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<b>OPERATIONS ISSUANCE</b>
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**OPERATIONS ISSUANCE NO. 2006-14**

**DATE:** June 19, 2006

**TO:** One-Stop Career Center Operators  
Adult and Youth Program Service Providers

**FROM:** Susan K. Burnett,  
Finance Director

**SUBJECT: OPERATIONS MANUAL REVISION: CHAPTER II – CONTRACT ADMINISTRATION**

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**PURPOSE**

The purpose of this operations issuance is to provide One-Stop Operators and Adult and Youth Program Service Providers with a revised Chapter II, Contract Administration. This Operations Issuance revises the Workforce Partnership's Operations Manual, Chapter II, Contract Administration, issued as Operations Issuance 2006-03 on November 14, 2005.

There are changes to this Chapter in the following sections:

Section 2.1.5.1, Direct TA (Page 2)

- Regulatory Compliance is added as a possible provider of TA for specialized subject matter.

Section 2.2.3, Modification Limitations (page 4):

- Detailed items of cost may vary up to 10% versus plan **within a category**, as long as it does not exceed 100% of the contract. This language has been added to the third paragraph.
- The term “categorical” has been added in two places; 1) when discussing “if contract expenditures are over 100% by line item, in the third paragraph, and 2) in the fourth paragraph when referring to “disallowed line item overages.”

Section 2.2.4 Modification Types (page 5)

- The term “line item” has been removed in the first paragraph, second bullet where it refers to “internal review committee approves line item or category expenditure”

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Please review the revisions in this Chapter thoroughly and ensure that all changes are communicated to applicable staff.

# **SAN DIEGO WORKFORCE PARTNERSHIP OPERATIONS MANUAL**

## **Chapter II**

### **CONTRACT ADMINISTRATION**

**San Diego Workforce Partnership  
Operations Manual - Chapter II**

**CONTRACT ADMINISTRATION**

**Table of Contents**

<b>2.1</b>	<b>ROLES AND RESPONSIBILITES OF THE PROGRAM SPECIALIST.....</b>	<b>1</b>
2.1.1	Liaison.....	1
2.1.2	Funding Sources Requirements Coordination.....	1
2.1.3	Contract Status and Performance Measures.....	1
2.1.4	Staff Assistance Visits.....	2
2.1.5	Technical Assistance.....	2
2.1.5.1	Direct Technical Assistance.....	2
2.1.5.2	Workshop Series.....	2
2.1.5.3	New Service Providers' Orientation.....	3
<b>2.2</b>	<b>CONTRACTED AGREEMENTS.....</b>	<b>3</b>
2.2.1	Contract Types.....	3
2.2.1.1	Contract.....	3
2.2.1.2	Service Agreement.....	3
2.2.2	Contract Modifications.....	3
2.2.3	Modification Limitations.....	4
2.2.4	Modification Types.....	4
2.2.5	Subcontracts.....	5
2.2.6	Compliance.....	6
<b>2.3</b>	<b>PERFORMANCE REVIEW AND EVALUATION.....</b>	<b>6</b>
2.3.1	On-Site Visits.....	6
2.3.2	Monthly Performance Review.....	6
2.3.3	Administrative Program Standards.....	7
2.3.4	Performance Evaluation Process.....	7
<b>2.4</b>	<b>REPORTING FRAUD AND ABUSE.....</b>	<b>7</b>
2.4.1	Service Provider Responsibilities.....	7
2.4.2	Reporting Procedures.....	7
<b>2.5</b>	<b>EDUCATIONAL ASSISTANCE REPORTING.....</b>	<b>8</b>

## CHAPTER II

### CONTRACT ADMINISTRATION

#### 2.1 **ROLES AND RESPONSIBILITIES OF THE PROGRAM SPECIALIST**

The primary role of the Program Specialist is to serve as the San Diego Workforce Partnership's (Workforce Partnership) representative in the negotiation, development, management, fiscal tracking, and closeout of contractual agreements with all Service Providers. The Program Specialist will closely monitor the financial and programmatic performance of Service Providers to ensure that high quality services are delivered to achieve established performance outcomes. The structure of the program design is evaluated against the goals of the grant, the contract and the mission of the Workforce Partnership. The Program Specialist and Service Provider work together to plan, execute and report on the management and overall attainment of objectives for the awarded funds.

