

STATE OF WEST VIRGINIA

**SPECIAL REPORT
OF THE**

Jobs for West Virginia Graduates Program

**Jobs for West Virginia Grads
has Experienced Management
Problems that have Jeopardized
the Existence of the Program**

**OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation and Research Division
Building 1, Room W-314
State Capitol Complex**

**CHARLESTON, WEST VIRGINIA 25305
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January 2002

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January 2002

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John Sylvia
Director

January 7, 2002

The Honorable Edwin J. Bowman
State Senate
129 West Circle Drive
Weirton, West Virginia 26062

The Honorable Vicki V. Douglas
House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

We are transmitting a Special Report of the Jobs for West Virginia Graduates Program, which will be presented to the Joint Committee on Government Operations on Monday, January 7, 2002. The issue covered herein is "Jobs for West Virginia Grads has Experienced Management Problems that have Jeopardized the Existence of the Program."

We transmitted a draft copy to the Jobs for West Virginia Grads on January 4, 2002. We received the agency response on January 4, 2002.

Let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

JS/wsc

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Issue 1: Jobs for West Virginia Grads has Experienced Management Problems that have Jeopardized the Existence of the Program.

This report serves to verify past management problems of the organization. However, the Legislative Auditor's office has not determined the effectiveness of the program. Jobs for West Virginia Graduates (JWVG) has been severely impacted from a loss of three funding sources and could face elimination if it loses its last major funding source. One funding source was not continued because the JWVG did not reapply for a grant, funding from another source could not be made available to the JWVG, and the third funding source did not approve funding for JWVG. It is conceivable that the known management problems influenced some of the loss of funding and the remaining funding source being the Department of Education and the Arts also has concerns over the operation of the program. The current director of the JWVG is attempting to rectify identified management problems. However, a more thorough evaluation is needed to determine if the agency's goals are being met. Such an evaluation would determine if the program is serving students that are truly at risk and if it is effective at reducing the dropout rate.

Jobs for West Virginia Graduates, Inc. is a non-profit organization founded by Governor Cecil Underwood in 1997. It is affiliated with the national program, Job's for America's Graduates and it attempts to intervene with high school students at risk of dropping out of school, and to remove barriers to the student's completion of high school. **The goals of the program are to reduce the absentee rate among participants by 20 percent, reduce the rate of unemployment among participants by 30 percent and increase the graduation/GED rate of participants by 20 percent. In addition, JWVG has a goal strengthen the overall economy of the state by providing highly qualified, motivated and willing entry-level workers from West Virginia public high schools.**

Loss of funding

Jobs for West Virginia Grads has been funded through state grants by the Department of Education and the Arts, TANF (Temporary Assistance for Needy Families), State Workforce Investment Board grant (WIB), and AmeriCorps. The last three funding sources provided federal funds. In FY 2001, JWVG received approximately **\$2.4 million** (including carryover) from the four sources listed above. However, in FY 2002 the Department of Education and the Arts was the only remaining funding source, in which \$750,000 was appropriated, combined with a carryover of \$275,000 for a total of \$1,025,000 for FY 2002. Currently the Department of Education and the Arts intends to fund JWVG through 2003 until further information can determine if the agency corrects deficiencies from past audits and is serving the intended population of students.

The loss of the three funding sources resulted in a cut-back of 10 of the 40 job specialists and the elimination of all three regional supervisor positions. The effects of these cutbacks forced JWVG to eliminate participating high schools from the program. There are no programs which

duplicate the efforts of JWVG. Therefore, elimination of the program could impact the areas, and high schools in which JWVG operates.

A letter submitted by the Executive Director for the Commission for National and Community Service (AmeriCorps), stated that they monitored JWVG over the course of the year and found a number of problems, including lack of sufficient internal controls over expenditures, varied levels of commitment by site supervisors to support AmeriCorps members, late reports, failure to meet program objectives, violations of prohibited activities and unexpended federal grant funds which were returned during the grant closeout process. AmeriCorps was willing to work with JWVG to improve its internal systems and bring the program into compliance with federal provisions. However, the option to renew the grant for FY 2001 was **withdrawn** by the previous director of JWVG due to little interest at the local level to justify the administrative effort required by the grant at the central office. Due to the priorities of the former director and the organization the Commission for AmeriCorps *was not* disappointed that JWVG chose not to renew its grant.

The Cabinet Secretary for the Department of Education and the Arts is also concerned about the situation in which JWVG finds itself and how the agency is being operated. The secretary has chosen not to serve on the JWVG Board of Directors to avoid potential conflicts of interest that could arise for being the primary funding source, and also the fact that the secretary has more questions than answers about JWVG.

Management of Funding

Two annual audits conducted by Gibbons and Kawash in accordance with the rules for 501C corporations found problems with the management of the corporation. Gibbons and Kawash provided a qualified opinion indicating serious problems. The audits found problems with the internal control procedures. In one instance, Gibbons & Kawash reported that \$401,072 of program expenditures are questionable costs subject to disallowance and refund to the grantor agency. There was also another issue in which \$34,313 of expenditures could not be substantiated by supporting documentation. After receiving additional information, Gibbons & Kawash concurred that \$21,510 was properly supported with documentation.

