



COMMONWEALTH of VIRGINIA

Virginia Employment Commission

Dolores A. Esser
Commissioner

703 East Main Street

Post Office Box 1358
Richmond, Virginia 23218-1358

October 24, 2006

NOV 01 2006

Mr. Wayne E. Flippen, Chair
Western Virginia Workforce Development Board
c/o John C. Nordt, Inc.
1420 Coulter Drive, NW
Roanoke, Virginia 24012

Dear Mr. Flippen:

The State Workforce Investment Act Division of the Virginia Employment Commission has completed the Western Virginia Workforce Development Board (WWWDB) required annual compliance review for program year 2005. The review is to determine whether procedures are in place to ensure compliance with the Workforce Investment Act (WIA), and to identify areas in which technical assistance is needed to ensure continuous improvement.

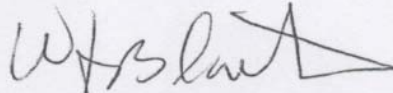
The review was primarily conducted at the WWWWDB's office located in Roanoke, Virginia with the assistance of Ms. Doloris Vest, Executive Director, and her staff. Field reviews were also conducted at the Covington and Roanoke Comprehensive One-Stop Centers.

The report addresses administrative concerns that are issues which future federal and state reviews could determine as noncompliant and findings that are issues that have been determined out of compliance with local, state and federal regulations and policies. If you have any questions or need further assistance regarding the report, please do not hesitate to contact Tab Mines, at (804) 674-2363 or via email at Tab.Mines@vec.virginia.gov.

Mr. Wayne E. Flippen, Chair
Western Virginia Workforce Development Board
October 24, 2006
Page 2

We are pleased to have had this opportunity to be of assistance to the Western Virginia Workforce Development Board and appreciate your assisting the Workforce Investment Act Division in this process.

Sincerely,



Willie F. Blanton, Director
State Workforce Investment Act Division

Enclosures

cc: ✓ Ms. Doloris Vest, Executive Director (WWWDB)
Deborah Hensley, WI Consultant
Tab Mines, WI Consultant

**PY 2005 WIA Annual Compliance Report
Western Virginia Workforce Development Board, LWIA III
Prepared by Tab Z. Mines, Workforce Investment Consultant**

BOARD REVIEW

A review of Board operations, Board One-Stop operations and Board Youth operations was conducted, including an overview of operational policies and procedures. Memoranda of Understanding are in place with all required partners. The Western Virginia Workforce Development Board (WWWDB), LWIA III current membership is sixteen (16), a majority of which consists of members from the private/business sector. The local area administrator, Ms. Doloris Vest, has implemented numerous policy and operational changes that have impacted the area in a positive manner. Ms. Vest and the WWDDB are to be commended for their efforts in providing policy direction and oversight to its LWIA program operators and ensuring uninterrupted workforce development services are provided to the LWIA III residents.

ADMINISTRATIVE CONCERNS

The Western Virginia Workforce Development Board (WWWDB) was not granted a waiver by the Department of Labor to restructure and downsize. This issue will be handled through further collaboration between federal, state and local officials.

The WWDDB lack an organized labor representative. This has been historically a difficult position to fill. The Youth Council current membership is 13 and lacks the required parent as a member on the Council. The Job Corp position for the area was vacant at review time but the local area has contact with the Job Corps manager in Richmond, Virginia.

ONE-STOP REVIEW

The WWDDB One-Stop system was formed through a consortium agreement between the Virginia Employment Commission (VEC), the Virginia Department of Rehabilitative Services, the Virginia Western Community College, and Goodwill Industries. The WWDDB has two (2) comprehensive One-Stop centers, the Virginia Employment Commission (VEC) in Roanoke and the Franklin County Workforce Center in Rocky Mount. The VEC office located in Covington was designated as a satellite center. The centers in Roanoke and Covington were reviewed for access, referral and availability of core services and mandatory partners' participation. Both centers have access to WIA core services and other activities and programs provided by the One-Stop partners.

There were no discrepancies found during the onsite review.

PROGRAM ELIGIBILITY REVIEW

The VEC offices in Covington and Roanoke provide WIA Dislocated Worker services and Goodwill Industries provides WIA Adult and Youth services. A random sampling of participant files was reviewed for program eligibility, case management and data management. Overall case managers adequately documented all services provided to clients. Case managers are cautioned not to refuse an eligible client services due to a client having a different vision of their employment goal. Also, more dual enrollments are encouraged to better manage finances, services and performance under all programs.

There were no discrepancies found during the onsite review.

FISCAL REVIEW

The City of Roanoke acts as the fiscal agent for LWIA III. Internal controls were reviewed to ensure segregation of duties, cost principles (allowable, allocable and reasonable), property management, budget management, cash management, as well as financial reporting and procurement policies. Financial transactions were reviewed to ensure compliance with WWDB policies and WIA regulations.

Finding:

The WWDB, at review time, did not have a written cost allocation plan. Office of Management and Budget Circulars require all sub-recipients in the expenditure of federal funds to have a written cost allocation plan.

Criteria (reference):

OMB CIRCULAR NO. A-87 Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Attachments C, D, and E.

Recommendation:

The WWDB must develop a cost allocation plan that will distribute cost to the benefiting federal program and allow the WWDB to properly manage the provision of workforce service in local area three (3).

Agency Response:

The Western Virginia Workforce Development Board has developed a written cost allocation policy (attached).

Policy and Procedure

Policy Name: Cost Allocation

Policy Number: 06-124

Effective Date: October 6, 2006

Purpose

To provide guidance on allocating cost to the specific funding streams and allow WWVDB to properly manage the provision of workforce service.

Reference

- OMB CIRCULAR NO. A-87
- 20 CFR 667.220

Policy

This Policy establishes principles and standards for determining costs for awards carried out through grants, cost reimbursement contracts, and other agreements. These fiscal and administrative requirements ensure that costs are reasonable and necessary for operating WWVDB programs and used in compliance with all applicable statutory and regulatory provisions.

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. All activities which benefit from the governmental unit's indirect cost, including activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

A. Direct Costs -

1. Direct costs are those that can be identified (see 20 CFR 667.22 and OMB Circular No. A-87) specifically with a particular final cost objective, such as:
 - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
 - c. Equipment and other approved capital expenditures.
 - d. Travel expenses incurred specifically to carry out the objective.
2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

B. Indirect Costs

1. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses

to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

WVWDB uses a multiple allocation base method because the indirect costs benefit major functions in varying degrees. Indirect costs are accumulated into separate two cost groupings: indirect program and indirect operating. Each grouping is allocated individually as follows:

- Indirect program costs are distributed based on the percentage of program participants in a given year in that program.
- Indirect operating costs are distributed to program and administrative funds in proportion to the number of staff hours worked in the month in which the indirect cost was incurred.

Board Approval Date

October 6, 2006