##### 2.1.1 **Liaison**

The Program Specialist is the link between the Workforce Partnership and the Service Providers. All questions, concerns, requests for modifications, changes, or extensions related to contractual agreements must be communicated to the Program Specialist. The Program Specialist and the Service Provider shall ensure that all aspects, both programmatic and financial, of contractual agreements are reasonable and directly related.

##### 2.1.2 **Funding Sources Requirements Coordination**

The Program Specialist will assist the Service Provider in understanding how contractual provisions translate into goals and objectives set forth by the Governor and the Workforce Partnership's strategic plans and annual goals for the Workforce Investment Act (WIA), Competitive Grants and other applicable funding sources. The program design and the Service Provider's contract have been developed to tie in with and support these objectives, with strategic operational and financial targets in mind.

##### 2.1.3 **Contract Status and Performance Measures**

The Program Specialist shall conduct monthly performance and financial reviews for each assigned contract utilizing client information entered into the Workforce Partnership's Customer Information Services Reporting System (CISRS) and financial data recorded in the accounting system and distributed through General Ledger reports. Actual performance data is compared to contract plan performance to determine status. Financial budgets are compared to monthly expenditures for year-end forecasts. Low performance results or financial variance to budget will prompt the Program Specialist to issue a request for corrective action plans from the Service Provider.

#### **2.1.4 Staff Assistance Visits**

The Program Specialist will make periodic on-site visits to each Service Provider to discuss program progress and to provide technical assistance. Annual visits from federal, state, or local fiscal and program monitors or Workforce Partnership staff members are also to be expected.

#### **2.1.5 Technical Assistance**

The Workforce Partnership maintains a formal technical assistance (TA) program for Service Providers, in addition to the one-to-one assistance offered by the Program Specialist and/or other Workforce Partnership staff.

The Workforce Partnership provides on-going TA designed to assist Service Providers in meeting their contract performance objectives and to ensure compliance with the Workforce Partnership, State, and Federal regulations. Financial compliance is an additional area that requires periodic training and updates.

Technical assistance provided by the Workforce Partnership includes the following three components: Direct TA, TA Workshop Series, and Workforce Partnership Orientation for new Service Providers.

##### **2.1.5.1 Direct TA**

The Program Specialist shall provide ongoing TA to Service Providers. The Program Specialist will assess the TA needs based on previous experience, past performance, and Service Provider needs. Based on assessment, the Program Specialist shall establish a development plan that identifies necessary TA areas (e.g. eligibility, invoice preparation, file preparation, data entry, etc.) for each Service Provider. In addition to identifying TA needs, the Program Specialist will analyze trends to determine root causes of recurring operational and financial issues and recommend system process improvements and/or best practices to remedy the problem. Also, arrangements will be made for specialized subject matter TA to be provided by other Workforce Partnership staff (i.e. Finance/Regulatory Compliance), as needed.

##### **2.1.5.2 Workshop Series**

The Workforce Partnership staff and/or outside consultants conduct workshops with the intent to improve the quality of services delivered to our customers by building the capacity of our Service Providers.

### **2.1.5.3 New Service Providers Orientation**

Workforce Partnership staff shall orient all new Service Providers to Workforce Partnership operations. The orientation includes training on organizational structure, documentation requirements, CISRS data entry, financial management reporting, and other applicable topics. Assistance in these topics may be requested through the Program Specialist at any time.

## **2.2 CONTRACTED AGREEMENTS**

### **2.2.1 Contract types**

Two types of contracts exist to establish a mutual agreement between the Workforce Partnership and Service Provider: Contracts and Service Agreements. The Workforce Partnership maintains general provisions that are included and/or referenced in all contractual agreements.

#### **2.2.1.1 Contract**

Contracts are used as an agreement between the Workforce Partnership and the Service Provider serving participants within a specified grant-training program. A contract covers all aspects of the programmatic and fiscal performance as specified and regulated by the grant used to fund the contract.

#### **2.2.1.2 Service Agreement**

Service Agreements are normally for, but not limited to, internal functions of the organization that are outsourced to other organizations that are more suitable for the function. The documentation of financial arrangements made by the Service Provider through Service Agreements may be required if costs are included in the budget for reimbursement.

### **2.2.2 Contract Modifications**

Contract terms are determined during the Request for Proposal/Negotiation process and may be changed only through a contract modification. Contract modifications are used to address program or financial revisions, and are reserved for extreme variations in the program design, scope of work or expenditure trends. The Service Provider must work with Workforce Partnership staff during the negotiation phase to properly plan their performance outcomes. The Workforce Partnership may recommend contract modification for financial or programmatic reasons at any time.

