



**News from  
City of Oakland**

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**City of Oakland Addresses Review by California Inspector General of  
Workforce Investment Act Funds**  
*City Taking Additional Steps to Enhance Oversight*

*Oakland, CA* — The City of Oakland responded to a report by the California Inspector General’s Office on the Oakland Workforce Investment Board’s (WIB) use of American Recovery and Reinvestment Act (ARRA) funds for Workforce Investment Act (WIA) programs.

“We appreciate the Inspector General’s review and had acted on the substance of many of the recommendations prior to the release of the report,” said Earl Johnson, Interim Executive Director of the WIB. “We take our duty to administer and monitor the use of all public funds, especially ARRA funds, very seriously. The City and our partners have provided the required oversight and monitoring. The Inspector General’s review provided us an opportunity to further refine our oversight processes in keeping with our commitment to the efficient and transparent use of public funds.”

As a local workforce area, the City of Oakland serves as the recipient of WIA funds and contracts with the Oakland Private Industry Council (OPIC) to serve as the System Administrator for the WIA programs. The review period covered funds received and expended between February 17 and December 31, 2009.

With very little notice in a compressed implementation period, the City of Oakland, OPIC and community-based contractors achieved remarkable results in serving low-income people, many of whom had significant barriers to employment during a period of record unemployment (17 percent). More than 1,000 jobs have been generated thus far utilizing the ARRA WIA funds.

The Inspector General’s review raised four main issues:

**1. Written Agreement Between City of Oakland and OPIC**

A written agreement was in place when ARRA WIA funds were received. The renewal negotiations took longer than expected. A written agreement is now in place.

**2. Accounting Issues: ARRA WIA Adult Program Draw-downs**

The accounting issues raised by the Inspector General result from a delay in non-ARRA WIA funds, as noted in the Inspector General's final report. There was a six-month gap in funding between the depletion of the FY08/09 WIA Formula funds and the time that FY09/10 funds became available.

During this time, ARRA WIA funds were the only funds available to support both the WIA Formula and ARRA WIA expenses.

In order to continue the administration and operation of critical workforce development services in a time of record unemployment, the Oakland WIB, in consultation with the State Employment Development Department, used ARRA WIA funds designated for adult and dislocated worker programs to serve programs and participants funded by WIA Formula dollars.

As discussed with the State, the plan was to use ARRA funds, then make allocation adjustments once WIA Formula funds were available. Those funds were received in January 2010, and OPIC has completed the required adjustments so that the WIA Formula and WIA ARRA funds are appropriately allocated. These accounting adjustments address most of the Inspector General's findings.

The intent of the ARRA WIA funds is to provide additional resources within the existing system to respond to local needs. The WIB understood from the State Employment Development Department that the use of multiple funding streams to support the continuity of local services is not unique. There is established precedent for this in the way the State channels funds to local workforce investment areas.

The issue is also one of timing—the Inspector General's report came in the middle of the fiscal year and involved two sources of funds that are used to fund similar activities: the non-ARRA WIA adult and dislocated worker grants and the ARRA WIA adult and dislocated worker grants. Had the review been conducted at the end of the fiscal year, the accounting adjustments would have already occurred, and there would have been no findings on this issue.

### **3. Reported Job Numbers**

The Inspector General's finding addresses the job numbers reported in only one of the reporting quarters. The ARRA WIA funds, thus far, have been used to generate more than 1,000 jobs. Allocation of the 2009-2010 WIA Formula funds to the City was delayed and the funds were not available until January 2010. As stated, the ARRA WIA funds were the only funds available to continue workforce programs and were used to support the 29 FTE positions retained during the period of October – December 2009. The 29 FTE jobs reported and referred to by the Inspector General as being overstated were jobs retained and funded by ARRA. Those jobs would not have been sustained during the quarter without the use of those ARRA funds. Accounting adjustments have been made, including the job numbers for that quarter.

### **4. Adequate Review of Contractor Reimbursement Requests**

The Inspector General's review claimed that OPIC did not adequately review contractors' reimbursement requests to ensure that costs were eligible and supported before being paid.

The subcontractor payments cited in the review were legitimate reimbursements. They were consistent with the service providers' program design and/or were allowable under federal Office of Management and Budget circulars. Supporting documentation of contractor reimbursements was submitted to the Inspector General.

Program expenses such as field trips for summer work experience program participants are part of youth-serving program design and are allowable expenses; they amounted to 0.001 percent of the \$2.7

million in youth program expenditures. Conflict resolution training and team-building exercises were woven into the fieldtrips, allowing youth to experience these activities in a supportive and structured social environment. Other costs associated with OPIC administration such as rent are also allowed under WIA rules.

In addition, OPIC has consistently applied established and acceptable invoice verification procedures in processing subcontractor invoices. OPIC followed procedures that have been acceptable to federal, state, local and private auditors and monitors. OPIC has not had or been subject to any questioned and/or disallowed costs in the past regarding any audits or reviews relative to the processing and payment of subcontractor invoices.

### **Oakland Enhances Oversight of the Expenditure of ARRA WIA Funds**

The City of Oakland has brought ARRA WIA funds oversight in line with the monitoring and oversight process used for the City's other ARRA grants. The City has recently hired additional staff to meet the oversight and monitoring requirements of ARRA WIA funds—including additional WIB staff and a new Deputy City Administrator with legal compliance experience.

The Inspector General recommended the separate identification and recording of ARRA funds. The City had this practice in place prior to the receipt of any ARRA funds. All ARRA grant funds have separate fund numbers and are tracked and monitored separately. The City and its contractors are aware of the requirement that ARRA WIA funds must be spent concurrently and supplement, not supplant, non-ARRA WIA funds, and it has fiscal controls in place to ensure that no supplanting has nor will occur.

The City will also enhance its existing fiscal monitoring process of the WIA contractors, including more reviews of the invoice process for subcontractors and subcontractor bookkeeping.

“The national economic downturn has had a particularly devastating impact on low-income populations like those found in Oakland,” continued Earl Johnson. “As unemployment rates soared during the past two years, it has been critical to maintain the continuity of our workforce development services, and ARRA WIA funds have allowed us to provide a lifeline to many in Oakland who face

significant barriers to employment. We are committed to ensuring public accountability and transparency in using ARRA WIA and all public funds.”

During a time of record unemployment, the WIB and its partners have used ARRA WIA funds to provide critical workforce development programs serving low-income residents. These efforts have:

- Produced more than 1,000 jobs for at-risk Oakland youth and prepared these youth for future employment. Many of the youth who participated in the Mayor’s Summer Jobs Program have stayed in school and are pursuing educational opportunities; others have retained their jobs and advanced in their positions.
- Generated more than 79,000 visits to OPIC and its affiliate One-Stop Career Centers between July 2009 and March 2010.
- Resulted in significant enrollment increases in Oakland’s WIA-funded programs.

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