

**DAVID Y. IGE**  
GOVERNOR

**DOUGLAS S. CHIN**  
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**LESLIE WILKINS**  
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EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
**WORKFORCE DEVELOPMENT COUNCIL**  
830 Punchbowl Street, Suite 417, Honolulu, Hawaii 96813  
Phone: (808) 586-8630 Web: <http://labor.hawaii.gov/wdc/>

July 16, 2018

Mr. Brian Nagami  
Executive Director  
Maui County Workforce Development Board  
2200 Main Street  
One Main Plaza, Suite 530  
Wailuku, Hawaii 96793

RE: On-Site Program and Financial Management Monitoring – WIOA Programs

Dear Mr. Nagami:

A program and financial management monitoring was conducted on June 21-22, 2018 for the WIOA Adult, Youth, Dislocated Worker, and Local Administrative Cost programs operated by your agency. We greatly appreciate your staff's courtesy and cooperation extended to the monitors during the review.

The attached monitoring report includes findings and concerns for your review and follow up. I encourage you to work closely with your program and fiscal staff, and the members of the Maui County Workforce Development Board to seek corrective actions and resolution. The deadline to respond to WDC is Friday, August 31, 2018.

If you have any questions, please feel free to call Jeanne Ohta (programs) at 586-9170 or Elaine "Jiji" Masangkay (fiscal) at 586-8892.

Sincerely,

Allicyn C.H. Tasaka  
Executive Director

Enclosures

C: Leslie Wilkins, Chair, Maui County Workforce Development Board

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**MAUI COUNTY WORKFORCE DEVELOPMENT BOARD**  
**PROGRAM AND FINANCIAL MONITORING REPORT**

**SUBRECIPIENT:** Maui County  
Office of Economic Development (OED)

**PROGRAMS:** WIOA Adult, Dislocated Workers, Youth, and LAC Programs

**DATE:** June 21-22, 2018

**INTERVIEWEES:** Brian Nagami  
Lee Ah Yen

**MONITORS:** Jeanne Ohta  
Maria-Elena Diaz  
Kathy Miyahira  
Elaine Masangkay

**SCOPE:** Program and Financial Management Review

**PROGRAMS:**

**Adult and Dislocated Worker Programs**

**Finding #1:**

Repeat Finding: The requested physical files of Molokai participants were not available for review. During the 2017 review, the finding concluded that “participant files show a lack of oversight in eligibility verification and file content. The files of long-term participants should be re-evaluated periodically for continued eligibility. There should also be oversight to ensure the case manager is following the policy that participants be trained for in-demand jobs in growth

industries for the location in which they intend to live.” Because the files were unavailable, it appears that there is little to no oversight of the Molokai files and the situation is unchanged from the previous year.

According to the case management system, the Molokai office does not provide the required 12 months of follow up services after participant exit.

**Recommendation (repeat):**

The local area must develop a policy that requires someone to provide consistent oversight of the Molokai office. The local area staff should work with the Workforce Development Division (WDD) Maui Branch Manager to set up a process for file review, verifying eligibility, and appropriateness of training. The local area policy should also include a schedule of desk and on-site monitoring by local area staff.

The service provider must be required to provide training for case managers. Other service providers use the alert option in HireNet to notify them of required follow up services and impending exits.

**Finding #2:**

Records indicate that only 4 participants were registered for the Adult program. The local board must immediately set goals with timelines for the contracted service provider so that the situation is not repeated in Program Year 2018. The local board must also work with the service provider to develop a plan for outreach to potential participants. According to the WDD’s Branch Manager, the Adult program case manager was tasked with developing and conducting outreach for the program. However, since the case manager is a .5% FTE for the Adult program and .5% FTE for the Dislocated Worker program and is also serving Wagner-Peyser participants (as shown in the case management system), it is unrealistic that the case manager’s efforts alone will produce the necessary increases in Adult program registrants.

Any future contracts with the current service provider must include a corrective plan the provider will implement to meet participant registration goals and other performance goals set by the local board.

**Finding #3:**

This finding was reported as a Concern in the 2017 monitoring report. The same situation exists. From the 2017 report: “All of the participant files reviewed contained assessment tests. A participant who held a supervisory position in a previous employment was also tested. Testing every participant is not required. Is there a service provider policy requiring the assessment test

for everyone?” During the review, a participant who held an executive position and who subsequently was sent to Master’s Degree level training was given a reading and mathematics assessment test. This is a waste of time for both the case manager and the participant, especially one who earned a six-figure salary.

**Recommendation (repeat):**

The service provider should reassess the need for testing and how to determine who should be tested. There may be more effective uses of case manager time. This is the only American Job Center giving assessment tests to everyone.

**Finding #4:**

Monitoring: The local board must have a policy on monitoring its service provider contracts. Executive Director Brian Nagami has conducted physical program file audits of the Youth Program, but has not audited the Adult and Dislocated Worker files. The attention to the Youth Program files show that great effort went into recreating files that were destroyed and reenrolling those participants. Due to the efforts of the MCWDB’s executive director, the files are also well-documented and identically structured. The local board must have a policy and procedure in place for Program Year 2108 monitoring.

