AUDIT REPORT
Office of Economic Development
Workforce Development Audit
July 2018
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Office of the Auditor
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Audit report year: 2018
AUDITOR'S REPORT

We have completed an audit of the City’s workforce development programs and services. The objective of the audit was to review the effectiveness and efficiency of the Office of Economic Development’s (OED) policies and procedures for administering workforce development services and programs for the City and County of Denver.

As described in the attached report, our audit revealed that OED does not have a systematic approach for evaluating the effectiveness of workforce development privatization. Through comprehensive analysis of cost and service quality, complete and accurate data, and stronger contract monitoring strategies, OED will be able to fully evaluate the effectiveness of workforce development privatization. Our report lists several related recommendations.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted 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.

We extend appreciation to OED and the personnel who assisted and cooperated with us during the audit.
Workforce Development
July 2018

Objective
The objective of this audit was to review the effectiveness and efficiency of the Office of Economic Development’s (OED) policies and procedures for administering workforce development services and programs for the City and County of Denver. Specifically, this audit examined the extent to which OED’s efforts align with applicable legal requirements, internal control standards, and leading practices for delivering workforce development services and programs.

Background
Workforce development involves a range of activities intended to create, sustain, and retain a viable workforce to support businesses and industries. OED’s Workforce Development Services Division is responsible for coordinating and supporting local workforce development activities for Denver—including managing approximately $10.6 million in federal grants in 2018. Consistent with regulatory changes enacted under the federal Workforce Innovation and Opportunity Act (WIOA), OED recently shifted from a direct service provider to a contract-based service model in 2016.

Highlights
In response to WIOA, OED developed a local workforce development plan and privatized the City's workforce development programs and services. OED estimated that this shift would displace more than 100 City employees who had previously delivered programs and services to job seekers and employers in Denver. Ultimately, OED laid off more than 30 employees. OED stated that others transitioned into different positions within OED or found work outside of the organization.

Our assessment of the local workforce development plan affirmed that it incorporates almost all the elements required by federal law. Similarly, OED's workforce development programs and services reflect all but one of nearly 70 requirements established in the local plan. With a few minor additions, the City's framework for delivering these federally funded programs will comprehensively reflect these new legal and programmatic requirements.

However, the audit identified multiple concerns with the City's workforce development privatization effort, both regarding the decision to privatize and monitoring of the resulting contract. First, OED did not thoroughly determine the full costs and benefits that would result from its decision to privatize. Further, in the year since privatization, OED has not methodically analyzed all contract costs and the quality of all services provided. Although different OED functions gather relevant information on workforce development activities, it is not being synthesized in a manner that would allow management to make sound decisions about future contracts. Finally, OED could be relying on faulty data to make workforce development management decisions.

Regarding contract monitoring activities, OED has established multiple strategies for monitoring ResCare's contract performance. However, the audit revealed that those activities are not sufficient to ensure that ResCare is delivering everything agreed to in the contract in three primary areas: quality control planning, policies and procedures used to guide monitoring strategies, and staff training.

For a copy of this report, visit www.denvergov.org/auditor or contact the Auditor's Office at 720.913.5000.
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BACKGROUND

What Is Workforce Development?

Workforce development describes a relatively wide range of activities, policies, and programs carried out by states, regions, and local communities to create, sustain, and retain a viable workforce that can support current and future business and industry. Workforce development programs promote economic growth through the coordination of public, private, and nonprofit-sector resources to support a combination of education and training services to prepare individuals for work and to help them improve their prospects for entering and succeeding in the labor market. To accomplish this, workforce development policies and programs may be focused on individual training and education, societal economic stability and growth, or skills training needed by employers to help organizations remain competitive in a global marketplace.1

Who Is Eligible to Receive Services through Workforce Development Programs?

Individuals who are seeking employment or a career path change are eligible to receive services through workforce development programs. Adults and low-income youth who are facing one or more barriers to employment may be eligible to receive a wide array of services, such as job search assistance, career counseling, occupational skill training, education support, or on-the-job training. U.S. military veterans are eligible to receive priority referral to jobs, training, employment services, and assistance.

Workforce development programs also offer a range of services to employers. For example, workforce development programs can help match businesses with prospective employees by referring job seekers to available job openings, arranging job fairs, or helping businesses develop job descriptions and recruit for hard-to-fill positions. Employers may also receive services through workforce development programs to navigate organizational restructuring, including partnering with providers to provide labor assistance to employees who may be impacted by layoffs.

Workforce Development Programs Governance and Administration

The Workforce Innovation and Opportunity Act (WIOA) is the principal federal legislation that supports the public workforce system in the United States. Enacted in July 2014, WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973—marking a significant change to the country’s public workforce system.2 3 Specifically, WIOA emphasizes the importance of providing integrated, seamless services to all job seekers and workers and effective strategies that meet employers’ workforce needs through a well-coordinated one-stop delivery system.4

1 City and County of Denver Auditor’s Office, Office of Economic Development: Division of Workforce Development Performance Audit, March 2013.
Federal Workforce Development Programs

As shown in Table 1, WIOA identifies six core workforce development programs to support the nation’s workforce development system.

<table>
<thead>
<tr>
<th>TABLE 1. Workforce Innovation and Opportunity Act (WIOA) Core Programs</th>
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<tbody>
<tr>
<td><strong>Administered by the U.S. Department of Labor</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
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<tr>
<td><strong>Title I Adult</strong></td>
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<td><strong>Title I Dislocated Worker</strong></td>
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<td><strong>Title I Youth</strong></td>
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<td><strong>Wagner-Peyser Employment Services</strong></td>
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<th><strong>Administered by the U.S. Department of Education</strong>&lt;sup&gt;b&lt;/sup&gt;</th>
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<tr>
<td><strong>Adult Education and Family Literacy Act</strong></td>
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<tr>
<td><strong>State Vocational Rehabilitation Services</strong></td>
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Notes:<sup>a</sup>The U.S. Department of Labor’s Employment and Training Administration administers these programs and oversees their implementation, which is carried out by state workforce agencies and local workforce development boards. The local board selects entities that will operate American Job Centers (formerly called one-stop centers) to provide services. Other programs authorized under Title I and administered by the Department of Labor include Job Core, YouthBuild, Indian and Native American programs, the Migrant and Seasonal Farmworker program, and evaluation and multistate projects.

<sup>b</sup>The U.S. Department of Education’s Office of Career, Technical, and Adult Education provides grants to states, which in turn distribute most of the federal funds to local adult education providers. The local provider network includes local educational agencies, community colleges, community-based organizations, and volunteer literacy organizations. The department’s Rehabilitation Services Administration provides grants to states to administer the Vocational Rehabilitation program. Many states have separate agencies serving blind or visually impaired individuals in addition to agencies that serve all other individuals with disabilities. In addition, states vary in terms of the organizational positioning of the program, with the program being housed in education, workforce, social services, or disability program agencies or elsewhere.

Although WIOA and preceding legislation share several components—such as the six core workforce development programs—the new legislation attempts to address several challenges that lawmakers believed undermined the effectiveness of the public workforce system. The reforms WIOA introduces to the public workforce system include:

- Strategically aligning workforce development programs;
• Promoting evidence-based and data-driven accountability;
• Fostering regional coordination of planning and service delivery strategies;
• Improving the American Job Center (AJC) one-stop service delivery system;\(^5\)
• Enhancing workforce services for unemployed and other job seekers;
• Improving services to individuals with disabilities;
• Serving disconnected youth and other vulnerable populations; and
• Streamlining and strengthening the strategic role of workforce development boards.

**Workforce Development Program Funding**

To support the six core workforce development programs, the federal government apportions grant funds using a formula that incorporates demographic and economic data, such as the unemployment rate or poverty measures. The U.S. Departments of Labor and Education administer these funds, as follows:

- The Department of Labor’s Employment and Training Agency oversees the implementation of federal job training programs and grant funding to support Title I programs and Wagner-Peyser Employment Services, which are primarily carried out by state workforce agencies and local workforce development boards.
- The Department of Education’s Office of Career, Technical, and Adult Education provides grants to states for the Adult Education and Family Literacy Act program, which in turn are primarily distributed to local adult education providers, such as community colleges, community-based organizations, and volunteer literacy organizations.
- The Department of Education’s Rehabilitation Services Administration provides grants to states to administer the vocational rehabilitation program.

In Colorado, federal workforce development funds are disbursed locally by the Colorado Department of Labor and Employment (CDLE). CDLE, in conjunction with the Colorado Workforce Development Council, is also responsible for ensuring that the programs and services are delivered in accordance with WIOA requirements. This oversight requires the collection of program data from Connecting Colorado and sending performance reports to the appropriate federal agencies. Connecting Colorado is an on-line system that matches job seekers with employers and job opportunities. As the primary case management system for workforce development programs and services, Connecting Colorado also contains data that supports compliance with federal reporting requirements and provides meaningful information about core program participation to inform operations. Users can extract data from Connecting Colorado using pre-formatted reports or on an ad hoc basis using custom queries through Job Link Online Search (JOLS).

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\(^5\) American Job Centers, also referred to as one-stop centers, provide a range of assistance to job seekers and employers at a single location. Established under the Workforce Investment Act of 1998 and reauthorized in the Workforce Innovation and Opportunity Act of 2014, customers can visit a center in person, connect to center resources online, or other forms of remote access.
State and Local Workforce Development Boards

To administer federal workforce development programs, WIOA requires the governor of a state to establish a state workforce development board. Among other things, the purpose of the board is to assist the governor with:

- Developing and implementing state workforce development plans;
- Aligning statewide workforce development programs and policies and creating strategies to support a comprehensive and streamlined workforce development system;
- Developing and continuously improving the one-stop delivery system in local areas, including helping local boards, one-stop operators, partners, and other providers with planning and delivering services; and
- Developing allocation formulas for distributing funds to local areas.\(^6\)

The Colorado Workforce Development Council (State Board) is the state workforce development board for the State of Colorado. Appointed by and including the governor, the State Board consists of select state cabinet officials and legislators, business representatives from the state’s key industries, education leaders, and representatives of organized labor—all representing the diverse workforce regions throughout the state. The primary purpose of the State Board is to help establish a qualified workforce and provide businesses access to Colorado’s skilled workforce. The State Board accomplishes this through collaboration with the state’s workforce regions and local workforce development boards.

