
**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

**WORKFORCE DEVELOPMENT OFFICE
AUDIT OF READY TO WORK PROGRAM
PROJECT NO. AU23-038
APRIL 15, 2024**

**KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR**



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Workforce Development Office (WDO), specifically the Ready to Work (RTW) program. The audit objective, conclusions, and recommendations follow:

Determine if contract compliance and monitoring is adequate and performance measures are supported.

Overall, contract compliance and monitoring of the RTW program was adequate and performance measures were properly supported. We determined RTW program expenditures were properly supported and allowable. WDO has controls in place to ensure participant eligibility, insurance coverage, reporting requirements, and program outreach are adequate and in compliance with contractual requirements. In addition, Personally Identifiable Information (PII) is adequately safeguarded. Finally, performance measures for all four Prime agencies were accurate and supported.

However, monitoring controls could be improved over items included in the scope of services. We determined Prime agencies are not adequately performing specific elements of scope of services outlined in their contracts.

Workforce Development Office Management agreed with our recommendations and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 10.

Other Matters

During the audit, we determined that Prime agencies are not satisfactorily progressing towards compliance with Small Business Economic Development Advocacy (SBEDA) contract requirements, specifically subcontracting goals.

Per Prime agency contracts, each agency has agreed to subcontract at least five percent (5%) of its contract value to certified minority/women-owned businesses headquartered (or having a significant business presence) within the San Antonio area. As of December 2023, two of the four Prime agencies have made payments to SBEDA qualified subcontractors, however, they are not on track to achieve the subcontracting goal. Furthermore, the remaining two Prime agencies have not made any payments to SBEDA qualified subcontractors. **Table 1** displays payments made to SBEDA qualified subcontractors by each Prime agency as of December 2023.

Table 1 – SBEDA Payments to Sub-Contractors by Prime Agency				
Prime Agency	Total Contract Value	SBEDA Eligible Contract Value ¹	Revised 5% SBEDA Contract Amount ¹	Total Payments to SBEDA eligible Subcontractors
Workforce Solutions Alamo	\$105,781,953	\$34,378,598	\$1,718,930	\$0
Alamo College District	\$51,036,916	\$15,128,420	\$756,421	\$0
Project Quest	\$27,357,733	\$6,892,733	\$344,637	\$28,800
Restore Education	\$5,306,540	\$2,015,628	\$100,781	\$16,278
Totals	\$189,483,142	\$58,415,379	\$2,920,769	\$45,078

Source: City Contract Management System

Note 1: The SBEDA eligible contract value was revised to exclude the funding Prime agencies receive for tuition and emergency assistance for program participants as these services cannot reasonably be subcontracted out. However, this revision was not formally approved in writing.

Currently, the Prime agencies are in their second year of a six-year contract. However, a more proactive approach is needed to achieve SBEDA goals as minimal payments have been made to qualified subcontractors as of December 2023. WDO and the Prime agencies should work together to develop a plan to achieve compliance with the SBEDA goals prior to contract completion. In addition, revisions to the SBEDA eligible contract value should be formally executed in writing by WDO, the Economic Development Department (who oversees SBEDA compliance), and the Prime agencies.

Background

The Ready to Work (RTW) program was launched in May 2022 as an education and job placement program. The program was approved by voters in November 2020 and supported by a 1/8 cent sales tax collected through December 2025. It is estimated this will generate \$200 million in funding for the program. Participants eligible for the RTW program must be City of San Antonio residents that are authorized to work in the US, be at least 18 years of age, have household income less than 250% of the federal poverty guidelines and be committed to education and job placement. In addition, military connected residents of Bexar County are eligible to participate.

RTW provides each participant services with the goal of placing them in a quality career at program completion. Each service provides key support to enhance participant success. Services provided are as follows:

- **Intake and Assessment** – Participants are interviewed for program eligibility and provided a preliminary assessment of their needs. They are then assigned to an appropriate Prime agency.
- **Case Management Services** – Participants are given a program overview describing program benefits, limitations, and expectations. They are provided a comprehensive assessment of their skills, education, needs and readiness for the program. Finally, participants are enrolled in approved training courses that will lead to job placement.
- **Wrap-around Services** – Participants are offered services such as career exploration, financial counseling, coaching, and mentoring. They are also offered up to \$1,500 each to address urgent barriers to education and job placement.
- **Training** – Participants are offered a personalized training plan in an approved course aligned with target occupations, that allows them to obtain certifications, an associate degree or a bachelor's degree.
- **Job Placement** – Participants are assisted in securing a job in an approved target industry with full time employment and an annual salary of at least \$31,200 plus benefits.

