



North Central Texas Council of Governments

September 24, 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) Cash Management Process Review of the WFD board under Agency Board Agreement #0420ABA001 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 and effectiveness of the cash management activity against documentation and guidance for cash management, as noted in the Financial Manual for Grants and Contract (FMGC), Chapter 7, Cash Management as recommended by Texas Workforce Commission. The review was based on information and procedures 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 WFD Cash Management Process Review. The scope of our review included review of the cash management reconciliation report for the month of March 2021, along with other supporting documentation. 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. However, opportunities for improvement in processes related to internal controls and recommendations to streamline the cash management process and ensure its effectiveness have been addressed by WFD management.

This review is considered to be closed. We appreciate the cooperation and assistance of WFD employees in providing us the necessary information during this review. If you have any questions, please contact Debra Pirtle at 817-704-5622 or Veronica Agunwah at 817-695-9113.

Sincerely,

Debra Pirtle
Debra Pirtle (Sep 24, 2021 13:01 CDT)

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

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North Central Texas Council of Governments

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

North Central Texas Council of Governments

Molly Rendon, Director of Administration
Randy Richardson, Sr. Fiscal Manager
Debra Kosarek, Sr. Program Manager



FY2021 WFD Cash Management Process 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
September 24, 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 (FMGC) for the accounting of these funds. NCTCOG Risk and Compliance Division completed a FY2021 WFD Cash Management Process 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 Administrative Requirements and as noted in the FMGC, Chapter 7, Cash Management guidance.

Workforce 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 WFD cash management processes based on information provided by WFD fiscal management. The cash management process is necessary to ensure that cash amounts drawn match the actual expenditures incurred for the same period and that bank account reconciliations are timely. Using WFD provided documentation, R&C reviewed the efficiency and effectiveness of the cash management process and methodology.

The Workforce Department performs cash reconciliations twice a month. On the March 4th, 2021 cash reconciliation report, there were 47 WFD Program allocations totaling \$220,018,207.72, with a total cash draw amount of \$824,646. Eleven new programs were added to the March 25th, 2021 cash reconciliation report, totaling 58 WFD Program allocations with an amount of \$236,069,587.24, and \$810,888 in cash draws. The cash reconciliation process involves matching the program expenditures reported in the TWC system (CEDR) with the amounts shown in the NCTCOG General Ledger, and any differences noted are reconciled. WFD currently receives cash from TWC on an expenditure reimbursement basis, which ensures compliance with TWC's 3-day rule of not holding cash on hand in excess of three day's operating expenses. WFD also adopted a 5% rule to adjust for expenditure overages identified in programs exceeding 5% of the overall cash position for the WFD programs, by making transfers within the CEDR system between the programs reflecting a cash overage and those reflecting a cash need.

Risk

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

- Workforce Cash Management processes were operating effectively,
- Workforce Cash Management internal controls were adequate, and
- Workforce Cash Management and NCTCOG bank reconciliations were accurate and timely.

Objective

The overall objective of NCTCOG's review was to assess the WFD Cash Management methodology to ensure that fundamental cash management processes were in place and functioning effectively, and that adequate controls exist over the cash management process.

The focused objective was to test the cash reconciliations for occurrence, completeness, accuracy, timeliness, and authorization; evaluate whether appropriate policies and procedures were in place; verify

completeness and timeliness of bank reconciliations; and assess segregation of duties. R&C assessed the steps performed by WFD staff to reconcile TWC funds received with the disbursement of those funds.

Scope

R&C reviewed the March 2021 Workforce cash reconciliation information, including reports and other supporting documentation. R&C also reviewed associated March 2021 NCTCOG bank reconciliations for accounts that included Workforce funding.