As a test the Legislative Auditors Office reviewed the last two fiscal years of travel for the JWVG. Although not a complete review of revenues and expenditures the review indicated that mileage, meals and other expenses were often reimbursed without receipts or reasons for the reimbursements. In some instances meals reimbursements were granted when an individual traveled 10 miles or less. JWVG guidelines state that travel more than one hour from the work location is the **general** guideline for meal reimbursement.

The 14 of the 15 eliminated personnel from JWVG received a severance package consisting of four weeks salary plus payment for accrued leave. Of the 14 individuals given severance packages, four had been employed by JWVG for less than one year. The other individual was given a two-week salary severance package, then was rehired by the agency shortly after the termination date. The costs of these packages further reduce the funding available to the agency.

Agency Problems and Improvements

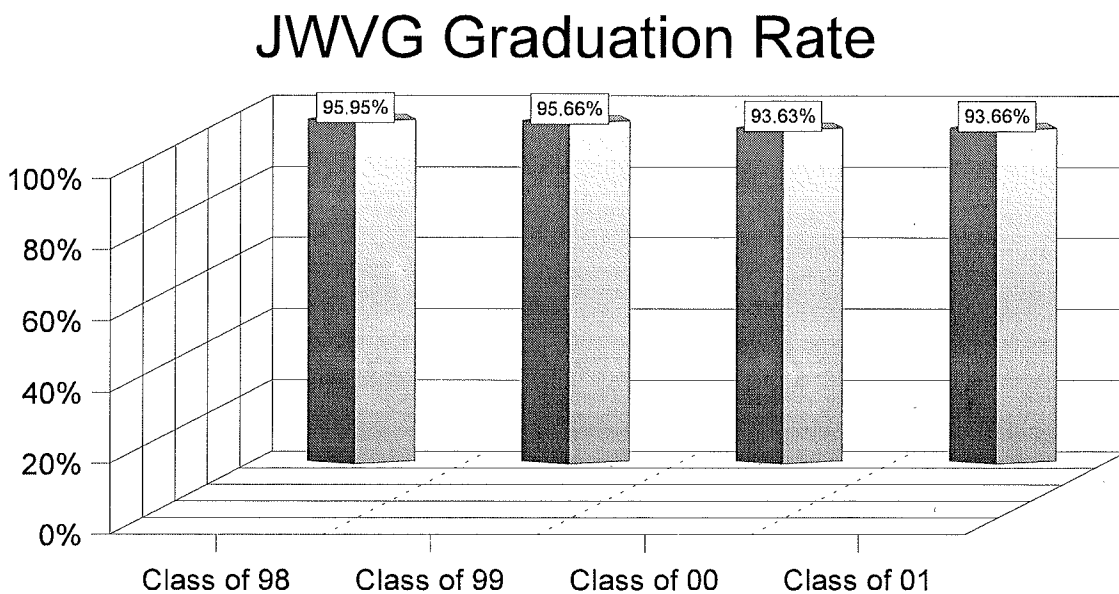
In addition to the problems found in the Gibbons & Kawash report, the agency has had problems retaining employees. The largest number of employees employed by JWVG at one time has been 40, however, the agency has hired 107 job specialist in four years. Indications are that some of these individuals were hired by the school system which led to a high turnover rate among job specialists. Problems have also existed at the director level. The current director is the third to direct the agency in four years and has been in the position since July.

It is also a concern of the Legislative Auditor that the JWVG Board of Director's does not meet more frequently to discuss the problems and performance of the agency. The board has only met **12** times in the last four years. JWVG does have plans to expand the board to its full complement as required by the by-laws, but still has no plans on meeting more frequently.

Since the resignation of the previous director and the hiring of a new director, many new standards and procedures have been added to JWVG to ensure proper internal management controls. Financial records have been moved "in-house" and accounts are now reconciled on a monthly basis. Also, JWVG has completed the "fixed assets" inventory as well as publishing a progress report of performance outcomes and funding sources and expenditures.

JWVG provided statistics that it has served **6,478** students a graduation rate exceeding 93.6% during the four years of its existence. (See Figure 1 below). However, it is possible this figure could be skewed.

Figure 1



Conclusion

Given the problems, speculation and questions regarding JWVG the Legislative Auditor believes the agency should be reviewed to ensure the agency is serving the intended population of students who are at risk as defined by JWVG and that the new director is complying with audit recommendations. Past management problems have been documented but the core of the program is helping students who are at risk of dropping out and getting those student to continue their education or become employed. The agency cites impressive statistics. However, PERD has yet to determine if the agency documents how students are selected for the program and if program participants are truly at risk as well as the effectiveness of the program. **The Legislative Auditor intends to continue evaluating JWVG.**

APPENDIX A

Transmittal Letter to Agency

WEST VIRGINIA LEGISLATURE
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Building 1, Room W-314
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John Sylvia
Director

January 4, 2002

Tilden "Skip" Hackworth
Executive Director
Jobs for West Virginia's Graduates
200 ½ Seventh Avenue
South Charleston, WV 25303

Dear Mr. Hackworth:

This is to transmit a draft copy of the Jobs for West Virginia's Graduates. This report is scheduled to be presented at the Monday, January 7, 2002 interim meeting of the Joint Committee on Government Operations. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have. We would appreciate your written response today in order for it to be included in the final report.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

JS/aml

Joint Committee on Government and Finance

APPENDIX B
Agency Response



January 4, 2002

John Silvia, Director
Performance Evaluation and Research Division
West Virginia Legislature
Capitol Complex, Building 1, Room W-314
Charleston, WV 25305

RE: Report to Joint Committee on Governmental Operations

Dear Mr. Silvia:

The purpose of this correspondence is to respond to the draft report on *Jobs for West Virginia's Graduates* (JWVG) to the Joint Committee on Governmental Operations. The report is documentation of a program audit that has been in process since September 2001. As Executive Director I commend your staff members on their proficiency and professionalism during the time this review was conducted.

As stated in your report, I have been Executive Director of JWVG since July 9, 2001. I come to this program after serving 31 years in public education, including 23 years as a public school administrator. Prior to assuming this position I served as county superintendent of schools in Pleasants and Calhoun counties.

During my initial six months with JWVG I found that the issues you discussed in your report did exist, especially during the early years of the program. It should be noted that many procedural changes were already in place when I assumed the position of Executive Director. I will address the identified issues in the subsequent paragraphs.

Program Goals

Jobs for West Virginia's Graduates is a state affiliate of the national program, *Jobs for America's Graduates* (JAG). The mission of both organizations, as stated in your report, is to keep young people in schools through graduation and to provide work-based learning experiences that will lead to career advancement opportunities or to enroll in a post-secondary institution that leads to a rewarding career. The mission is achieved through in-

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class instruction in 37 competencies, participation in a school-based Career Association that stresses leadership skills, and through a 12-month period of follow-up services.

Students are selected for participation in the program based upon a defined set of barriers that could impede a student from graduating and therefore, reduce the student's opportunity to succeed in a rewarding career or pursuing post-secondary training or education. An advisory committee at the school selects the students for inclusion in the program.

Maintaining and analyzing data for the following elements measure the program goals:

- Graduation Rate
- Job Placement Rate
- Full-Time Jobs Rate
- Positive Outcome Rate
- Student retention Rate
- Percentage of Students Pursuing Post-Secondary Education or Training

Loss of Funding

As stated in your report JWVG did experience a severe reduction in funding for FY02. This did result in the reduction in the number of program sites included in the program this year. Also, as you stated in the report, the primary source of funds projected for FY03 is the Department of Education and the Arts. The projected level of funding will certainly result in fewer programs being served during the ensuing year. In order to continue operating at the current level JWVG is considering a required contribution from the county Boards of Education. In addition, the organization is actively pursuing grant funds and also attempting to secure corporate sponsors.

We do appreciate the funding from the Department of Education and the Arts. We hope to continue to receive funding through this source as well as investigating other sources of revenue.

Management of Funding

Your report is accurate when you discuss the audits performed by Gibbons and Kawash for the years of FY99 and FY00. It should also be noted that the questioned costs were offset by in-kind contributions from the county school districts and that no funds had to be refunded to the grantor agency.

In respect to travel reimbursements, JWVG now requires that all requests for reimbursements be received on the JWVG adopted form and that all expense reimbursements

be made in accordance with the *Policies and Procedures* adopted by the governing Board of Directors. Two individuals, the Administrative Assistant and the Executive Director, now monitor travel reimbursements. Also, all purchases outside the line items of salaries, travel reimbursements and facility costs are processed through a purchase order system approved by the Executive Director. As of October 2001, the maintenance of the financial records is now maintained in-house and all accounts are now reconciled monthly. In addition, a quarterly financial report is presented to the Board of Directors.

I have recommended to the Board of Directors that no additional severance packages be provided to employees who are displaced due to a lack of need.

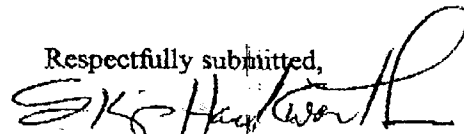
Agency Problems and Improvements

The current by-laws call for the Board of Directors to meet at least twice each year. I agree that this is not sufficient for a governing board to oversee the operation of an organization. Therefore, I am scheduling quarterly meetings as a minimum. The first meeting was conducted on November 9, 2001 and the second meeting has now been scheduled for January 23, 2002. At the January meeting we will be discussing and taking action on proposed budgets and the expansion of the Board to comply with the adopted by-laws.

Conclusion

It is the desire of JWVG to continue to provide services to targeted students in West Virginia schools. The mission of JWVG/JAG is sound and achievement of this mission will make a positive difference in the lives of the students who participate in this program. Yes, there have been issues that have negatively affected the program, especially in the early years. There have been attempts to correct many of those problems and the results have been noted in the financial audits. We pledge to you that we want to do the right thing the right way and to operate above reproach. We will continue to work with funding agencies and the Office of the Legislative Auditor in order to achieve our desired outcomes within established guidelines.

Respectfully submitted,



Tilden L. "Skip" Hackworth
Executive Director

