



North Central Texas Council of Governments

October 30, 2020

Ms. Katina Prescott
Project Director - Child Care
Equus Workforce Solutions
1300 Teasley Lane
Denton, Texas 76205

Dear Ms. Prescott:

The NCTCOG Risk and Compliance Division in conjunction with Compliance and Continuous Improvement/Quality Assurance Division completed a FY2020 Child Care COVID Payments Review for extra payments as mandated by Texas Workforce Commission. These payments were separate and distinct from our recurring, normal payment testing. The Workforce Information System of Texas (TWIST) was not the documentation source, rather documents originated outside of TWIST. This review was completed for the management of Workforce Services for Workforce Solutions for North Central Texas.

The attached report details the scope and summary of monitoring results of COVID payments and related policies and procedures and Workforce Development letters for transactions selected from the period of April – June 2020. Workforce Accounting and Equus management provided timely responses and supporting documentation as requested. Of the items reviewed and our subsequent discussions with management, the provider has unspent funds that have not been refunded. The provider has been notified with a deadline of October 30, 2020 to return the unspent funds. In the event funds are not returned timely, WFD Board will seek further guidance from TWC. This review is considered to be 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 Solutions**
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

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FY2020 Child Care COVID Payments Review Report
for
Equus Workforce Solutions

*Prepared by the
Risk and Compliance Division*
**North Central Texas Council of Governments
Workforce Solutions for North Central Texas**
October 30, 2020

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**North Central Texas Council of Governments
Workforce Solutions for North Central Texas**

FY2020 Child Care COVID Payments Review Report
Equus Workforce Solutions

Background

The North Central Texas Council of Governments contracts with Equus Workforce Solutions to operate and manage Workforce Innovation and Opportunity Act, Trade Adjustment Act, 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 Management for Grants and Contracts for the accounting of these funds. In accordance with Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter D §802.64 Fiscal Monitoring Activities and 2 CFR §200.331(d) to ensure the integrity of the Workforce System, Workforce Boards are required to provide oversight of fiscal, operational, and program requirements in exercising due diligence. NCTCOG Risk and Compliance Division in conjunction with the Compliance and Continuous Improvement/Quality Assurance Division performed Child Care monitoring activities of extra payments as mandated by TWC, separate and distinct from recurring, normal payment testing. The Workforce Information System of Texas was not the documentation source, rather documents originated from outside of TWIST.

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 COVID Payments 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, use of data analytics, and substantive testing of details.

The focused objective of the review was to test the sample of COVID payments 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 Subpart C (b) (1) (2) and (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

Specific compliance areas reviewed included the processing of COVID payments related to Child Care policies, procedures and Workforce Development letters. The scope of the review included a sample of 20 COVID payments selected for the period April – June 2020 from the category of payments for 25% Incentive, Parent Share of Cost, Stabilization Grants, and Essential Worker.

Methodology

NCTCOG's review of COVID Payments included examination of the process established for payments concerning:

- 25% Incentive – payments accurately calculated and separate from regular reimbursement, paid within the Board regular cycle, and correctly charged to CCF.
- Parent Share of Cost (PSOC) – verification of number of referrals and payment file, and payments correctly calculated.
- Stabilization Grants - verification of grant agreements and notice of grant award, adequate supporting documentation for expenditures, allowability of costs, and determination of unspent funds.
- Essential Worker - tracking of payments from NCTCOG General ledger to 245 Reports and payment files.
- Determination that providers did not receive both the 25% Incentive and Stabilization Grants payments, rather received either the 25% Incentive or the Stabilization Grant funding.

Summary of Results

Based upon review of the supporting documentation provided, the sample of COVID payments for the period April - June 2020 appears to have occurred, was complete, accurate, properly authorized and classified, noting that the resulting liabilities were obligations of Equus. There was one exception related to unspent funds for the Stabilization Grants.

The table below provides the elements tested for the fiscal review:

Category	Elements	Exceptions noted	Total Reviewed
25% Incentive	Completeness and Accuracy	-	30
	Verification	-	
Parent Share of Cost	Completeness and Accuracy	-	20
	Verification	-	
Stabilization Grants	Completeness & Accuracy	-	40
	Verification	-	
	Authorization	-	
	FMGC Components	1	
Essential Worker	Completeness & Accuracy	-	30
	Verification	-	
	FMGC Components	-	
Total	--	1	120

For fiscal elements tested, the provider has been notified with a deadline of October 30, 2020 to refund the unspent funds. See CCI/Quality Assurance section. In event the unspent funds have not been returned timely to NCTCOG, WFD Board will reach out to TWC for further guidance.

CCI/ Quality Assurance

Eligibility for Stabilization Grant Review

Five out of 6 providers that applied for stabilization grants for June 2020 were reviewed. Three were determined eligible based on the criteria and self-attestation. One ineligible provider was never sent the grant money. It was confirmed that the other ineligible provider returned the funds they received. Of the 3 eligible providers, only 1 had returned their refund for money not used in June on the date reviewed. Due to Equus not having a process in place for the recoupment of Stabilization Grant funds, Equus must continue to pursue recoupment of these funds from the Stabilization Grant and report before the October 30 due date for the closeout report to TWC if funds have not been received per WD 13-20 Chg.1.

Essential Workers (EW) Eligibility Review

A random sample of eligibility for Essential Worker childcare was conducted for 5 parents at 5 providers selected from EW payments made in April. All were determined eligible once it was clarified documentation of citizenship was only required for non-citizens per guidance Equus received from TWC.

COVID Parent Share of Cost (PSOC) Review

There was a 60% accuracy rate in the PSOC reimbursement payment for April for the 5 providers chosen for this review. Equus is responsible for the improper payments for deviations from the number of referrals paid at 2 of the 5 providers reviewed.

Area of Review	Area of Testing	Period Reviewed	Number of Records Reviewed	Number of Errors tied to Number of Applicable Elements Reviewed
Provider Services	Eligibility for Stabilization Grant	June 2020	5	2/31
Client Services	Essential Worker Review	April-May 2020	5	1/30
Provider Services	PSOC Review	April 2020	5	2/10

Conclusion

Of the items reviewed and our subsequent discussions with management, the provider has unspent funds that have not been refunded. The provider has been notified with a deadline of October 30, 2020 to return the unspent funds. In the event funds are not returned timely, WFD Board will seek further guidance from TWC. This review is considered to be closed upon issuance of this report. NCTCOG appreciates the cooperation and assistance received from WF Accounting, CCI/QA staff and Equus employees during the execution of the contract.

Appendix A

Acronyms

2 CFR 200	Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Grants
CCF	Child Care Funding
COVID	Coronavirus Disease
CCI/QA	Compliance & Continuous Improvement/Quality Assurance
Equus	Equus Workforce Solutions
FMGC	Financial Manual for Grants & Contracts
NCTCOG	North Central Texas Council of Governments
NCTWDB	North Central Texas Workforce Development Board
TWC	Texas Workforce Commission
TWIST	The Workforce Information System of Texas
UGMS	Uniform Grant Management Standards
WF	Workforce
WFD	Workforce Development

SharePoint URL: <https://nctcog.sharepoint.com/sites/Extranet-AA-ResCare> > Shared Documents > COVID
Payment Review> FY2020 folder