

North Central Texas Council of Governments

April 9, 2021

Ms. Juanita Budd
Project Director
Equus Workforce Services
624 Six Flags Drive, Suite 245
Arlington, TX 76011

Dear Ms. Budd:

The North Central Texas Council of Governments completed FY21 Equus Payroll Review under contracts FY21-TWC-01 and FY21-TWC-02 with Equus Workforce Services for the management of Workforce and Child Care programs for Workforce Solutions for North Central Texas. The specific compliance areas reviewed included payroll and payroll policies in accordance with §16.10 Monitoring, Audits, and Evaluations of the contract.

The attached report details the scope and summary of monitoring results of Equus Payroll disbursements selected from the bi-weekly pay period ended November 20, 2020. Equus management provided documentation and timely response to the required corrective actions. Of the items reviewed and our subsequent discussions with management, there appear to be no findings that would contribute to a material weakness in fiscal internal controls. This review is closed upon issuance of this report.

We appreciate your cooperation in providing us with the necessary information to complete the review. If you have any questions, please contact Debra Pirtle at 817-704-5622.

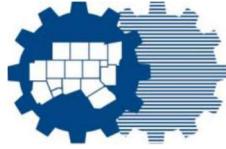
Sincerely,

David K. Setzer, CPSM, C.P.M., CWE
Director of Workforce Development

cc: **Equus Workforce Services**
Moneisa Downs, Regional Director

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

cc: **North Central Texas Council of Governments**
Molly Rendon, Director of Administration



FY21 Equus Payroll Review Report
for
Equus Workforce Services
Contracts FY21-TWC-01 and FY21-TWC-02

Prepared by the
Risk and Compliance Division
North Central Texas Council of Governments
Workforce Solutions for North Central Texas
April 9, 2021

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North Central Texas Council of Governments
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FY21 Equus Payroll Review Report
Equus Workforce Services - Contracts FY21-TWC-01 and FY21-TWC-02

Background

The North Central Texas Council of Governments contracts with Equus Workforce Services to operate and manage Workforce Innovation and Opportunity Act, Trade Adjustment Act, and Child Care programs and funding in all 14 counties for the North Central Texas Workforce Development Board as part of the Board's oversight responsibility.

All funding received from Texas Workforce Commission for the operation and management of these programs is subject to the requirements of TWC's Financial Manual for Grants and Contracts for the accounting of these funds. In accordance with §16.10 Monitoring, Audits, and Evaluations of contracts FY21-TWC-01 and FY21-TWC-02 and with Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter B §802.21 Board Contracting Guidelines, Subchapter D §802.64, 2 CFR 200.332, NCTCOG Risk and Compliance Division completed a Payroll Review to ensure the integrity of the Workforce and Child Care Systems. Workforce Boards are required to provide oversight of fiscal, operational, and program requirements in exercising due diligence.

Risk

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

- requirements imposed by Federal laws and regulations, provisions of contracts or grant agreements, and any supplemental requirements imposed by the pass-through entity were followed
- resources were efficiently and effectively used for authorized purposes, and protected from waste, fraud, and abuse, and misstatement of financial statements, and
- expenses incurred were allowable, necessary, and reasonable.

Objective

NCTCOG's overall objective of the Payroll Review was to strategically focus on fundamental components to ensure that systemic changes are occurring to prevent recurrence of findings, issues, or observations. NCTCOG reviews may include testing of internal controls, and substantive testing of details.

The focused objective of the review was to test the sample of payroll disbursements for occurrence, completeness, accuracy, authorization, classification, and rights and obligations. These disbursements were incurred in the normal course of business conducted on behalf of the NCTWDB and in accordance with UGMS Part III Subpart C §20 (b) (1) (2) (3).

NCTCOG did not test the implementation of internal controls in this review process nor was the primary intent of the review to test operating effectiveness. The examination of documents was neither meant 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.

Scope

The scope of the review included payroll disbursements related to sample of 30 employees selected from the bi-weekly pay period ended November 20, 2020. Specific compliance areas reviewed included payroll, payroll policies and procedures. With the input and approval of the Senior Fiscal Manager, a

smaller overall sample size based on the ratio of the population was chosen for this review. While the payroll review ranked high on our annual work plan due to intrinsic risk associated with recurring high dollar expenditure consisting of multiple payments, only relatively minor concerns were noted in past reviews of this area. Additionally, Equus previously strengthened its policies and internal controls at our request and supporting documentation is consistently exemplary. Fiscal leadership has been stable for the vast majority of both current and previous contracts. In the event issues are noted, we will revert to a larger sample size.

Methodology

NCTCOG's review of payroll disbursements included:

- examination of allocation methodology and general ledger verification.
- examination of payroll registers and supporting documentation for both center and administrative employees.
- verification of the accuracy, reasonableness, and allowability of the activity against the contracts and other relevant standards including employee timesheets, payroll registers, compensation based on pay rates and hours worked, personnel action forms, case load analysis by program worksheet, general ledger reports, timesheet approval reports, employee listing, allocation entries, and ADP information.

Summary of Results

Below is the summary of categories reviewed for the sample of 30 employees tested.

Category	Elements	Total Reviewed
Verification	Pay Components: Gross, Regular, Overtime, Other, Misc. Income, PTO, Variances	210
Authorization	Timesheet, PAF, Overtime, PTO	120
Completeness and Accuracy	Hours per Timesheet to LDR	442
	Processed in Proper Period	
	LDR agrees to PAF	
	Home Dept. Variance between LDR & PAF	
	Pay tracks from LDR to General Ledger	
	Case Load Allocation by Program & General Ledger	
FMGC Components	Reasonable and Necessary	150
	Adequately Documented	
	Allowable	
	Allocation Accurate	
	Properly Classified and Recorded	
Total	--	922

Based upon review of the supporting documentation provided, the sample of employees bi-weekly pay period of November 20, 2020 appears to have occurred, was complete, accurate, properly authorized and classified, and the resulting liabilities were obligations of Equus.

Conclusion

Of the items reviewed and our subsequent discussions with management, there appear to be no findings that would contribute to a material weakness in fiscal internal controls. This review is considered closed upon issuance of this report.

Appendix A

Acronyms

ADP	Automatic Data Processing
FMGC	Financial Manual for Grants and Contracts
LDR	Labor Distribution Report
NCTCOG	North Central Texas Council of Governments
NCTWDB	North Central Texas Workforce Development Board
PTO	Paid Time Off
PAF	Personnel Action Form
R&C	NCTCOG Risk and Compliance Division
Equus	Equus Workforce Services
TWC	Texas Workforce Commission
UGMS	Uniform Grant Management Standards
WF	Workforce

Risk Definitions

The “Risk” column represents some of the possible risks that could occur based on the finding. The listed “Risk” items may or may not be occurring in the process in the past, present, or the future and can be defined as follows:

- **Low** - The exception(s) noted are considered minor individually and when aggregated with other findings as it relates to potential for financial, compliance or operational consequences to the Subrecipient, may elevate to increased risk.
- **Medium** - The exception(s) noted, although they may not have significant financial, compliance or operational consequences, exposes the Subrecipient to increased risk.
- **High** - The exception(s) noted could have a significant financial, compliance or operational consequence to the Subrecipient and expose the Subrecipient to increased risk and potentially jeopardize future funding.

SharePoint URL

<https://connect.nctcog.org/extranet/AA/ResCare> > Payroll > FY 2021 folder > November 2020