WIOA also requires the chief elected official of a local area to establish a local workforce development board in each local area of the state. Among other things, the local workforce development boards are responsible for:

- Developing and implementing local workforce development plans;
- Conducting workforce research and labor market analysis, such as analysis of the economic condition, the knowledge and skills necessary to meet the region’s unique needs, and identification of promising practices;
- Engaging stakeholders to ensure that workforce development programs and strategies meet the needs of job seekers and employers; and
- Providing oversight of workforce development programs and selecting one-stop American Job Center operators in partnership with the local areas.\(^7\)

The Denver Workforce Development Board (Local Board) is the City’s local workforce development board. Appointed by the mayor, the Local Board is composed of representatives from local businesses and education, labor, economic development, and community-based organizations. Consistent with WIOA, the Local Board is charged with bringing together the mayor, the City’s economic and workforce development functions, and other partners to create effective local workforce development strategies. The Local Board also guides and oversees all federal, state, and local workforce development programs, including the operation of the City’s American Job Centers.

\(^6\) Pub. L. No. 113-128, §101(a) and (d).
\(^7\) Pub. L. No. 113-128, §107.
State and Local Workforce Development Plans

As previously discussed, WIOA requires state and local workforce development boards to develop comprehensive four-year workforce development plans to guide decisions about workforce development strategies. State boards are required to submit “unified” or “combined” state workforce development plans to the U.S. Departments of Labor and Education for approval. Local boards are required to submit local workforce development plans to the state governor for approval.8 See Appendix A for a detailed description of local workforce development requirements specified in WIOA.

In accordance with WIOA, the State Board has developed “Driving Colorado Forward Together”—a four-year strategic and operational plan for the state’s workforce development system. The plan was approved by the U.S. Departments of Labor and Education, and it establishes workforce development goals and strategies for the state for the years 2016 through 2020. Similarly, the Local Board developed the Denver Workforce Development Board Local Plan. Approved in July 2016, the local plan establishes the City’s goals and strategies for the years 2016 through 2020.

Workforce Development Programs and Services in Denver

The City’s Office of Economic Development (OED) is responsible for advancing economic prosperity for the City and its businesses, neighborhoods, and residents. OED plans and implements initiatives to expand and strengthen the City’s economic and community base through four program divisions that are supported by the Operations and Communications Division. The Division of Workforce Development, also referred to as Workforce Development Services, is responsible for promoting job and career skills for the City’s current and future workforce. Figure 1 shows the organizational structure of OED, including Workforce Development Services.

FIGURE 1. Office of Economic Development Organizational Structure

Source: City and County of Denver Mayor’s 2018 Budget.

In 2016, in response to the regulatory changes brought about by WIOA, OED opted to privatize its workforce programs and services. In other words, Workforce Development Services would no longer directly provide services, instead contracting the work out to a third party. In 2016, the City entered into a contract with Arbor E&T, LLC, doing business as ResCare Workforce Services (ResCare)—a privately held company—to manage the City’s American Job Centers and provide comprehensive workforce services for Title I Adult, Dislocated Worker, and Title III Wagner-Peyser

Employment Services. In addition to ResCare, the City also relies on a network of service providers, such as Denver Public Schools, to provide a full scope of workforce development services. Although Workforce Development Services is no longer a direct service provider, the organization has become a strategic partner for guiding policies and overseeing the activities of the City's workforce service providers.

As shown in Figure 2, Workforce Development Services' operational funding has continually decreased since 2014. In 2017, OED received about $11.7 million in combined federal, state, and local funding to support Workforce Development Services' operations and is expected to receive approximately $10.7 million in 2018. This represents a nearly 50-percent decline from the $21.1 million received in 2014. OED officials attribute the funding decrease to lower amounts of federal funding and speculate that positive economic conditions—such as low unemployment—may have impacted the amount of funding apportioned to the state overall.

**FIGURE 2.** Workforce Development Services Funding, Fiscal Years 2014 through 2018

![Figure 2: Workforce Development Services Funding](image)

**Source:** City and County of Denver Auditor's Office analysis of the Mayor's Budget, 2016 through 2018.

**Notes:**
- Data are from January 1 through December 31 for each fiscal year as defined by the City and County of Denver.
- In 2015, Office of Economic Development (OED) started receiving federal funds to assist with operational changes stemming from the enactment of the Workforce Innovation and Opportunity Act. Also, beginning in 2018, OED will no longer receive residual funds from the Workforce Investment Act. Special Revenue Funds received include monies for Denver Employment and Training Administration (DETA) Special Projects, Mayor's Office of Workforce Development (MOWD) Generic Cost Pool, Summer Youth Program, and Temporary Assistance for Needy Families (TANF) Employee Training & Education Services. Grant funding includes monies for Apprenticeship USA, Career Opportunities in Retail, Disabled Veterans Outreach Program, Enhanced Dislocated Worker (EDW) Hire for Colorado Initiative, Employment Support Fund, Ex-Offender Services for Youth, Governor’s Summer Job Hunt, H-1B Ready to Work Grant, H-1B Technical Skills Training Grant, Local Veterans Employment Representative, Reemployment Services and Eligibility Assessment, Trade Adjustment Act (TAA) Case Management, TANF Case Management/Employ/Training, and Denver Urban Renewal Authority.

Individuals who are interested in obtaining workforce services can receive in-person support at one of the City's American Job Centers or partner sites. Individuals can also register for services.
online through Connecting Colorado. Depending on the nature of services desired, registered individuals may receive services either on-site from ResCare at one of the City’s American Job Centers or from a co-located one-stop partner program. Individuals may also receive services off-site at a designated service provider location. See Appendix B for additional information on workforce development service partners.

The City provided workforce services to approximately 98,000 individuals during the five-year period of 2012 through the third quarter of 2017—incuding the delivery of about 984,000 workforce services. As shown in Figure 3, the number of individuals being served each program year has sharply declined. The number of program participants ranged from a high of nearly 43,000 in 2012 to a low of about 14,700 in 2016—a roughly 66 percent decrease. Similarly, the number of workforce services has decreased sharply, from almost 291,000 services in program year 2012 to about 85,000 services in 2017—representing a decrease of nearly 71 percent. The decreasing number of individuals receiving workforce services and services delivered roughly corresponds with decreased funding for Workforce Development Services overall. Also, given the positive economic conditions in the state, OED officials said that the current funding is likely being used to serve a more limited population, specifically the “hard-to-serve” and those with significant barriers to employment.

**FIGURE 3.** Workforce Development Program Participants and Services, Program Years 2012 through Third Quarter 2017 (in thousands)

![Figure 3: Workforce Development Program Participants and Services, Program Years 2012 through Third Quarter 2017](image)

**Source:** City and County of Denver Auditor’s Office analysis of Colorado Department of Labor and Employment data.

**Notes:** The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Also, the number of services in each year can include participants carried in from the previous program years. Therefore, a single individual who receives services in multiple program years may be included in service delivery counts for more than one program year.

See Appendix C for additional information on workforce development data trends.
OBJECTIVE

The objective of this audit was to review the effectiveness and efficiency of the Office of Economic Development’s (OED) policies and procedures for administering workforce development services and programs for the City and County of Denver. This audit examined the extent to which OED’s efforts align with applicable legal requirements, internal control standards, and leading practices for delivering workforce development services and programs.

SCOPE

During our examination of the effectiveness and efficiency of OED’s workforce development services, we assessed the extent to which OED’s processes align with applicable legal requirements, programmatic requirements, and leading management practices. We also assessed how OED adhered to leading management practices for privatizing the delivery of the City’s workforce development services and programs.

METHODOLOGY

We applied multiple methodologies to gather and analyze information pertinent to the audit scope. Specifically, to assess the extent to which OED’s processes align with applicable legal requirements, programmatic requirements, and leading management practices, we applied the following methodologies:

- Reviewed Workforce Innovation and Opportunity Act (WIOA) and other federal, state, and local rules and regulations to identify and summarize applicable legal requirements for OED’s workforce development programs and services. Also, reviewed OED contract with ResCare to identify and summarize additional legal requirements related to OED’s workforce development programs and services.

- Reviewed state, regional, and local workforce development plans to identify and summarize applicable programmatic requirements for OED’s workforce development programs and services.

- Analyzed OED operational and financial data from January 1, 2012, through March 31, 2018, to examine trends and anomalies related to OED’s processes for delivering workforce development services and programs and performance. Also, assessed the reliability of the data obtained to determine the extent to which it is reasonably complete and accurate, meets the intended purpose, and is not subject to inappropriate alteration.

- Observed select OED, ResCare, and other provider operations, including activities related to contract monitoring and compliance, to obtain contextual information about workforce development programs and service delivery.

- Compared OED’s and ResCare’s processes for delivering workforce development programs and services to applicable legal requirements established by WIOA and other federal, state, and local rules and regulations to determine the extent to which these processes align with the law. Also, compared OED’s and ResCare’s processes for delivering workforce development programs and services to terms and conditions outlined in relevant contracts to determine the extent to which programs and services are being provided in accordance with established guidelines and specifications.
• Compared OED’s processes for delivering workforce development programs and services to applicable programmatic requirements outlined in state, regional, and local workforce development plans to determine the extent to which programs and services align with strategic workforce development planning requirements.

• Interviewed OED officials, the Denver Workforce Development Board, Colorado Department of Labor and Employment (CDLE) officials, and ResCare representatives to obtain contextual information about OED workforce development services.