By 2028, RTW intends to interview 39,000 applicants, enroll more than 28,000 participants in approved training programs, and place 15,600 program graduates into quality jobs.

To accomplish program goals, the City of San Antonio joined forces with the following Prime agencies: Workforce Solutions Alamo, Alamo Colleges District, Project Quest, and Restore Education. These agencies contracted with subcontractors for assistance with program execution. The City also partnered with Creative Noggin for community outreach, SA Talent for employer engagement, and Learning Mate Solutions for the creation of a digital training catalog.

The following table lists their respective contract amounts and expenditures through December 2023:

Table 2 – Ready to Work Program Expenditures Through December 2023			
Vendor Name	Contract Amount¹	Total Expensed	Balance
Workforce Solutions Alamo	\$105,781,953	\$11,042,139	\$94,739,814
Alamo Colleges	51,036,916	4,762,672	46,274,244
Project Quest	27,357,733	4,990,879	22,366,854
Restore Education	5,306,540	1,573,017	3,733,523
Creative Noggin	2,000,000	1,105,599	894,401
Learning Mate	49,000	30,100	18,900
Total	\$191,532,142	\$23,504,406	\$168,027,736

Source: SAP

Note 1: Contract amounts are for a six-year period (the initial three-year period plus three additional one-year renewals options).

As of December 2023,

- 10,000 participants completed the intake process,
- 5,482 participants were enrolled in training, and
- 398 participants were placed in quality jobs.

WDO oversees the RTW program and agencies by coordinating monthly meetings and receiving quarterly updates. Agencies submit Quarterly Narrative Reports and Scorecards that detail progress on performance measures and general program activity. In addition, WDO performs Technical Assistance Reviews to confirm participant eligibility, service delivery, and case management progress. Finally, information for the RTW program is documented in the Signify system. The system is used by WDO, Prime agencies, and select subcontractors to track and monitor participant activity daily. WDO publishes RTW outcomes and demographics on a public online dashboard for transparency and accountability.

Audit Scope and Methodology

The audit scope was from May 2022 to November 2023. The scope included a review of program expenditures, compliance with Ready to Work (RTW) Prime agency and sub-contractor contracts, SBEDA subcontracting goals, and performance measures.

We interviewed staff from Workforce Development Office Compliance, Fiscal, and Director's Office divisions to gain an understanding of RTW operations, including expenditure review and compliance with Prime agency and subcontractor contracts. In addition, we interviewed staff at Prime agencies to gain an understanding of their processes related to contract monitoring and compliance. Testing criteria included each Prime agency and sub-contractor contract, amendments with the City of San Antonio, Ready to Work Policies, and the Program Funding Guide.

We assessed internal controls relevant to the audit objective. This included a review of expenditures from each Prime agency to determine if they were properly supported and accurate. In addition, we tested compliance with contract terms to include a review of participant eligibility, certificates of insurance, quarterly reporting, SBEDA subcontracting goals, and scope of services. Finally, we reviewed performance measures to confirm they were adequately supported.

We relied on computer-processed data in the Signify system to validate the scope of services for a sample of program participants. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

Workforce Development Office's (WDO) contract compliance and monitoring of the Ready to Work (RTW) program was adequate. We reviewed RTW program operations and concluded the following:

WDO had adequate internal controls over RTW program expenditures. Specifically, we reviewed flat fee¹ expenditures for each prime agency for the months of November 2022, January 2023, March 2023, and June 2023 totaling \$2,572,189 and determined they were properly supported and accurate. We also reviewed reimbursable expenditures that included emergency services and tuition for the same four months, totaling \$2,418,868, and determined they were allowable, accurate and properly supported. In addition, we reviewed a sample of 32 individual expenditures valued at approximately \$70,000 for both emergency services and tuition and determined they were properly supported, allowable and paid for prior to reimbursement.

Participant eligibility was adequately confirmed. We selected a sample of 40 participants (10 from each Prime agency) and determined they met all eligibility criteria. We also confirmed insurance coverage for the four Prime agencies, seven subcontractors, and Creative Noggin complied with contract terms. We verified Quarterly Narrative Reports, and program outreach methods were adequate and in compliance with contract terms. Furthermore, we confirmed each agency developed policies and procedures for safeguarding Personally Identifiable Information (PII) and participant files were secured.

