July 8, 2026

Mr. Anthony Terlizzi
President, Direct Services Division
Career Team, LLC
2 Enterprise Drive, Suite 424
Shelton, Ct 06484

Dear Mr. Terlizzi:

The North Central Texas Council of Governments (NCTCOG) conducted a Payroll Review for a bi-weekly pay period within Fiscal Year 2026 under Contract FY26-TWC-02 with Career Team, LLC. This contract covers the management of workforce programs for Workforce Solutions for North Central Texas. The review focused on payroll and payroll policies in accordance with §16.9 (Monitoring, Audits, and Evaluations) of the contract.

The attached report describes the scope of work performed and the results of procedures applied to selected payroll disbursements for the pay period ending January 10, 2026. Based on the items reviewed and discussions with management, reportable findings were identified, indicating a need for improvement in fiscal internal controls. This review is complete upon issuance of this report.

We appreciate your cooperation provided during the review. For further questions, please contact Fatima Parsons at 817-704-5671.

Sincerely,

Phedra Redifer

Phedra Redifer
Executive Director of Workforce Development

cc: **Career Team, LLC**
Peggy Montalvo, Chief Financial Officer
David Shufrin, General Counsel & Chief Compliance Officer
Shellonda Rucker, Regional Director of Operations

North Central Texas Workforce Development Board
Christopher Bentle, Chairman, Oversight and Accountability Committee

North Central Texas Council of Governments
Randy Richardson, Director of Administration
Lisa Sack, Sr. Manager-Centralized Services Operations
Equal Opportunity Officer
Ryan Garrett, WFD Sr. Fiscal Manager
Tammy Davis, WFD, Sr. Manager, Workforce Programs

FY2026 Career Team Payroll Review Report

for

Career Team

Contract FY26 -TWC-02

Prepared by the

North Central Texas Council of Governments

Workforce Solutions for North Central Texas

July 8, 2026

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Background

The North Central Texas Council of Governments (NCTCOG) contracts with Career Team, LLC, to operate and manage the Workforce Services programs in all 14 counties for the North Central Texas Workforce Development Board in support of the Board's oversight responsibilities.

All funding received from the Texas Workforce Commission (TWC) for program management and operation must comply with the requirements outlined in TWC's Financial Manual for Grants and Contracts. In accordance with:

- §16.10 (Monitoring, Audits, and Evaluations) of Contract FY26-TWC-02,
- Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter B (§802.21 Board Contracting Guidelines), Subchapter D (§802.64), and
- 2 CFR 200.332 (e).

NCTCOG conducted a Payroll Review to monitor the integrity of the Workforce System for the selected items. As part of its ongoing due diligence, NCTCOG is responsible for providing oversight of fiscal, operational, and program requirements.

Risk

NCTCOG conducted the review to assess risks related to the Board's oversight in the following areas:

- Compliance with requirements established by federal laws and regulations, of contracts or grant agreement provisions, and any additional requirements imposed by the pass-through entity.
- Efficient and effective use for authorized purposes, with safeguards in place to prevent waste, fraud, and abuse, and financial statements misstatements.
- Allowability, necessity, and reasonableness of expenses at the time of they were incurred.

Objective

NCTCOG's monitoring and review process focuses on reviewing and testing key components of operations to identify findings and opportunities for correction and improvement. As part of this process, NCTCOG may perform various procedures, including testing of internal controls and conducting substantive testing of details, as appropriate.

The primary objective of the review was to test a sample of payroll disbursements for occurrence, completeness, accuracy, authorization, classification, and rights and obligations. The payroll disbursements selected were incurred in the normal course of business conducted on behalf of the NCTCOG and in accordance with Texas Grant Management Standards (TxGMS), specifically the sections on Standard Financial Management Conditions, Financial Management and Internal Control.

This review did not include testing the implementation or operating effectiveness of internal controls. Additionally, the examination of documents was not intended to confirm, validate, or refute information obtained from other areas of the assessment. A broader review scope could have identified additional items, which may or may not have been significant to the overall process or results.