Methodology

The Cash Management process review included the following:

- Walkthrough of the cash management process and a review of various documentation relating to cash management to gain an understanding of the cash management process and operations.
- Test of a sample of 5 program transactions from the March 2021 cash reconciliation report to verify accuracy, reasonableness, review/approval, and timeliness.
- Preparation of a Cash management process flow to assess completeness and reasonableness of the process.
- Review of the Internal Control Self-Assessment questionnaire to determine a) the adequacy of controls surrounding the monitoring and approval of cash reconciliations, b) the appropriateness of the segregation of duties in place over the cash management function and c) the adequacy of access controls in place to ensure that only authorized users have access which relate to their job responsibilities.
- Review of the March 2021 NCTCOG bank account reconciliation report for accuracy and verification of its completeness of the Workforce transactions with regards to timeliness and segregation of duties.

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

Program allocations were examined to verify accuracy of the expenditures reconciled. Three of the five programs in the sample selected were completed and the closeout reports were reviewed to verify Program allocations reported in the CEDR system and the GL were equal to the program amount provided in the closeout reports. No issues were noted. R&C also reviewed the transaction amounts from the sample selection to verify whether the expenditures noted in the WFD Cash reconciliation report are recorded as received in the bank and reconciled to the General Ledger. We noted cash receipts are matched with billing invoices for accuracy and completeness of draw requests, and the Comptroller's site is accessed by the Fiscal Manager and Senior Budget Manager to verify requested cash draws have been completed. Additionally, we noted proper segregation of duties and adequate access controls in place to ensure only authorized users have job-related access.

Although WFD has a documented step by step process utilized in performing the monthly cash reconciliation task, we noted it is not complete, and identifies only a portion of the tasks performed in the management process. Due to the absence of detailed procedures, R&C spent an excessive amount of time gaining an understanding of the complete cash management process.

In addition, our review of the Internal Control Self-Assessment questionnaire identified the need for WFD staff to document preparation, review, and approval of the monthly reconciliations. Currently, an informal process exists via email which does not provide proper documentation of review and approval of the cash reconciliation process.

During our review of the March 2021 NCTCOG bank reconciliations pertaining to Workforce transactions, we observed that completion of the bank reconciliations was untimely, since the reconciliations were not finalized until July. However, reconciliations were performed monthly as required by the FMGC and NCTCOG Accounting manual, and the Controller's approval signature and date was evident on the report. Our associated review of the NCTCOG Accounting manual revealed that no due dates were specified for the completion of bank reconciliations. Although we noted that proper segregation of duties was in place, the preparer's signature and completion date was not documented on the bank reconciliation report. Discussions between WFD staff and Agency Administration as it pertains to bank reconciliations could help ensure the NCTCG Accounting manual is revised to include due dates for the bank reconciliations to support timely reconciliations. For example, the policy might require bank accounts to be reconciled within 20 business days of the end of the month. In addition, the bank reconciliation report should include signatures and completion dates of the NCTCOG personnel performing the reconciliation.

Recommendations

R&C recommends the following:

- 1) Per FMGC's guidance for a written policy and procedure manual for the cash management process, WFD management should establish written procedures that provide employees with proper awareness of their job responsibilities. Written detailed procedures should cover all aspects of the cash management process. The responsibilities of the individuals involved in the cash management process should be defined, segregation of duties addressed, and methods to provide evidence of work performed, reviewed and approved outlined.
- 2) As a best practice, WFD management should maintain documentation of 1) review and approval by the Fiscal Manager, and 2) completion of tasks by staff that perform the cash reconciliations. This documentation would provide a level of accountability to ensure tasks are reviewed and approved as required.

Management Response

R&C received the following response from the WFD Senior Fiscal Manager:

- 1) An updated cash management process was provided to the fiscal monitoring team
- 2) Approval processes were included within the updated cash management process. Approval documentation is now being including within the backup of cash request billings.

Conclusion

Based on review work performed and our subsequent discussions with management, we concluded that there were no fiscal findings that would contribute to a material weakness or significant deficiency in internal controls. However, opportunities for improvement in processes related to internal controls were noted as outlined above, and management has responded appropriately. This review is considered to be closed. R&C appreciates the cooperation and assistance of WFD and NCTCOG staff during the review.

Appendix A

Acronyms

CEDR	Cash Expenditure Draw Request
FMGC	Financial Manual for Grants and Contracts
GL	General Ledger
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