Lastly, performance measures for all four Prime agencies were accurate and adequately supported. Specifically, we reviewed the performance measures for May 2022 through June 2023 and agreed them to support data from the Signify system. Also, we confirmed WDO corrective action plans were developed for those performance measures that were not met by Prime agencies.

A. Scope of Services

Certain Prime agencies are not adequately performing the specific elements of the scope of services outlined in their contract. While these agencies did execute tasks such as processing participants timely, creating career plans, and using comprehensive assessment tools for participants, other tasks were not performed consistently.

¹ Flat fee expenditures include intake and case management fees charged by the Prime agencies for each participant enrolled.

We tested eight key tasks (as identified in each Prime's Scope of Services) and identified instances where three of the four Prime agencies did not adequately perform one or more of the following tasks:

- Ensure participants attend classes and make progress,
- Assist applicants with creating a WorkinTexas.com account, and/or
- Continually assess participant progress by contacting them at least once a month.

Specifically, we tested 10 participants from each Prime agency and determined the following were not performed:

Table 3 – List of Tasks Not Performed by Prime Agencies				
Scope of Service Task	Prime Agency			
	Workforce Solutions Alamo	Project Quest	Restore Education	Alamo Colleges District
Class Attendance Monitoring	1/10 not monitored	4/10 not monitored	1/10 not monitored	No issue
WorkinTexas.com Account Creation	2/10 not created	10/10 not created	1/10 not created	No issue
Monthly Participant Contacts	1/10 not monitored	6/10 not contacted	4/10 not contacted	No issue

Source: Prepared by Audit Team

Per the Prime agency contracts, funding is provided based on adherence to the scope of services agreed to in the contract. Currently, three Prime agencies are not executing certain scope of services requirements so additional monitoring by WDO is needed. Alamo Colleges District adequately performed the scope of services.

Without proper execution of the scope of services, participant and program goals can be negatively affected.

Recommendation

WDO Executive Director increase monitoring of the Prime agencies to ensure they are adhering to the contractual scope of services.

Appendix A – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager

Daniel Zuniga, CPA, CIA, Auditor in Charge

Loretta Faxlanger, Auditor

Sabrina Saldana, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 20, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Workforce Development Office Ready to Work Program

The Workforce Development Office has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendations.

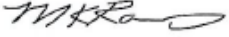
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>Other Matters – SBEDA Compliance</p> <p>WDO and the Prime agencies should work together to develop a plan to achieve compliance with the SBEDA goals prior to contract completion.</p> <p>In addition, revisions to the SBEDA eligible contract value should be formally executed in writing by WDO, the Economic Development Department (who oversees SBEDA compliance), and the Prime agencies.</p>	2	Accept	Lori Zamora, Compliance Manager	4/11/2024
<p>Action plan:</p> <p>WDO connected all primes with the SBEDA office to identify additional small businesses the primes can utilize to meet their 5% subcontracting goal. Formal plans are being adjusted and finalized for each prime that has yet to make payments to SBEDA eligible contractors. WDO will ensure plans are completed and on file with the SBEDA office. WDO will continue to monitor the primes' progress toward achieving their goals prior to contract term end dates.</p> <p>WDO will also execute a formal memo between WDO and EDD indicating the decrease to the original SBEDA eligible contract values. This memo will be shared with the prime agencies.</p>					

Audit of Workforce Development Office
Ready to Work Program

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
2	Audit Result – Scope of Services WDO Director increase monitoring of the Prime agencies to ensure they are adhering to the contractual scope of services.	8	Accept	Lori Zamora, Compliance Manager	4/12/2024
Action plan: WDO informed all primes the Scope of Services should be followed in its entirety and data should be logged in the Central Data Platform to reflect adherence to the contract requirements. WDO acknowledges three of four primes did not fully perform the scope of the contract for each participant served. To ensure participants are receiving the same level of service, WDO will deploy more in-depth examinations of client data when sampling each prime's caseload. WDO will provide technical assistance to correct prime processes should any inconsistencies arise.					

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,



Mike Ramsey
Executive Director
Workforce Development Office

3-20-24

Date



Alex Lopez
Assistant City Manager
City Manager's Office

3/20/24

Date