FMGC areas to determine that internal controls were in place as recommended by TWC for cost allocation:

- Development procedures
- Submission requirements
- Changes, revisions, and variances
- Upper level fiscal management review
- Approval

## Scope

R&C reviewed select Child Care 2021 cost pool calculations, percentages, and allocations applied during the month of December 2020 for compliance with WFD Cost Allocation Plan.

## Methodology

The Cost Allocation Plan and process review included examination of:

- FY2021 WFD Board Cost Allocation Plan
- Cost allocation process flows
- Documentation reflecting the accumulation of expenditures in the cost pools and resulting sweeps
- Expenditures for proper categorization within a cost pool
- Internal Control Self-Assessment questionnaire
- December 2020 WFD expenditure data, including multi-job allocation journal entries based on allocation percentage calculations from year to date expenditures and in accordance with the cost allocation plan
- Methodology and applications necessary for completeness, accuracy, reasonableness, and ability to duplicate the process through review and reperformance of selected samples in the following areas:
  - December 2020 WF Program Allocation for Childcare 2021 related to Subprojects Childcare Admin Board, Admin Monitoring and Program Management.
  - Cost pools necessary to capture expenditures in a manner that allowed for effective data management and accurate reporting including Admin Salary, Q&A Admin, Fiscal Monitoring Admin, Program Oversight Salary, RIS Facilities Special Projects and WF Center Infrastructure Costs
  - Allocation of cumulative year to date amounts to the appropriate grants and reperformance of specific grant program calculations as a component of the salary allocations

The examination of documents was meant neither to confirm, support, nor deny information obtained in other areas of the assessment. An expanded scope may have identified additional items that may or may not have been significant to the process and results.

## Summary of Results

The total of all cost pools to be allocated for December was \$2,404,301.75. Included in that amount, \$2,169,152.23 was attributed to WF Program Allocations related to Childcare, of which \$748,854.68 was expended for Subprojects Childcare Admin Board, Admin Monitoring and Program Management. Of the Subprojects, eight cost pools were included: Admin Salary, Q&A Admin, Fiscal Monitoring Admin, Program Oversight Salary, RIS, Facilities Special Projects and WF Center Infrastructure Costs. Amounts associated with each of the eight cost pools were traced through various levels of data utilizing pivot tables to trace the movement of the cost pool sweeps and denote the related percentage of application. Recalculation of statistical components utilized for Admin Salary and RIS allocation percentages was reperfomed to confirm correct application of the Cost Allocation Plan. Additionally, to determine accuracy of nested components of calculations at the lowest level, WIOA Adult amounts and related statistical calculations were also verified.

Based upon review of the supporting documentation provided, including cost allocation plan, process flows, procedures, allocations worksheets, general ledger detail, allocation calculations and approvals, the methods and WFD FY2021 Cost Allocation Plan methodology to calculate and apply percentages appear accurate, complete and reasonable. The method used to distribute the cost of

the service to the benefited entity meets the requirements of FMGC, Chapter 11, which states that methodology must:

- Result in an equitable distribution of indirect and/or shared costs,
- Correspond to the costs being allocated,
- Be efficient to use,
- Be consistently applied over time,
- Be repeatable,
- Be consistent with Generally Accepted Accounting Principles,
- Be consistent with applicable cost principles and administrative requirements,
- Be acceptable so that our independent auditor may satisfy the audit testing required under the Single Audit Act and Uniform Guidance,
- Be supported by actual cost data, and
- Be consistent with the overall program design and services approach.

### **Conclusion**

The methodology and application of the WFD Cost Allocation Plan is consistent with applicable cost principles and administrative requirements. Of the items reviewed and our subsequent discussions with management, there were no fiscal observations that would contribute to a material weakness or significant deficiency in internal controls. This review is considered to be closed upon issuance of this report and no response is required. R&C appreciates the cooperation and assistance of WFD management in providing us with the necessary information to complete the review.

## Appendix A

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### Acronyms

FMGC	Financial Manual for Grants and Contracts
NCTCOG	North Central Texas Council of Governments
NCTWDB	North Central Texas Workforce Development Board
R&C	NCTCOG Risk and Compliance Division
TWC	Texas Workforce Commission
WFD	Workforce Development