• Compare OED’s processes for privatizing workforce development programs and services to applicable City laws, rules, regulations, and leading management practices.
FINDING

The Office of Economic Development Lacks a Systematic Approach for Evaluating the Effectiveness of Workforce Development Privatization

The Workforce Innovation and Opportunity Act of 2014 (WIOA) marked a significant change to the country’s public workforce system. This updated legislation emphasizes the importance of providing integrated, seamless services to job seekers, workers, and employers through a well-coordinated one-stop delivery system. WIOA requires states and local areas to create workforce development plans to ensure that programs and services are coordinated and delivered in accordance with state, regional, and local workforce needs. The legislation also made improvements to the existing one-stop service delivery system. In July 2016, the Office of Economic Development (OED) and the Denver Workforce Development Board (Local Board) collaboratively finalized a local workforce development plan. Additionally, OED opted to privatize operation of the City’s one-stop American Job Centers through a competitive selection process, ultimately entering into a contract with ResCare Workforce Services (ResCare).

In assessing OED’s operations since implementing changes under WIOA, we identified challenges in three areas. First, Denver’s local workforce development plan does not reflect some of the key elements that are required by WIOA. Second, the City’s processes for delivering workforce development programs and services do not completely align with requirements established in the local workforce development plan. Third, regarding the privatization of workforce programs and services, we found several issues that may prevent OED from being able to evaluate costs and service quality. These areas, if not addressed, could hamper OED’s ability to ensure the effectiveness of its workforce development programs, services, and privatization efforts.

Three Additions Will Bring Denver’s Local Workforce Development Plan into Alignment with Legal Requirements

In assessing the Denver Workforce Development Board Local Plan (Local Plan), we found that it generally aligns with WIOA requirements. Out of 27 plan requirements, the Local Plan is only missing 3 elements: strategies for statewide rapid response coordination, strategies for implementing an integrated case management information system, and up-to-date performance goals. The following sections outline these missing pieces in greater detail.

Denver’s Local Plan Does Not Include Statewide Rapid Response Coordination Strategies

WIOA requires local workforce development plans to include a description of how the Local Board will coordinate workforce programs and services with rapid response activities. Within the workforce development context, rapid response activities are those that help workers and businesses deal with the effects of layoffs and plant closures, including those stemming from changing marketplace conditions and natural disasters. Rapid response activities are intended to help minimize disruptions associated with job loss and include a range of services, such as career counseling, job search assistance, resume preparation, and interview skills. Employers can also

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benefit from rapid response activities, which help them understand their legal obligations associated with layoffs and develop effective strategies for supporting workers.

After determining that the Local Plan does not address rapid response activities, OED officials explained that the Local Plan was assembled using a template created by the Colorado Department of Labor and Employment (CDLE), which did not include a place for rapid response information. Although OED later developed a rapid response plan at CDLE’s request, this information has not been incorporated into the Local Plan.

**Integrated Case Management Information System Strategies Not Included in Local Plan**

WIOA requires local workforce development plans to include a description of how one-stop centers are implementing and transitioning to an integrated, technology-enabled intake and case management system for core workforce development programs. This includes strategies for changing information systems so that they can perform a variety of actions in the areas of program registration, data collection, case management, performance management, and service coordination.

Although CDLE has designated Connecting Colorado as the case management system of record for the State of Colorado, a description of how this system has been implemented to support case management for core workforce development programs has not been incorporated into the Local Plan. Like rapid response coordination strategies, OED officials attributed the absence of integrated case management information system strategies to the absence of this information in CDLE’s local workforce development plan template.

**Performance Measures in Local Plan Are Outdated**

WIOA requires local workforce development plans to include performance measures, which are negotiated with the governor and chief elected local official. A locality uses these measures to assess how well the local workforce development system is meeting its goals. However, auditors found that the goals included in the Local Plan were from previous years. When asked why the performance measures were outdated, OED officials explained that the current goals had not been finalized with CDLE in time to meet the plan submission deadline. This was attributable to CDLE having not yet received up-to-date performance goals from the U.S. Department of Labor.

Although the Local Plan generally conforms with legal requirements set forth in WIOA, deviations from the law—even minor ones—are not inconsequential. In fact, government standards promulgated by the U.S. Government Accountability Office (GAO) specify that objectives related to compliance with applicable laws and regulations are very significant. Laws and regulations often prescribe a government entity’s objectives, structure, methods to achieve objectives, and reporting of performance relative to achieving objectives. Additionally, WIOA specifies that failure of a local board to fulfill its legal obligations can result in the decertification of the local board.

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11 United States Government Accountability Office. “Standards for Internal Control in the Federal Government,” GAO-14-704G (Washington, D.C.: Sep. 10, 2014). These standards, commonly referred to as the “Green Book,” may also be adopted by state, local, quasi-governmental entities, and not-for-profit organizations as a framework for an internal control system. In the government sector, objectives related to compliance with applicable laws and regulations are very significant. Laws and regulations often prescribe a government entity’s objectives, structure, methods to achieve objectives, and reporting of performance relative to achieving objectives. Management considers objectives in the category of compliance comprehensively for the entity and determines what controls are necessary to design, implement, and operate for the entity to achieve these objectives effectively.
12 Pub. L. No. 113-128 §107(c)(3).
By updating the Local Plan with the three missing components, OED will ensure that not only is Denver in compliance with the law, but the workforce development program will be better positioned for success.

**RECOMMENDATION 1.1**

The Executive Director of Economic Development should work with the Denver Workforce Development Board to update the Denver Workforce Development Board Local Plan to include statewide rapid response coordination strategies, integrated case management information system strategies, and up-to-date performance measures.

*Agency Response: Agree, Implementation Date - 12/31/18*

### One Change Will Bring Denver’s Workforce Development Programs and Services into Alignment with Local Plan Requirements

In addition to the Local Plan being generally aligned with legal requirements, we also found that the City’s workforce development programs and services are closely aligned with State and Local Plan requirements. In fact, of the 67 plan requirements that we examined, the audit revealed only one instance in which a plan requirement had not been fully addressed. Specifically, we found that workforce development service provider reports did not contain all specified reporting requirements.

The Local Plan stipulates that the one-stop operator and other service providers must develop and implement performance management practices to ensure strong program evaluation. These methods should evaluate program effectiveness and performance outcomes to ensure that programs achieve optimal results and meet local needs. Service providers are also required to submit monthly and quarterly reports on program outcomes and the use of funds to OED—including financial data and information on enrollment, retention, credential achievement, literacy, and numeracy gains. Finally, the Local Plan requires service providers to collaborate with OED to establish quarterly and annual performance goals.

When assessing the performance reports, we found that they were missing information, as follows:

- ResCare’s monthly reports did not include information on retention, literacy and numeracy gains, or credential achievement.
- ResCare’s quarterly reports did not contain information on retention, credential achievement, literacy and numeracy gains, or financial details.
- Denver Public Schools’ monthly reports did not contain information on retention or literacy and numeracy gains.
- Denver Public Schools’ quarterly reports did not include credential achievement, literacy and numeracy gains, or financial details.

When asked about this missing information, OED officials explained that several of the measures were obsolete; in other words, they were applicable only under the preceding federal workforce development legislation. For example, data on retention and literacy and numeracy gains are no longer required under WIOA. Further, as previously discussed, OED and the Local Board included
out-of-date performance goals in the Local Plan due to CDLE having not yet received up-to-date performance goals from the U.S. Department of Labor.

The lack of alignment between the Local Plan and service provider reporting may put ResCare and others out of compliance with the Local Plan. Further, without up-to-date reporting requirements, OED may not be receiving the information required to evaluate program effectiveness and performance outcomes—as outlined in the Local Plan.

**RECOMMENDATION 1.2**

The Executive Director of Economic Development should coordinate with its one-stop and other service providers to ensure that monthly and quarterly reporting requirements reflect the performance measures required by WIOA, as contained in the updated Denver Workforce Development Board Local Plan.

**Agency Response: Agree, Implementation Date – 12/31/18**

The Office of Economic Development Does Not Have a Comprehensive Approach for Evaluating Workforce Development Privatization

Privatization is the process of shifting functions and responsibilities, in whole or in part, from the government to the private sector. In 2016, Denver privatized the delivery of its workforce development programs and services, entering into a contract with ResCare to manage the City’s American Job Centers and provide comprehensive workforce services for Title I Adult, Dislocated Worker, and Title III Wagner-Peyser employment services. To examine the effectiveness of the privatization process, auditors compared OED’s processes to leading practices for privatizing government services.

The Auditor’s Office 2015 audit report on privatization practices identifies six leading practices for privatizing government functions as defined in Executive Order No. 8 and by GAO, the Government Finance Officers Association, and others. As shown in Table 2, these practices include defining the needs and objectives for privatization, conducting a cost-benefit analysis prior to privatizing, using a competitive selection process for evaluating proposals, ensuring a transparent workforce transition, developing contract monitoring strategies, and evaluating cost and quality to inform future decisions.

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### TABLE 2. Leading Practices for Privatizing Government Functions

<table>
<thead>
<tr>
<th>Leading Practice</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define the needs and objectives for privatization</td>
<td>Government should define the needs and objectives to be accomplished by privatization and the availability of resources to support.</td>
</tr>
<tr>
<td>Conduct cost-benefit analysis</td>
<td>Government should perform a thorough cost-benefit analysis prior to moving forward with privatizing a function or service.</td>
</tr>
<tr>
<td>Use a competitive selection process for evaluating proposals</td>
<td>Government should use a competitive selection process that evaluates proposals using criteria such as contractor capacity, experience, and reputation.</td>
</tr>
<tr>
<td>Ensure a transparent workforce transition</td>
<td>Government should consider employees who may or will be impacted by privatization and take measures to develop strategies to support displaced employees, including training to provide the skills necessary to be competitive in the private sector.</td>
</tr>
<tr>
<td>Develop strategies for monitoring contract performance</td>
<td>Government should develop policies, procedures, and other strategies for monitoring contract performance, including defining performance measures, identifying risk mitigation strategies, training, and reporting on outcomes.</td>
</tr>
<tr>
<td>Evaluate cost and quality to inform future decisions</td>
<td>Government should analyze performance and cost information to inform decision making for future awards.</td>
</tr>
</tbody>
</table>

Source: City and County of Denver Auditor’s Office Privatization Practices Performance Audit (June 2015).