Scope

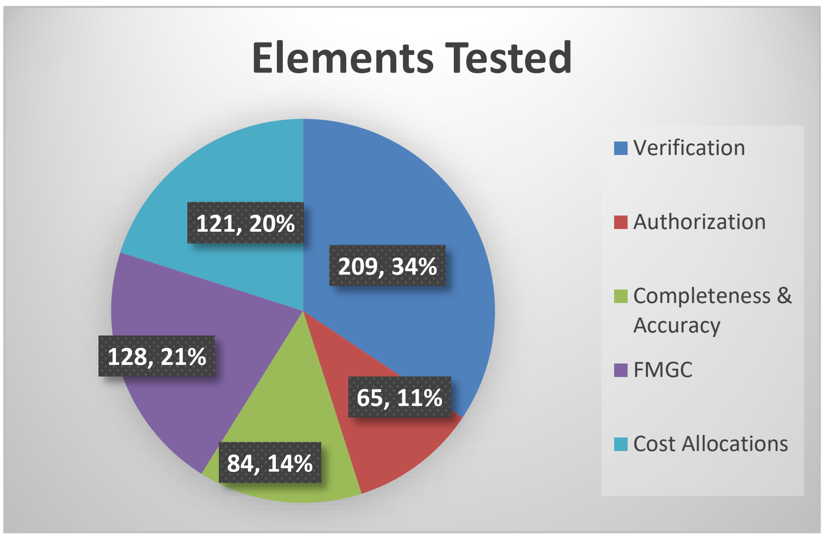
The scope of the review included payroll disbursements for a sample of 28 employees from the bi-weekly pay period ending January 10, 2026**.** The review covered key compliance areas including payroll transactions, payroll policies and payroll procedures, as applicable to federal or state guidance.

Methodology

NCTCOG's review of payroll disbursements included the following procedures:

- Examination of cost allocation methodology utilized and agreement of completed allocation to general ledger.
- Examination of labor distribution report, payroll register and supporting documentation for workforce and administrative employees
- Verification of the accuracy, reasonableness, and allowability of transactions against contract requirements and relevant standards. Reviewed employee timesheets, payroll registers, pay rates and hours worked, offer & exit letters, general ledger reports, time sheet approval reports, employee listings, allocation entries, ADP, and QuickBooks records.

Summary of Results



Completeness & Accuracy – hours worked, pay rate, offer letters, fund account, location, classification
Authorization- Approval of timesheets, regular hours, overtime, paid time off
Verification – hours, pay rate, recalculations, check register, paystubs

Cost allocations – Payroll distribution % based on time apportionment to program
- Admin & Mgmt. Pools - Jan 26 standard allocation %s

FMGC components – reasonableness, adequate documentation, allocation, allocable, properly recorded & classified

Findings:

We noted that four of the 28 employees had vacation and holiday time and pay omitted from the Labor Distribution Report (LDR). Specifically, one employee's holiday pay was not recorded, and vacation time and pay for three other employees was excluded from the report.

Career Team Response:

The employee is a salaried employee that was paid the full salary. The holiday code is there to record that a holiday was within the pay period, however, the full salary was paid. No issues there. There were a number of employees that were hired by Career Team from the prior provider. As a courtesy, the organization allowed employees to transfer their vacation balances from the prior provider to Career Team, to be used in the first year of employment. In order to track this, VTX was created.

Recommendation:
We recommend that Career Team implement procedures to ensure that all leave codes, including vacation and holiday time, are accurately and consistently recorded in the Labor Distribution Report. This may include regular reconciliation between payroll records and the LDR, supervisory review of time coding, and staff training on proper use of leave codes (including VTX). Additionally, periodic internal reviews should be conducted to verify the completeness and accuracy of the report before it is used for fiscal monitoring purposes.

Based on the supporting documentation reviewed, the sample of 28 employees from the bi-weekly pay period ending January 10, 2026, appears to be complete, accurate, properly authorized and classified, and to represent valid transactions incurred in the normal course of business. The related liabilities appear to be valid obligations of Career Team.

Cost Allocation Methodology

Career Team allocates personnel costs using a payroll distribution methodology based on time apportionment. Employees record and allocate their time according to their level of involvement in each program, contract, or activity. This documented time distribution serves as the basis for assigning payroll costs across funding sources.

Additionally, they maintain two indirect cost pools, Administrative and Management - which are used to allocate share personnel costs across multiple fund sources based on the standard allocation percentages each month end.

Fiscal Monitoring independently recalculated employee cost allocations using payroll distribution reports and applied the appropriate administrative and management pool percentages. The recalculations were mathematically consistent with the documented methodology. However, due to system design limitations, allocation amounts for administrative and management pool percentages and related journal entries could not be directly traced to specific general ledger line items. Despite this, sufficient evidence was obtained to conclude that payroll allocations were appropriately recorded in the general ledger.

Conclusion

Based on the items reviewed and discussions with management, reportable findings were identified, indicating a need for improvement in fiscal internal controls.

This review is considered complete upon issuance of this report. NCTCOG appreciates the cooperation and assistance provided by Career Team management in supplying the information necessary to conduct and complete the review.

Appendix A

Acronyms

CFR	Code of Federal Regulations
FM	Fiscal Monitoring
FMGC	Financial Manual for Grants & Contracts
ADP	Automatic Data Processing payroll system
PTO	Paid Time Off
VTX	Vacation code
WF	Workforce

SharePoint URL

https://nctcog.sharepoint.com/sites/WD-Career TeamProjects/Shared%20Documents/Forms/AllItems.aspx.
Payroll > FY 2026 folder