Lee Ah Yen, Fiscal Specialist has conducted regular fiscal monitoring on the service provider of the Adult and Dislocated Worker programs. However, no monitoring was conducted on the service provider of the Youth program in fiscal year ended June 30, 2018.

**Recommendation:**

In compliance with WIOA, a regular monitoring must be conducted on all service providers who are subrecipients of WIOA funds. It is also recommended that MCWDB include more rigorous monitoring requirements.

**Finding #5:**

Individual Training Accounts (ITA): The files that were reviewed were all co-enrollments with Dislocated Worker and Act 20 or Trade Adjustment Act participants. None of the files included ITAs. This may be because the training costs were paid with non-WIOA funds, however, it is still concerning that the local board has not established its own policy for ITAs.

**Recommendation:**

The AJC is currently using WDD’s policy and limitations for ITAs. This should not be

the case. As the board is responsible for the program budget, it must also determine the budget for ITAs which is to be implemented by the service provider. The board must also establish a policy for supportive services.

**Finding #6:**

Related to Finding #5, this finding is that participants are being sent to programs that are not on the Eligible Training Provider List. Again, this may be because non-WIOA funds were being used; however, in the future, there must be a distinction between the State WDD's training list and the Eligible Training Provider List for WIOA. An additional concern in this situation is that the local board should have a say in the in-demand industries and occupations that are represented by the approved training programs. Here, the service provider is determining the in-demand occupations and industries and approving the programs.

**Recommendation:**

If State funded programs are co-located at the new AJC, the One Stop Operator must provide sufficient oversight of the WDD programs and WIOA Title I programs to prevent a conflict of interest and services favoring State funded programs. Staff must also understand the difference between the programs. Further, if the service provider was prioritizing State funds and had no plans to use Adult and Dislocated Worker funding for training, then the board should have modified the service provider's budget and used the funds for other activities or priorities.

**Youth Program**

**Finding #7:**

The Youth Program is using University of Hawaii forms to register participants. One of the forms is related to citizenship. However, citizenship is not a requirement for the Youth Program.

- a. One of the forms is related to citizenship. However, citizenship is not a requirement for the Youth Program.

**Recommendation:**

The program manager should be instructed to discontinue the use of citizenship as an eligibility for the program.

- b. The Program is using the University of Hawaii Nondiscrimination/Equal Employment Opportunity form. WIOA's nondiscrimination statement includes individuals not included in the UH statement.

**Recommendation:**

The UH must be directed to immediately add the WIOA “Equal Opportunity is the Law” notice and certification as instructed in WIOA Bulletin No. 02-17, Change 1 (February 6, 2018). In addition, the “Equal Opportunity is the Law” poster must be displayed in the office(s) used for the Program. Participants who were registered after the issuance of the bulletin should have the required certification in their physical files. More regular oversight by MCWDB will help uncover compliance issues, especially when there is a high turnover of provider staff.

**Finding #8:**

The Youth Program suffers from a lack of consistency in staffing. The program is not currently staffed and future plans are to provide .5% FTE staffing. At that level of staffing, it is difficult to envision how the case manager will manage participants, enroll employers for work experience, conduct outreach to enroll out-of-school youth; and find providers of the other required Youth Program activities.

**Recommendation:**

The local board must work with the Youth services provider on the program budget to restore a full-time case manager. In the alternative, the local board must seek alternative funding for the program. Alternative funding streams include County funding, private grants, use of partner organizations to provide services, and partnering with other State and County programs serving youth. The Youth program must also be co-located at the new AJC.

The local board must also carefully consider the annual plan of the service provider to assess the plan’s potential to reach the performance goals assigned by the board.

**Finding #9:**

The Local Administrative Cost (LAC) budget is insufficient to support two full-time board staff. Program funding has been supplementing the cost of staff. However, the current position of Financial Specialist has not been rewritten to include the new role and responsibilities of the position under WIOA. Also of concern is that both staff positions have been fulfilling many of the responsibilities of the One Stop Operator, which crosses the intended firewall between the multiple roles that the county has assumed.

**Recommendation:**

MCWDB must immediately evaluate the LAC budget, allocate appropriate funds to board staff positions from LAC, Adult, Dislocated Worker, and Youth Programs, establish new position descriptions, responsibilities, and required skills for those

positions; establish roles and responsibilities for each of the roles that the County has assumed in the local workforce system; establish required fire walls, internal controls, and prevent conflicts of interests in compliance with 20 CFR §679.430.

### **FISCAL:**

#### **Finding #10:**

For the nine months ended March 31, 2018, the actual cost per participant under the Adult program was \$27,650. This is significantly high compared to the \$5,600 cost per participant stated in the PY16 and PY17 contracts. This exorbitant ratio requires investigation by MCWDB as to the reason why only 4 participants have registered for the nine months ended March 31, 2018.