Although OED did not develop a formal, comprehensive plan for managing the workforce services privatization effort, audit work revealed that OED’s process did reflect four of the six leading practices, as follows:

- **Needs and Objectives for Privatization**—Documentation revealed that the impetus for privatizing workforce development programs and services stemmed from the WIOA requirement that local areas select one-stop operators through a competitive bidding process to minimize overhead costs and increase resources for training and other workforce-related services. Guidance from the public administration literature supports this as a best practice.14

- **Competitive Selection Process for Evaluating Proposals**—Consistent with leading practices and Executive Order 8B, OED used a competitive process to select a one-stop operator. OED prepared a Request for Proposal (RFP) that was open to the public for seven weeks. Through that process, OED received four proposals and awarded the contract to ResCare

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based on the organization’s scores from the RFP process. It should be noted that OED was eligible to submit a proposal through the competitive selection process to have Workforce Development Services continue to provide one-stop operator services. However, officials stated that the agency opted not to submit a proposal—citing higher participant costs and the desire to retain oversight of the workforce system.

• **Transparent Workforce Transition**—After making the decision to privatize OED’s workforce development programs and services, management recognized the need to restructure its workforce, which included laying off 128 employees. Affected employees were notified 11 months prior to privatization, partnering with the Office of Human Resources (OHR) to facilitate communication and address employee questions and concerns. OED also organized job fairs and provided resume and job search assistance and training. GAO guidance supports this restructuring approach as a best practice.

• **Strategies for Monitoring Contract Performance**—OED has established multiple strategies for monitoring ResCare’s contract performance, including policies and procedures for continuous quality assurance, file monitoring, reporting, technical assistance, and systems management. Additionally, OED has defined contract-related performance measures in accordance with federal guidelines. ResCare also reports monthly on the established performance measures. Finally, OED undergoes annual fiscal monitoring to ensure compliance with the fiscal requirements of the contract. All these activities are in line with the requirements of Executive Order No. 8.

OED has also created key staff positions to support its contract monitoring strategies for program service and delivery. Specifically, there is a full-time liaison to ensure ResCare’s compliance with the contract scope of work. The liaison is co-located at one of the City’s one-stop American Job Centers, which OED officials say allows for a deeper level of contract oversight. OED has also designated a policy analyst who provides training on policies to internal staff and contractors and assists with program file review and monitoring. In addition to these continuous quality assurance activities, OED has assigned a contract administrator to conduct annual reviews of ResCare contract compliance. The contract administrator also coordinates with OED’s full-time liaison and ResCare to ensure that required information is available and that all inquiries are addressed.

Although these practices are directly in alignment with best practices for government privatization, auditors identified two gaps in OED’s privatization process, as follows:

• **OED Did Not Conduct a Thorough Cost-Benefit Analysis Prior to Deciding to Privatize Workforce Development**—Auditors found that OED did not perform a thorough cost-

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15 City and County of Denver, “Executive Order Memorandum No. 8B: Competitive Selection Policy,” January 3, 2012. States that the City’s contracts should be competitively bid or selected, absent special circumstances, such as supplies or services that are obtainable only from a single source or in emergency situations.


17 City and County of Denver, “Executive Order No. 8: Contracts and Other Written Instruments of and for the City and County of Denver,” May 31, 2011. Stipulates the procedures for initiating, procuring, and executing contracts for the City. Among other things, Executive Order No. 8 establishes contract monitoring expectations, including implementing policies and procedures that establish specific individuals to monitor contracts, ensure compliance, monitor contract expiration dates, and ensure that the contractor is paid on time. Executive Order No. 8 requires that the following happen over the life of the contract: contract terms are met, bonding and insurance terms are met, close-out activities are completed, and monitoring and deliverables are documented.
benefit analysis prior to moving forward with privatizing workforce development programs and services. Although OED did consider some qualitative factors, such as control of policies and program oversight, and estimate average administrative costs, the process was not robust enough to enable OED to understand the full cost of the different services that would be provided, transition costs, or costs associated with monitoring and oversight resulting from the change, as recommended by GFOA guidance.\footnote{Government Finance Officers Association, “Measuring the Full Cost of Government Service,” January 2002. Recommends that the decision-making process for privatization include a consistent approach to evaluating the costs of government activities utilizing the full cost of the different services provided.}

- **OED Does Not Have a Systematic Approach for Evaluating Cost and Quality to Inform Future Award Decisions**—OED has not established a formal, systematic approach for evaluating the City’s privatization of workforce development programs and services, including comprehensive analysis of contract costs and the quality of services provided. Rather, OED relies on periodic insight obtained from program, contract monitoring, and fiscal staff throughout the year. Consequently, OED may not be optimally positioned to accurately assess the service provided by ResCare, which would be used to inform decisions about the terms of future contracts with ResCare or the new RFP process to commence in program year 2019. Previous audit work by this office underscores the importance of these activities.\footnote{City and County of Denver Auditor’s Office, “Privatization Practices Performance Audit,” June 2015. Benchmarking results summarized in this report emphasizes the importance of compiling and using contract performance and cost information—at important contract phases and at the end of a contract term—to inform decision-making for future awards. For example, the City and County of San Francisco, California, requires an annual review of fiscal, compliance, and governance of all contracts with non-profit organizations, while Los Angeles County, California, requires performance evaluations for all contracts annually. The City of Austin, Texas, implemented a citywide vendor performance evaluation program in 2014. Evaluations are to be conducted upon completion of each project phase and upon completion of the project. Records of contractor performance are to be retained for consideration of future awards.}

By following a more comprehensive approach to privatization, OED would be better informed about the true cost of privatizing workforce development programs and services and better positioned to provide the appropriate level of due diligence required of a steward of taxpayer dollars.

**RECOMMENDATION 1.3**

The Executive Director of Economic Development should develop a formal, systematic, and comprehensive approach for evaluating the City’s privatization of workforce development programs and services, including an analysis of the full cost of the different services provided, transition costs, and costs associated with monitoring and oversight resulting from a change in provider services.

*Agency Response: Agree, Implementation Date – 12/31/18*

OED Could Be Relying on Faulty Data to Make Workforce Development Management Decisions

To evaluate costs and service quality, an organization needs quality information to support its decision making. However, auditors found that OED has not established policies or procedures to
ensure the completeness and accuracy of the data that it collects and analyzes about workforce development.

Auditors analyzed Connecting Colorado data to learn about Denver’s workforce development operations, including program participation and service performance. Prior to completing our analysis, we conducted a data reliability assessment to determine the extent to which the data contained in Connecting Colorado is reasonably complete and accurate, meets the intended purpose, and has not been subject to inappropriate alteration. We also reviewed the configuration and use of Connecting Colorado, which included a review of internal controls. Additionally, we interviewed OED officials about the operation and maintenance of the database. Finally, we tested the data for missing data, outliers, and obvious errors.

This analysis revealed concerns about the method that OED uses to extract data from Connecting Colorado to inform its operations and performance reporting. As discussed in the report background, users can extract data from Connecting Colorado using pre-formatted reports or on an ad hoc basis using custom queries through the Job Link Online Search (JOLS) function. OED uses both report-generating methods and uses data obtained through the JOLS function to inform operations and monitor workforce development program performance.

In response to requests for data contained in Connecting Colorado, on three separate occasions OED provided auditors with incomplete data using the JOLS function. OED officials attributed the missing information to Colorado Department of Labor and Employment’s (CDLE) data archival processes for Connecting Colorado, the extent of which was unknown to OED prior to this audit. When asked whether OED had formal policies and procedures for ensuring the completeness and accuracy of the data that it extracts from Connecting Colorado, officials acknowledged that the agency does not have formal data reliability procedures.

GAO guidance emphasizes the importance of quality information to help entities gather and evaluate the information needed to inform decision-making and achieve results. Without formal policies and procedures, OED cannot be certain that the information it is using to make decisions is reasonably complete, accurate, and valid for its intended purpose.

**RECOMMENDATION 1.4**

The Executive Director of Economic Development should develop policies and procedures to ensure that the data used to support workforce development program operations and performance is complete, accurate, and valid.

**Agency Response: Agree, Implementation Date – 9/30/18**

OED’s Monitoring Activities Are Not Sufficient for Ensuring that Services Are Being Delivered by ResCare as Agreed to in the Contract

Any time an organization enters into a contract with a third party, it is essential that the contractor’s work be monitored. Contract monitoring is observing and reporting on the contractor’s performance. This gives the organization assurance that the agreed-to products and

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services are being delivered. The City mandates this kind of oversight through Executive Order No. 8, which requires City departments and agencies to establish and implement policies and procedures for monitoring contracts. \(^{21}\)

Auditors evaluated the activities that OED has put in place to monitor ResCare’s workforce development program and service delivery. We found that those activities are not sufficient to ensure that ResCare is delivering everything agreed to in the contract. There were two primary areas where we determined that oversight is not thorough enough: in the quality control plan, which is required by the contract, and in OED’s policies and procedures that were created to guide contract monitoring activities.

**Quality Control Plan Is Missing Several Key Elements**—The Scope of Services within the ResCare contract includes a section on quality control and continuous quality improvement. This section requires ResCare to develop a quality control plan to ensure that all WIOA adult and dislocated worker case files are reviewed for compliance with program requirements.

The contract goes on to specify eight elements that should be included in the quality control plan. Although ResCare developed the quality control plan as specified in the contract, auditors found that the plan was missing five of the eight required elements, as follows:

- A monitoring system that covers all the services listed in the scope of services;
- Monitoring frequency;
- Assignment of individuals who will be performing the monitoring;
- The method for identifying and preventing deficiencies in the quality of services performed; and
- The administrative procedures to be followed for reporting and responding to operational problems, complaints concerning work performance, qualifications, or other complaints about personnel, and details on all corrective actions taken.

A robust monitoring system would include all eight elements, complete with frequency of monitoring activities, assigned personnel, and methods for identifying and correcting low-quality work. Without these elements, OED cannot ensure that ResCare is carrying out workforce development at a high enough level of quality to justify the privatization of this former OED function.