### 2.2.3 Modification Limitations (Revised)

Contract modifications cannot be used to bring a Service Provider's programmatic or financial performance into compliance. As stated previously, Service Providers should work with Workforce Partnership staff during the negotiation phase to properly plan their performance outcomes. A contract modification is not a tool to administer changes due to poor planning.

Retroactive changes in programmatic or financial performance outcomes are not allowed due to the liability implications, for the Workforce Partnership and/or the Service Provider, when work is performed or reimbursed without a valid contract or modification. Only when necessary to comply with a change in state or federal regulations will retroactive changes be considered.

All expenditures are planned with a contractual obligation of 100% funds expenditure, and invoices are tracked toward final expenses of no more than 100%. If contract expenditures are over 100% by categorical line item, the Service Provider may submit a request for cost reimbursement of un-planned expenses to the Program Specialist, documenting reasons for the overage, the impact of the costs on contract program and financial performance, and stating if additional expenses are likely to be incurred. Detailed items of cost within categorical line items can vary up to 10% versus plan, as long as a category does not exceed 100%. Service Provider requests for unplanned expense reimbursement or program modification will be reviewed by a committee to include the Program Specialist, Program Director, and Finance Director. The review is done on a case-by-case basis, and cost reimbursement is not automatically granted.

The Program Specialist will notify the Service Provider in writing whether the request is approved or denied. The Program Specialist's response is required in the event of any written contractual and/or programmatic change requests, including financial reporting of more or less than 100% on invoices.

Contract renegotiations occur once per year, and disallowed categorical line-item overages will drive the planning process for the following year. Alterations to the original contractual budget can compromise original contract intent and purpose.

### 2.2.4 Modification Types (Revised)

A contract modification may be either **major** or **minor** in scope. All modification requests must be in writing and, regardless of the type of modification, a copy must be made available to the Service Provider, and shall be placed in the active contract file. Contract modifications are not retroactive.

The definition of either type of modification is as follows:

**Major** - A *major* modification is any modification to a contract, which requires authorized signature of both the Service Provider and the Workforce Partnership.

Most major modifications require San Diego Workforce Investment Board (WIB) approval. Instances that require WIB approval include, but are not limited to:

- Extension of the period of performance for more than 31 days; or
- Increase of any funding source amount

Instances that may require a major modification without WIB approval include, but are not limited to the following:

- Changes between Operating/Administration and Program cost categories. **Note:** The resulting amount must not exceed the maximum allowable for the Operating/Administration cost category;
- A major modification may be necessary, in the event that the Workforce Partnership's internal review committee approves category expenditures exceeding the budgeted final cost reimbursement of 100%.

**Note:** All budget modifications must be found allowable and in the best interest of the program.

Both the Service Provider and the Workforce Partnership must sign all major modifications before the modification is effective.

**Minor** - A *minor* modification is any change to a contract that is non-financial in nature, outside the scope of a major modification, and does not require WIB approval. Examples of minor modifications are:

- Clarification due to typographical errors or adjustment of quarterly service levels;
- Typographical and/or grammatical errors within the contract budget;
- Contract extensions up to 31 days without a change in the total funding amount;
- Shifting of performance outcomes from one month to another within the specified period of performance;
- Contract suspension of funding; or
- Any other appropriate administrative action short of contract termination.

### 2.2.5 **Subcontracts**

The Service Provider may enter into subcontracts for specialized client services. The Workforce Partnership, State, and/or its DOL representatives, shall have the right to monitor and review all subcontracts issued under this agreement with or without prior notice to the Service Provider.

Subcontracts for specialized client training services, except individual "On-the-Job" (OJT) training agreements, shall not involve unauthorized Service Providers. In accordance with Section 39.2 of the contract General Provisions:



“Written subcontracts for any work or services sub-assigned must be provided to the Workforce Partnership with the written request for approval of the subcontract, and must be kept on file by the contractor.”

All subcontracts are subject to Workforce Partnership written approval, prior to implementation.

### **2.2.6 Compliance (New)**

All Service providers are required to submit a signed statement that they have received a copy of the Workforce Partnership Operations Manual, and will operate in compliance with all applicable portions. This statement is included with the signature and terms on the title page of the contract.