#### **Recommendation:**

A more stringent documentation requirement, and analysis of expenditures vs. program performance must be implemented to provide additional control in managing WIOA resources. Since a significant portion is used to pay for personnel costs, MCWDB should require the service provider to attach the payroll report when requesting funds. The payroll report must have the following information:

1. Employee initials (first and last name)
2. Position Title
3. Hourly rate
4. FTE
5. Time charges per program

The amount requested for personnel costs must tie with the payroll reports.

Because this situation warrants additional oversight, for PY18, WDC must review and approve the request for funds from the service provider before funds are released. Beginning immediately, documents submitted by the service provider must also be reviewed by WDC, including payroll reports.

The local area must bear in mind that its stewardship of WIOA funds entail a responsibility to mitigate fraud, waste and abuse. Therefore, the “cost per participant” must be calculated and monitored every month. Further, the service provider must be held accountable to the cost per participant stated on the contract.

#### **Finding #11:**

Cost per Participant: The “Budget Information Summary” form in the contracts were filled out

incorrectly. The costs per participant were incorrectly calculated for both the Adult and Dislocated Worker programs in the PY16 and PY17 contracts. Below are corrections that need to be made:

	Per Contract Projected Expenditures	Per Contract Number of Participants	Estimated Cost/Participant Per Contract	Estimated Cost/Participant Actual	Understatement
PY16					
Adult	106,267	6	5,600	17,711	(12,111)
DW	82,724	6	5,600	13,787	(8,187)
PY17					
Adult	100,194	9	5,600	11,133	(5,533)
DW	89,843	8	5,600	11,230	(5,630)

**Recommendation:**

Before a contract is executed, a thorough review of the stipulations and budget plan must be conducted. Since the “cost per participant” is a significant indicator of the effectiveness of the subrecipient’s performance, compare this number with other similar local areas. This cost should be considered as the basis for the entire program year. Calculate the “cost per participant” each month or whenever a request for funding is submitted by the subrecipient and compare that with this cost.

**Finding #12:**

Request for Proposals: A sample of Notice of Request for Proposals (RFP) does not include all the required elements of the RFP, i.e., proposal format, award process, process rights, etc. It merely refers to the code section of the Hawaii Public Procurement Code as the basis of the RFP.

**Recommendation:**

To provide a level playing field to prospective service providers, the notice should include all the required elements of an RFP. If the notice has all the required elements, there is more clarity and guidance on the requirements. If requirements are well-defined, bidder protests will be less likely.

**Finding #13:**

Policies and Procedures: Needed policies have still not been established.



**Recommendation:**

The board should establish the following policies:

1. Conflict of Interest, including Board Members
2. Meals (board, staff, participants)
3. Monitoring & Monitoring Resolution, Appeals & Hearings

**CONCERNS:****Concern #1:**

The participant files reviewed showed that participants were sent to training through a single provider: Maui College's EdVenture Program. The concern is the apparent conflict of interest and lack of consumer choice.

**Recommendation:**

A regular review of the program must be conducted to ensure that participants are being provided with more than Maui College's EdVenture Program's offerings.

Refer to 20 CFR 681.420(d):

Local WDBs must ensure that WIOA youth service providers meet the referral requirements in WIOA sec. 129(c)(3)(A) for all youth participants, including:

- (1) Providing these participants with information about the full array of applicable or appropriate services available through the Local WDBs or other eligible providers, or one-stop partners; and
- (2) Referring these participants to appropriate training and educational programs that have the capacity to serve them either on a sequential or concurrent basis.

**Concern #2:**

WIOA requires that male participants of Title I programs are registered according to Section 3 of the Military Selective Service Act (50 U.S.C. App. 453). Since youth participants may be as young as 16 years old at registration with the Program, the program manager must have a process in place to confirm that the participant has registered with the Selective Service System within 30 days of turning 18 years old. Participants who do not meet the registration requirements must be suspended from the program until those requirements are met.

**Recommendation:**

MCWDB must require that the Youth Program manager establish a process to confirm Selective Service registration by those participants who turn 18 while in the Program.

**Concern #3:**

There is no Cost Allocation Plan (CAP) in place. Currently, there is no cost pool to be allocated since the County of Maui pays for the rent, utilities, etc., of the office.

**Recommendation:**

Although a CAP policy is not used currently, as the MCWDB establishes its comprehensive AJC, the policy will be necessary to share costs with the AJC partners.

**Concern #4:**

As of July 11, 2018, approximately half of the 15 partners have signed the MOU for the One Stop Center. However, the initial version of the MOU does not include an Infrastructure Funding Agreement (IFA).

**Recommendation:**

MCWDB must have an IFA in place as soon as possible. To facilitate the process, MCWDB should consider hiring a third party to negotiate with the partners for their share of the cost of operating the AJC.

**Concern #5:**

The PY17 contracts with the service providers have outdated and incomplete provisions as compared with the contract between WDC and MCWDB.

**Recommendation:**

Future contracts with service providers must be tailored to align with the current contracts between WDC and MCWDB.