**Contract Monitoring Policies and Procedures Are Not Detailed Enough**—When seeking to understand the reason for the incomplete quality control plan, auditors found that OED lacks documented policies and procedures that are specific and detailed enough to address all terms and conditions of the ResCare contract. Currently, OED relies on an internal OED document to guide its monitoring activities. Although this guidance contains high-level descriptions of administrative, program, financial, and information system monitoring, it does not specify the precise contract terms to be examined or explain what kind of evidence should be present to prove compliance.

Furthermore, the tools the program administrator is using to monitor the contract do not include a comprehensive list of contract terms. For example, one section of the contract on labor exchange

\(^{21}\) Executive Order No. 8 requires City departments and agencies to establish and implement policies and procedures for monitoring contracts. Agencies should monitor performance throughout the life of the contract, including ensuring that all terms of the contract are met, and deliverables are documented.
services includes 10 discreet deliverables. However, the corresponding section of the monitoring spreadsheet only included two items. Without having every element of the contract broken out for targeted evaluation, it is possible that certain deliverables or milestones will not be carried out and go undetected.

It was also challenging for auditors to assess what kind of documentation had been reviewed to prove that certain contract requirements had been met. For example, the most recent contract monitoring report—issued in March 2017—states that contract monitors conducted programmatic review for compliance with the terms outlined in the contract Scope of Services. However, the contract monitoring tool does not clearly identify the documentation contract monitors used to determine whether ResCare had met its contractual obligations.

**RECOMMENDATION 1.5**

The Executive Director of Economic Development should develop detailed, contract-specific policies and procedures to guide its contract monitoring activities related to the provision of the City’s workforce development programs and services. The policies and procedures should identify the precise contract provisions to be monitored and the evidence required to demonstrate that all terms have been met.

**Agency Response: Agree, Implementation Date - 9/30/18**

**Reporting on Contract Monitoring Not Timely**—As previously mentioned, the most recent contract monitoring report was issued in March 2017, covering the program year July 1, 2016, through June 30, 2017. The report for the current program year had not been completed at the conclusion of this audit. We were told by OED that the report will not be issued until late July which is after the current contract period ends.

Although the related policies and procedures do not specify timeliness of reporting on monitoring, best practices emphasize the importance of identifying and addressing compliance and performance issues timely. This kind of timely resolution is less likely to happen without timely reporting.

**RECOMMENDATION 1.6**

After developing detailed, contract-specific policies and procedures to guide contract monitoring activities related to the provision of the City’s workforce development programs and services, the Executive Director of Economic Development should establish deadlines for reporting that will enable timely identification and resolution of compliance and performance issues.

**Agency Response: Agree, Implementation Date - 9/30/18**

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No Formal, Specific Training for Contract Monitoring Staff—Also, we found that OED has not established a formal training program for staff engaged in monitoring workforce development program and services contracts. Contract management is more likely to succeed when those responsible for monitoring activities are well-versed in how to carry out their duties. In fact, a professional organization that focuses on best practices in government contracting and procurement cites training as one of a few essential elements in successful contract administration.23

Although OED has developed and conducted some quality assurance training for its workforce development programs and services, it is unclear the extent to which OED employees charged with contract monitoring participated in the training, nor did the training address the specific nuances of individual contracts—such as those in the City's contract with ResCare. The ResCare contract is lengthy, at more than 200 pages, with numerous provisions that are unique to the ResCare relationship. In other words, even a seasoned, well-trained contract monitor may not be able to understand all the terms and conditions unless he or she received training specific to the ResCare contract.

**RECOMMENDATION 1.7**

The Executive Director of Economic Development should establish and require participation in a formal training or certification program for staff engaged in contract monitoring for workforce development program and services contracts.

**Agency Response: Agree, Implementation Date - 11/30/18**
RECOMMENDATIONS

We make the following recommendations to the Executive Director of Economic Development to improve how the agency evaluates the effectiveness of its privatization efforts:

1. **Aligning the Local Plan with the Law**—The Executive Director of Economic Development should work with the Denver Workforce Development Board to update the Denver Workforce Development Board Local Plan to include statewide rapid response coordination strategies, integrated case management information system strategies, and up-to-date performance measures.

**Auditee Response: Agree, Implementation Date - 12/31/18**

Auditee Narrative: On May 18, 2018, the Denver Workforce Development Board (Denver WDB) submitted its Local Plan Modification as required by 20 C.F.R §679.580 and Colorado Department of Labor and Employment (CDLE) Performance Guidance Letter (PGL) WIOA 2018-03, Change 1: WIOA/PY16-PY19 Regional and Local Plan Modifications. This modification included a description of the coordination of local area and statewide rapid response activities, a discussion of Connecting Colorado, the integrated case management information system mandated by the state and clarification of updated performance measures.

In preparing the May 18 modification, the Denver WDB consulted with CDLE and the Colorado Workforce Development Council (CWDC), regarding the observations included in this audit report. Our state partners relayed that, in an effort to streamline WIOA Plan requirements, its staff reviewed all of the questions/sections for both regional plans and local area plans required by federal law. The state then determined which items were best addressed on a regional level and which were best addressed on a local level. It determined that rapid response coordination and integrated case-management systems were items better addressed at the regional level. CDLE and CWDC stress that as Local Area Plan is not a stand-alone document, it is officially considered a part of the Regional Plan when a local area is included in a planning region with more than one local area; the Central Planning Region's responses related to rapid response coordination and the integrated case management information system are considered the Denver's response.

The Performance Measures included in the modification on May 18, 2018 are those measures currently in place as negotiated between the U.S. Department of Labor (USDOL) and Colorado for the 2016 and 2017 Program Years. CDLE has communicated that it has not yet finalized negotiation with USDOL of the performance measures for the 2018 Program Year, which begins July 1, 2018. Per USDOL Training and Employment Guidance Letter (TEGL) Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Act Employment Service as amended by Title III of WIOA, for Program Years (PYS) 2018 and PY 2019, Colorado must negotiate local Performance Measures by September 30, 2018; the Denver WDB may not be able to update its
Local Plan until that time. When these measures are finalized, the Denver WDB, Denver will update its Local Plan to reflect these finalized Performance Measures and submit this additional modification to CDLE and CWDC for approval after the required public comment period. The Denver WDB appreciates the observations of the Denver Auditor’s Office. However, its ability to update its Local Plan is contingent upon the willingness of COLE and CWDC to accept an additional Local Plan Modification outside of its annual process.

1.2 Performance Reporting—The Executive Director of Economic Development should coordinate with its one-stop and other service providers to ensure that monthly and quarterly reporting requirements reflect the performance measures required by WIOA, as contained in the updated Denver Workforce Development Board Local Plan.

Auditee Response: Agree, Implementation Date - 12/31/18

Auditee Narrative: Denver will ensure that monthly and quarterly reporting by the one-stop operator and other service providers reflect the updated WIOA Performance Measures as contained in the Modified Local Plan. Additionally, at the time the Denver WDB updates its Local Plan to reflect finalized Performance Measures in response to Recommendation 1.1 above, it will remove references to obsolete or out-of-date performance measures and reporting requirements included throughout its Local Plan, and submit this additional modification to COLE and CWDC for approval after the required public comment period. Per USDOL Training and Employment Guidance Letter (TEGL) Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Act Employment Service as amended by Title III of WIOA, for Program Years (PYs) 2018 and PY 2019, Colorado must negotiate local Performance Measures by September 30, 2018; the Denver WDB may not be able to update its Local Plan until that time.

It is important to emphasize that the Denver WDB originally included Workforce Investment Act (WIA) Common Measures only as placeholders in the 2016-20 Local WIOA Plan, under the direction of COLE and CWDC. The Local Plan was developed and submitted to the state at a time prior to the June 29, 2016 USDOL publication of its Training and Employment Guidance Letter (TEGL) 26-15, Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Employment Service as amended by Title III of WIOA, for Program Year (PY) 2016 and PY 2017. The Denver WDB appreciates the observations of the Denver Auditor’s Office. However, its ability to update its Local Plan is contingent upon the willingness of COLE and CWDC to accept and approve an additional Local Plan Modification outside of its annual process.

1.3 Evaluating Cost and Quality—The Executive Director of Economic Development should develop a formal, systematic, and comprehensive approach for evaluating the City’s privatization of workforce development programs and services, including an analysis of the full cost of the different services provided, transition costs, and costs associated with monitoring and oversight resulting from a change in provider services.

Auditee Response: Agree, Implementation Date - 12/31/18
Auditee Narrative: OED is formalizing and process mapping the systems that are in place for monitoring and evaluating contract and system performance. Currently three departments within OED provide contract oversight and monitoring including the Programs Team, Contracts Team, and the Financial Management Unit. The teams will work together to ensure that all future oversight and monitoring is done in a strategic and collective manner, and that information gathered through these activities will inform a comprehensive evaluation of the system and performance on a continual basis. OED, or a contracted Partner will conduct a full cost analysis and evaluation of the workforce system prior to privatization and post-privatization. OED is currently in the discovery phase of identifying potential partners to conduct such an evaluation. Information from ongoing internal monitoring and oversight, along with the results of the privatization evaluation will provide the necessary data to inform next steps for OED.

1.4 Ensuring Data Reliability—The Executive Director of Economic Development should develop policies and procedures to ensure that the data used to support workforce development program operations and performance is complete, accurate, and valid.

Auditee Response: Agree, Implementation Date - 9/30/18

Auditee Narrative: The Office of Economic Development has developed draft data quality standards policy and procedures to improve the quality of the data Denver Workforce Services, the Office of Economic Development, and other internal and external stakeholders use for decision making and outcome reporting. Denver Workforce Services, will utilize the following characteristics of good data to assess the quality of data to identify and address potential weaknesses: Accuracy, Validity, Reliability, Timeliness, Relevance, Completeness, and Secureness, and will continue to refine this draft to produce a final product inclusive of the aforementioned characteristics. OED’s sub-recipient is also in a process of updating its Quality Control Plan to include key elements to ensure that all program files are reviewed for compliance with program requirements.