Chapter VI, Financial Management, of the Operations Manual outlines the applicable financial, accounting and reporting requirements. Review of these requirements does not limit liability in terms of compliance with governmental regulations, as contractors are responsible to follow any and all other regulations or stipulations set forth by the grant, program or governing agency. Office of Management and Budget (OMB) Circulars A-21, A-87, and A-122, as well as the applicable Code of Federal Regulations (CFR) establish the cost principles for the various organization types and conform to “Generally Accepted Accounting Principles” (GAAP). The central theme of GAAP is accountability and is intended to provide minimum standards, guidelines, and policy for financial accounting and reporting.

## **2.3 PERFORMANCE REVIEW AND EVALUATION**

The Program Specialist is available to provide technical assistance and to make visits to each Service Provider. Additionally, the Program Specialist is responsible for preparing all performance evaluation reports requested for any contract. All compliance and monitoring reports are prepared by the Workforce Partnership’s contracted monitoring agency as identified in Chapter VIII, Monitoring.

### **2.3.1 On-Site Visits**

Program performance will be analyzed and evaluated; Workforce Partnership Program Specialists will prepare a report. The on-site visit may include reviewing key program components such as intake, eligibility certification, objective assessment, participant training, performance outcomes, service to target groups, and achievement of performance outcomes.

### **2.3.2 Monthly Performance Review**

The Program Specialist is responsible for preparing a monthly program and financial performance report for each assigned contract, including conducting an analysis to identify weaknesses that may result in non-performance of contractual programmatic and financial goals. Based on the Service Provider’s non-performance, the Program Specialist is to provide recommendations to resolve the challenges. As a basis for this report, a variety of data reports may be generated.

### **2.3.3 Administrative Program Standards**

The Program Specialist is responsible for ensuring that the Workforce Partnership administrative standards for effective contract administration are implemented, including prompt updating of Service Provider mailing list(s), contract modification requests, closeout package requests, and other contract-related requests.

### **2.3.4 Performance Evaluation Process**

The WIB, including the Workforce Advancement Committee and the Youth Council are responsible for review of the Service Provider's actual performance against the plan. The review may be performed bi-annually or more frequently when necessary through the Workforce Partnership's performance evaluation process, and includes financial and programmatic components.

The Service Provider is advised when an evaluation will be made, and evaluation data that will be presented to the committee will be subject to prior reviews by the Service Provider. Based on the results of the performance evaluation, committee members may make recommendations to the WIB to increase/decrease funding levels and/or terminate a contract. In some cases, the Service Provider may be invited or requested to attend a committee meeting to discuss the performance of their contract.

Members of the WIB or other recognized agencies might wish to visit programs and tour program facilities. Additionally, with concurrence of the hosting agency, WIB or other meetings may be held at a Service Provider's facility.

## **2.4 REPORTING FRAUD AND ABUSE**

### **2.4.1 Service Provider Responsibilities**

Each Service Provider shall establish and implement appropriate internal program management procedures to prevent fraud, abuse, and criminal activity. These procedures include a reporting process to insure that the Workforce Partnership is notified immediately (i.e., within 24 hours) of any allegations of fraud, abuse, and/or criminal activity committed by staff or program participants of any programs funded by the Workforce Partnership.

The procedures shall also include the designation of a person on staff who will be responsible for such notification.

### **2.4.2 Reporting Procedures**

Chapter X, Program and Criminal Complaint Resolution Process, of the Workforce Partnership Operations Manual provides detailed procedures for reporting fraud and abuse, along with a glossary of terms, for use as a guide in the identification of fraud, abuse, and criminal activity.

Chapter X provides information on the use of the Department of Labor/Office of the Inspector General's (DOL/OIG) Hotline, to allow employees and the public to notify DOL/OIG of suspected fraud, abuse, or waste in DOL-funded programs. The Hotline telephone number is (800) 347-3756.

## **2.5 EDUCATIONAL ASSISTANCE REPORTING**

To avoid double billing and duplication of federal funds, any PELL grant or other educational assistance funds received by a Service Provider, on behalf of any participant served under Workforce Partnership programs, shall be promptly reported to the Workforce Partnership and shall be handled in accordance with the legislative requirements of the program in which the participant is enrolled.

All changes in Chapter II are effective immediately. Please replace the current Chapter II with this updated version. If you have any questions regarding this issuance, please contact your Program Specialist at (619) 228-2900.

**Attachment**

Revised Chapter II, Contract Administration

cc: Workforce Partnership Internal Distribution List  
Simpson & Simpson, CPAs