1.5 Contract Monitoring Policies and Procedures—The Executive Director of Economic Development should develop detailed, contract-specific policies and procedures to guide its contract monitoring activities related to the provision of the City’s workforce development programs and services. The policies and procedures should identify the precise contract provisions to be monitored and the evidence required to demonstrate that all terms have been met.

Auditee Response: Agree, Implementation Date - 9/30/18

Auditee Narrative: The Office of Economic Development is in process of updating its policies, procedures, and contract monitoring tools to include more detailed information related to the specifics of its contacts and monitoring activities to ensure that all contractual obligations are consistently being reviewed and monitored for adherence to program compliance as contracted. Denver Workforce Services will utilize the applicable elements of the scope of work in relations to the contract provisions to be monitored and the applicable supporting documentation in satisfaction to demonstrate that all terms have been met.
1.6 **Contract Monitoring Reporting**—After developing detailed, contract-specific policies and procedures to guide contract monitoring activities related to the provision of the City’s workforce development programs and services, the Executive Director of Economic Development should establish deadlines for reporting that will enable timely identification and resolution of compliance and performance issues.

**Auditee Response: Agree, Implementation Date - 9/30/18**

Auditee Narrative: The Office of Economic Development will include a timeframe of scheduled contractor monitoring in its policies and procedures to ensure compliance and performance issues are identified, reported, and addressed in a timely manner. The agency strives to meet midyear annual monitoring compliance for Denver Workforce contracts. OED will work with management to determine a standard operating procedure that meets funding, programmatic and compliance requirements that will ensure adherence to efficient, timely, monitoring and reporting.

1.7 **Contract Monitoring Training**—The Executive Director of Economic Development should establish and require participation in a formal training or certification program for staff engaged in contract monitoring for workforce development program and services contracts.

**Auditee Response: Agree, Implementation Date - 11/30/18**

Auditee Narrative: The Office of Economic Development Contract Performance Management staff have attended the Clarity, Impact, Speed; Delivering Audit Reports That Matter, offered by The Institute of Internal Auditors Research Foundation & Evaluation Intensive training offered by Joining Visions and Action (JVA) Consulting. The agency will establish and identify consistent formal training opportunities on contract monitoring and will require participation for staff engaged in the monitoring of workforce development program and services contracts. In addition, the agency will research for leading practices and seek industry recognized training/certifications.
APPENDICES

Appendix A – Workforce Innovation and Opportunity Act Local Plan Requirements

As stated in the body of the report, the Workforce Innovation and Opportunity Act (WIOA) is the principal federal legislation that supports the public workforce system in the United States. Enacted in July 2014, WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973—marking a significant change to the country’s public workforce system. Specifically, WIOA emphasizes the importance of providing integrated, seamless services to all job seekers and workers and effective strategies that meet employers’ workforce needs through a well-coordinated one-stop delivery system.

Table 3 shows the specific requirements that the Workforce Innovation and Opportunity Act mandates to be included in each local workforce development area’s local plan. These requirements are designed to enable local boards to align their workforce development strategies with economic conditions and employer needs in the local area. The governor of each state may also add requirements for local boards to include within the local plan.

### TABLE 3. Workforce Innovation and Opportunity Act Local Plan Requirements

<table>
<thead>
<tr>
<th>Workforce Innovation and Opportunity Act Requirements for Local Workforce Development Plans</th>
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<tbody>
<tr>
<td>§ 108(a)</td>
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<tr>
<td>§ 108(b)(1)(A)</td>
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<td>§ 108(b)(1)(B)</td>
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<td>§ 108(b)(1)(C)</td>
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<td>§ 108(b)(1)(D)</td>
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<td>§ 108(b)(1)(E)</td>
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§108(b)(1)(F)  The local plan shall include a strategy to work with the entities that carry out the core programs to align resources available to the local area, to achieve the strategic vision and goals.

§108(b)(2)  The local plan shall include a description of the workforce development system in the local area that identifies the programs that are included in that system and how the local board will work with the entities carrying out core programs and other workforce development programs to support alignment to provide services, including programs of study authorized under the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.), that support the strategy identified in the State plan.

§108(b)(3)  The local plan shall include a description of how the local board, working with the entities carrying out core programs, will expand access to employment, training, education, and supportive services for eligible individuals, particularly eligible individuals with barriers to employment, including how the local board will facilitate the development of career pathways and co-enrollment, as appropriate, in core programs, and improve access to activities leading to a recognized postsecondary credential.

§108(b)(4)(A)  The local plan shall include a description of the strategies and services that will be used in the local area—
(A) in order to—
(i) facilitate engagement of employers, including small employers and employers in in-demand industry sectors and occupations, in workforce development programs;
(ii) support a local workforce development system that meets the needs of businesses in the local area;
(iii) better coordinate workforce development programs and economic development; and
(iv) strengthen linkages between the one-stop delivery system and unemployment insurance programs.

§108(b)(4)(B)  The local plan shall include a description of the strategies and services that will be used in the local area—
(B) that may include the implementation of initiatives such as incumbent worker training programs, on-the-job training programs, customized training programs, industry and sector strategies, career pathways initiatives, utilization of effective business intermediaries, and other business services and strategies, designed to meet the needs of employers in the corresponding region.

§108(b)(5)  The local plan shall include a description of how the local board will coordinate workforce investment activities carried out in the local area with economic development activities carried out in the region in which the local area is located (or planning region) and promote entrepreneurial skills training and microenterprise services.

§108(b)(6)  The local plan shall include a description of the one-stop delivery system in the local area, including—
(A) a description of how the local board will ensure the continuous improvement of eligible providers of services through the system and ensure that such providers meet the employment needs of local employers, and workers and jobseekers;
(B) a description of how the local board will facilitate access to services provided through the one-stop delivery system, including in remote areas, through the use of technology and through other means;
(C) a description of how entities within the one-stop delivery system, including one-stop operators and the one-stop partners, will comply with section 188, if applicable, and applicable provisions of the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.).
12101 et seq.) regarding the physical and programmatic accessibility of facilities, programs and services, technology, and materials for individuals with disabilities, including providing staff training and support for addressing the needs of individuals with disabilities; and
(D) a description of the roles and resource contributions of the one-stop partners.

§108(b)(7) The local plan shall include a description and assessment of the type and availability of adult and dislocated worker employment and training activities in the local area.

§108(b)(8) The local plan shall include a description of how the local board will coordinate workforce investment activities carried out in the local area with statewide rapid response activities.

§108(b)(9) The local plan shall include a description and assessment of the type and availability of youth workforce investment activities in the local area, including activities for youth who are individuals with disabilities, which description and assessment shall include an identification of successful models of such youth workforce investment activities.

§108(b)(10) The local plan shall include a description of how the local board will coordinate education and workforce investment activities carried out in the local area with relevant secondary and postsecondary education programs and activities to coordinate strategies, enhance services, and avoid duplication of services.

§108(b)(11) The local plan shall include a description of how the local board will coordinate workforce investment activities carried out under this title in the local area with the provision of transportation, including public transportation, and other appropriate supportive services in the local area.

§108(b)(12) The local plan shall include a description of plans and strategies for, and assurances concerning, maximizing coordination of services provided by the State employment service under the Wagner-Peyser Act (29 U.S.C. 49 et seq.) and services provided in the local area through the one-stop delivery system, to improve service delivery and avoid duplication of services.

§108(b)(13) The local plan shall include a description of how the local board will coordinate workforce investment activities carried out under this title in the local area with the provision of adult education and literacy activities under title II in the local area, including a description of how the local board will carry out the review of local applications submitted under title II.

§108(b)(14) The local plan shall include a description of the replicated cooperative agreements between the local board or other local entities and the local office of a designated State agency or designated State unit administering programs with respect to efforts that will enhance the provision of services to individuals with disabilities and to other individuals, such as cross training of staff, technical assistance, use and sharing of information, cooperative efforts with employers, and other efforts at cooperation, collaboration, and coordination.

§108(b)(15) The local plan shall include an identification of the entity responsible for the disbursal of grant funds.

§108(b)(16) The local plan shall include a description of the competitive process to be used to award the sub-grants and contracts in the local area for activities carried out under this title.

§108(b)(17) The local plan shall include a description of the local levels of performance negotiated with the Governor and chief elected official, to be used to measure the performance of the local area and to be used by the local board for measuring the performance of the local fiscal agent (where appropriate), eligible providers, and the one-stop delivery system, in the local area.
| §108(b)(18) | The local plan shall include a description of the actions the local board will take toward becoming or remaining a high-performing board. |
| §108(b)(19) | The local plan shall include a description of how training services will be provided, including, if contracts for the training services will be used, how the use of such contracts will be coordinated with the use of individual training accounts under that chapter and how the local board will ensure informed customer choice in the selection of training programs regardless of how the training services are to be provided. |
| §108(b)(20) | The local plan shall include a description of the process used by the local board to provide an opportunity for public comment, including comment by representatives of businesses and comment by representatives of labor organizations, and input into the development of the local plan, prior to submission of the plan. |
| §108(b)(21) | The local plan shall include a description of how one-stop centers are implementing and transitioning to an integrated, technology-enabled intake and case management information system for programs carried out under this Act and programs carried out by one-stop partners. |
| §108(b)(22) | Such other information as the Governor may require. |

**Source:** City and County of Denver analysis of the Workforce Innovation and Opportunity Act of 2014.
Appendix B – Denver Workforce Development Programs and Services, Service Providers

As shown in Table 4, Denver relies on a network of service providers and partner programs to provide the full scope of workforce development services both inside and outside of Denver’s One-Stop workforce centers. These services can range from job search and referral assistance under Wagner-Peyser to more targeted assistance like on-the-job training for Adults or Dislocated Workers. Depending on the service the participant is registered for, they may receive services on-site from ResCare or co-located partner program staff or off-site at the service provider’s location. In its entirety, the table demonstrates the variety of and access points to workforce development services in Denver.

**Table 4. Denver Workforce Development Programs and Services Provider and Partners, Program Year 2017**

<table>
<thead>
<tr>
<th>Types of Services</th>
<th>Service Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title I</strong></td>
<td></td>
</tr>
<tr>
<td>WIOA Adult</td>
<td></td>
</tr>
<tr>
<td>• Training programs</td>
<td>• ResCare</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td></td>
</tr>
<tr>
<td>• Industry-focused training</td>
<td></td>
</tr>
<tr>
<td>• Apprenticeships/Internships</td>
<td></td>
</tr>
<tr>
<td>• Incumbent worker training</td>
<td></td>
</tr>
<tr>
<td>WIOA Youth</td>
<td></td>
</tr>
<tr>
<td>• Training programs</td>
<td>• Denver Public Schools</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td></td>
</tr>
<tr>
<td>• Industry-focused training</td>
<td></td>
</tr>
<tr>
<td>• Apprenticeships/Internships</td>
<td></td>
</tr>
<tr>
<td>WIOA Dislocated Worker</td>
<td></td>
</tr>
<tr>
<td>• Training programs</td>
<td>• ResCare</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td></td>
</tr>
<tr>
<td>• Industry-focused training</td>
<td></td>
</tr>
<tr>
<td>• Apprenticeships/Internships</td>
<td></td>
</tr>
<tr>
<td><strong>Title II</strong></td>
<td></td>
</tr>
<tr>
<td>Adult Education and Literacy</td>
<td></td>
</tr>
<tr>
<td>• Literacy programs</td>
<td>• Emily Griffith Technical College</td>
</tr>
<tr>
<td>• Highschool equivalency preparation</td>
<td>• Spring Institute for Intercultural Learning</td>
</tr>
<tr>
<td>• Postsecondary programs</td>
<td>• Asian Pacific Development Center</td>
</tr>
<tr>
<td>• Career and technical education courses</td>
<td>• Community College of Denver-Foundational Skills Institute</td>
</tr>
<tr>
<td>• Focus Points</td>
<td>• Focus Points</td>
</tr>
<tr>
<td>• MSU Denver Family Literacy</td>
<td>• The Learning Source</td>
</tr>
<tr>
<td>• The Learning Source</td>
<td></td>
</tr>
<tr>
<td><strong>Title III</strong></td>
<td></td>
</tr>
<tr>
<td>Wagner-Peyser Employment Services</td>
<td></td>
</tr>
<tr>
<td>• Job search assistance</td>
<td>• Office of Economic Development</td>
</tr>
<tr>
<td>• Job referral</td>
<td>• Division of Unemployment Insurance</td>
</tr>
<tr>
<td>• Placement assistance</td>
<td></td>
</tr>
<tr>
<td>• Recruitment services</td>
<td></td>
</tr>
<tr>
<td>• Re-employment services to unemployment insurance claimants</td>
<td></td>
</tr>
<tr>
<td><strong>Title IV</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Rehabilitation Act of 1973 | • Vocational rehabilitation counseling  
| | • Pre-employment Transition Services to students  
| | • Physical and mental restoration services  
| | • Vocational, academic, and personal adjustment training services  
| | • Job-seeking skills training, job placement, and job coaching  
| | • Specialized services for blind, deaf, and deaf-blind  
| | • Rehabilitation technology services  
| | • Supportive services - maintenance, transportation, etc.  
| | • Colorado Department of Labor and Employment - Division of Vocational Rehabilitation  

**Source:** City and County Auditor’s Office analysis.

**Notes:** The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.
Appendix C – Denver Workforce Development Data Analysis

For this audit, we analyzed Connecting Colorado data and performance information to develop descriptive information about Denver’s workforce development operations, including program participation and service performance. Connecting Colorado is an online system that matches job seekers with employers and job opportunities. As the primary case management system for workforce development programs and services, Connecting Colorado contains data that supports compliance with federal reporting requirements and provides meaningful information about core program participation to inform operations.

Prior to completing our analysis, we conducted a data reliability assessment to determine the extent to which the data obtained was reasonably complete, accurate, met our intended purpose, and was not subject to alteration. As part of our assessment, we reviewed documentation related to the configuration and use of the database, including a review of related internal controls. We interviewed the Board’s administrative personnel to obtain contextual information about the operation and maintenance of the database. Finally, we tested the data for missing data, outliers, and obvious errors.

As discussed in the body of this report, the assessment revealed concerns about the method that OED uses to extract data from Connecting Colorado. Specifically, we found that OED does not have formal policies and procedures for ensuring the completeness and accuracy of the data that it extracts from Connecting Colorado through the Job Link Online Search (JOLS) function. We make a recommendation to address this issue in the body of the report.

Given the limitations associated with the JOLS function, we obtained data and other performance information from the Connecting Colorado master file to complete our analysis. We conducted additional data reliability testing on data extracted from the Connecting Colorado master file and found it to be sufficiently reliable for our purposes.

Program Participation

As shown in Figure 4, Denver’s workforce development programs serve a wide array of ethnicities. Collectively, individuals who self-identified as white, African American, or Hispanic represented the greatest proportion of individuals participating in workforce development programs—ranging from 79 percent of program participants in 2012 and 2013 to 72 percent in 2017. Individuals who self-identified as more than one ethnicity accounted for 13 to 14 percent of program participants between 2012 and 2017, while persons identifying as Asian, Hawaiian, Pacific Islander, American Indian, or Alaskan native collectively represented 4 percent of participants in each year.
Figure 4. Percent of Workforce Development Program Participants, by Ethnicity, Program Years 2012 through Third Quarter 2017

Source: City and County of Denver Auditor’s Office analysis of Colorado Department of Labor and Employment data.
Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.

Additionally, Figure 5 illustrates that workforce development program participation for men and women was fairly evenly distributed. Between 2012 and 2017, men accounted for about 74,000 program participants and women accounted about 68,000 participants—representing roughly 52 and 48 percent of program participants, respectively.
FIGURE 5. Number of Workforce Development Program Participants, by Gender, Program Years 2012 through Third Quarter 2017 (in thousands)

Source: City and County of Denver Auditor’s Office analysis of Colorado Department of Labor and Employment data.
Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Also, some workforce development program participants did not disclose their gender. The number of participants who did not disclose gender was eight in 2012, two in 2014, two in 2015, and one in 2016.

Performance Measures

The Workforce Innovation and Opportunity Act (WIOA) requires states and local areas to establish common performance measures across workforce development programs. The purpose of these measures is to assess the effectiveness of achieving positive outcomes for the individuals served by those programs. Table 5 identifies and describes the performance measures outlined in legislation.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title I Adult, Title I Dislocated Worker, and Wagner-Peyser Employment Services</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>
| Unsubsidized Employment | • Percentage of program participants who are in unsubsidized employment during the second quarter after exit from the program.  
• Percentage of program participants who are in unsubsidized employment during the fourth quarter after exit from the program. |
| Median Earnings | • Median earnings of program participants who are in unsubsidized employment during the second quarter after exit from the program. |
| Credential Attainment<sup>a</sup> | • Percentage of program participants who obtain a recognized postsecondary credential, a secondary school diploma, or its recognized equivalent during participation in or within one year after exit from the program. |
| Measurable Skill Gain (Adult and Dislocated Worker) | • Percentage of program participants who, during a program year, are in an education or training program that leads to a recognized postsecondary credential or employment and who are achieving measurable skill gains toward a credential or employment. |
| **Title I Youth**<sup>b</sup> | |
| Measurable Skill Gain and Unsubsidized Employment | • Percentage of program participants who are in education or training activities or in unsubsidized employment during the second quarter after exit from the program.  
• Percentage of program participants who are in education or training activities or in unsubsidized employment during the fourth quarter after exit from the program. |

**Source:** Workforce Innovation and Opportunity Act of 2014.

**Notes:**

<sup>a</sup>Percentage of program participants who obtain a recognized postsecondary credential, or a secondary diploma, is not a required performance measure for Wagner-Peyser Employment Services. Similarly, the percentage of program participants in an education or training program that leads to a postsecondary credential or employment is not a required measure for Wagner-Peyser Employment Services.

<sup>b</sup>In addition to the measure shown, Title I Youth program performance is assessed using the measures defined for Title I Adult and Dislocated Worker programs and Wagner-Peyser Employment Services, such median earnings and credential attainment.
In addition to the common performance measures, WIOA stipulates that each state and local area is responsible for adhering to performance goals established for each measure. For 2017, the Department of Labor required states and local areas to reach 80 percent of the established goal for each performance measure.

**Unsubsidized Employment**

Table 6 shows the percentage of program participants who are in unsubsidized employment during the second and fourth quarters after exit from the program. For Title I Adult, Dislocated Worker, and Wagner-Peyser Employment Services, the City exceeded the 80 percent of the programmatic goal established for 2017. Specifically, the City achieved nearly 88 to 119 percent of the goals set for the percentage of program participants who are in unsubsidized employment during the second quarter after exit from the program. For the percentage of program participants in unsubsidized employment during the fourth quarter after exit from the program, the City achieved between 95 and almost 126 percent of the established goal.

**TABLE 6. Unsubsidized Employment, Program Year 2017**

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Adult</td>
<td>74.9</td>
<td>65.8</td>
<td>87.8</td>
</tr>
<tr>
<td>Title I Dislocated Worker</td>
<td>75.6</td>
<td>73.3</td>
<td>97.0</td>
</tr>
<tr>
<td>Wagner-Peyser Employment Services</td>
<td>52.5</td>
<td>62.2</td>
<td>118.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Adult</td>
<td>70.4</td>
<td>67.0</td>
<td>95.2</td>
</tr>
<tr>
<td>Title I Dislocated Worker</td>
<td>71.5</td>
<td>68.1</td>
<td>95.3</td>
</tr>
<tr>
<td>Wagner-Peyser Employment Services</td>
<td>49.2</td>
<td>61.8</td>
<td>125.7</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Labor and Employment data.

Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Second quarter after exit data covers July 1, 2016 through March 31, 2017. Fourth quarter after exit covers July 1, 2016 through September 30, 2016.
Median Earnings

Table 7 shows the median earnings for participants in program year 2017. For Title I Dislocated Workers and individuals receiving Wagner-Peyser Employment Services, the City exceeded the established goals—achieving about 92 to 101 percent of the goal, respectively. However, the City only achieved about 56 percent of the median earnings goal for Title I Adult program participants—falling short of the 80 percent threshold established for this goal.

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Adult</td>
<td>$7,388</td>
<td>$4,142</td>
<td>56.1</td>
</tr>
<tr>
<td>Title I Dislocated Worker</td>
<td>$8,440</td>
<td>$7,783</td>
<td>92.2</td>
</tr>
<tr>
<td>Wagner-Peyser Employment Services</td>
<td>$4,871</td>
<td>$4,937</td>
<td>101.4</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Labor and Employment data.
Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Data for the above measure covers July 1, 2016 through March 31, 2017.

Credential Attainment

As shown in Table 8, the City exceeded the goal established for the percentage of program participants who obtain a recognized postsecondary credential, a secondary school diploma or its recognized equivalent during participation in or within one year after exit from the program. For both the Title I Adult and Title I Dislocated Worker programs, the City achieved over 100 percent of the established goal.

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Adult</td>
<td>51.9</td>
<td>60.0</td>
<td>115.6</td>
</tr>
<tr>
<td>Title I Dislocated Worker</td>
<td>50.0</td>
<td>54.4</td>
<td>108.8</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Labor and Employment data.
Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Data for the above measure covers July 1, 2016 through September 30, 2016.
Measurable Skill Gain

As shown in Table 9, the percentage of program participants who were in an education or training program that leads to a recognized postsecondary credential or employment and achieving measurable skill gains was about 39 percent for Title I Adult and 35 percent for Title I Dislocated Worker program participants. Although there is reporting for this measure, there are no goals established due to the State collecting baseline performance data before they establish a goal.

<table>
<thead>
<tr>
<th>Program</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Adult</td>
<td>n/a</td>
<td>39.1</td>
<td>n/a</td>
</tr>
<tr>
<td>Title I Dislocated Worker</td>
<td>n/a</td>
<td>35.0</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Labor and Employment data.
Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30. Data for the above measure covers July 1, 2017 through March 31, 2018.

Youth Workforce Development Program Performance

As shown in Table 10, the City met several of the performance goals established for youth workforce development programs in 2017. For example, the City achieved over 100 percent of the established goal for unsubsidized employment in the second and fourth quarters after program exit. The City also met its goal for youth credential attainment, achieving slightly more than 80 percent of the established goal for individuals obtaining a recognized postsecondary credential, a secondary school diploma, or equivalent during the program year or within one year after exiting the program. Like measurable skill attainment for Title I Adult and Title I Dislocated Worker programs, there are no goals established due to the State collecting baseline performance data before they establish a goal.
### TABLE 10. Title I Youth Workforce Development Program, Program Year 2017

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>Goal</th>
<th>Actual</th>
<th>Percent of Goal Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Unsubsidized Employment Second and Fourth Quarter After Exit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsubsidized employment second quarter after exit from program (7/1/16 – 3/31/17)</td>
<td>65.0</td>
<td>65.5</td>
<td>100.8</td>
</tr>
<tr>
<td>Unsubsidized employment fourth quarter after exit from program (1/1/16 – 9/30/16)</td>
<td>56.8</td>
<td>68.6</td>
<td>120.7</td>
</tr>
<tr>
<td>Median Earnings Second Quarter After Exit (in dollars)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median earnings from unsubsidized employment second quarter after exit from program (7/1/16 – 3/31/17)</td>
<td>n/a</td>
<td>$2,700</td>
<td>n/a</td>
</tr>
<tr>
<td>Percent of Credential Attainment One Year After Exit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obtained a recognized postsecondary credential, a secondary school diploma, or equivalent during program or within one year after exit from program (1/1/16 – 9/30/16)</td>
<td>57.5</td>
<td>46.3</td>
<td>80.5</td>
</tr>
<tr>
<td>Percentage of Measurable Skill Gain</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of program participants who were in an education or training program that led to a recognized postsecondary credential or employment (7/1/17 – 3/31/18)</td>
<td>n/a</td>
<td>7.9</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Labor and Employment data.

Note: The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.

### Workforce Investment Act Performance

Prior to the enactment of WIOA in July 2014, the Workforce Investment Act of 1998 (WIA) was the principal federal legislation that supported the public workforce system in the United States.\(^{25}\) Tables 11, 12, and 13 provide performance information for the City’s Title I Adult, Dislocated Worker, and Youth programs for program years 2012 through 2016.

### TABLE 11. Adult Workforce Investment Act Performance, Program Years 2012 through 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent entry into employment</td>
<td>Goal</td>
<td>76.0</td>
<td>76.6</td>
<td>66.8</td>
<td>66.8</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>74.3</td>
<td>69.0</td>
<td>87.1</td>
<td>79.3</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>97.7</td>
<td>90.1</td>
<td>130.4</td>
<td>118.8</td>
</tr>
<tr>
<td>Percent retention in employment six months after entry into the employment</td>
<td>Goal</td>
<td>86.0</td>
<td>87.5</td>
<td>81.2</td>
<td>81.2</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>89.9</td>
<td>83.9</td>
<td>90.1</td>
<td>88.8</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>104.5</td>
<td>95.9</td>
<td>110.9</td>
<td>109.3</td>
</tr>
<tr>
<td>Average earnings received in employment six months after entry into the employment</td>
<td>Goal</td>
<td>$17,433</td>
<td>$18,877</td>
<td>$16,715</td>
<td>$16,715</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>$19,197</td>
<td>$19,015</td>
<td>$22,540</td>
<td>$18,389</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>110.1</td>
<td>100.7</td>
<td>134.8</td>
<td>110.0</td>
</tr>
</tbody>
</table>

**Source:** Colorado Department of Labor and Employment data.

**Note:** The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.

### TABLE 12. Dislocated Worker Workforce Investment Act Performance, Program Years 2012 through 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent entry into employment</td>
<td>Goal</td>
<td>80.0</td>
<td>79.4</td>
<td>67.7</td>
<td>67.7</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>83.7</td>
<td>79.3</td>
<td>83.8</td>
<td>84.6</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>104.6</td>
<td>99.9</td>
<td>123.8</td>
<td>124.9</td>
</tr>
<tr>
<td>Percent retention in employment six months after entry into the employment</td>
<td>Goal</td>
<td>87.0</td>
<td>88.0</td>
<td>83.9</td>
<td>83.9</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>84.5</td>
<td>93.0</td>
<td>82.8</td>
<td>86.4</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>97.1</td>
<td>105.6</td>
<td>98.7</td>
<td>102.9</td>
</tr>
<tr>
<td>Average earnings received in employment six months after entry into the employment relative to earnings of job of dislocation</td>
<td>Goal</td>
<td>$21,500</td>
<td>$22,238</td>
<td>$20,349</td>
<td>$20,349</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>$20,557</td>
<td>$19,882</td>
<td>$18,931</td>
<td>$20,807</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>95.6</td>
<td>89.4</td>
<td>93.0</td>
<td>102.3</td>
</tr>
</tbody>
</table>

**Source:** Colorado Department of Labor and Employment data.

**Note:** The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.
**TABLE 13.** Youth Worker Workforce Investment Act Performance, Program Years 2012 through 2016

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent entry into employment or education in first quarter after exit</td>
<td>Goal</td>
<td>68.0</td>
<td>67.2</td>
<td>59.7</td>
<td>59.7</td>
<td>59.7</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>70.3</td>
<td>61.4</td>
<td>67.1</td>
<td>72.7</td>
<td>71.4</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>103.4</td>
<td>91.4</td>
<td>112.4</td>
<td>121.8</td>
<td>119.6</td>
</tr>
<tr>
<td>Percent attainment of diploma, GED, or certificate by third quarter after exit</td>
<td>Goal</td>
<td>60.0</td>
<td>69.0</td>
<td>62.0</td>
<td>62.0</td>
<td>62.0</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>62.6</td>
<td>66.8</td>
<td>54.6</td>
<td>63.8</td>
<td>53.6</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>104.3</td>
<td>96.8</td>
<td>88.1</td>
<td>102.9</td>
<td>86.5</td>
</tr>
<tr>
<td>Percent attainment of literacy and numeracy gains</td>
<td>Goal</td>
<td>49.0</td>
<td>48.0</td>
<td>41.0</td>
<td>41.0</td>
<td>41.0</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>40.9</td>
<td>17.0</td>
<td>44.4</td>
<td>40.2</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>Percent of goal achieved</td>
<td>83.5</td>
<td>35.4</td>
<td>107.3</td>
<td>98.0</td>
<td>15.4</td>
</tr>
</tbody>
</table>

**Source:** Colorado Department of Labor and Employment data.

**Note:** The program year begins on July 1 in the fiscal year for which the federal appropriation is made, as defined by the Workforce Innovation and Opportunity Act. The federal fiscal year is October 1 through September 30.
July 9, 2018

Auditor Timothy O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80220

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Workforce Development Audit.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on June 18, 2018. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The Office of Economic Development lacks a systematic approach for evaluating the effectiveness of workforce development privatization.

<table>
<thead>
<tr>
<th>RECOMMENDATION 1.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Executive Director of Economic Development should work with the Denver Workforce Development Board to update the Denver Workforce Development Board Local Plan to include statewide rapid response coordination strategies, integrated case management information system strategies, and up-to-date performance measures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
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<tbody>
<tr>
<td>Agree</td>
<td>12/31/18</td>
<td>Tony Anderson 720-913-5410</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1
On May 18, 2018, the Denver Workforce Development Board (Denver WDB) submitted its Local Plan Modification as required by 20 C.F.R. §679.580 and Colorado Department of Labor and Employment (CDLE) Performance Guidance Letter (PGL) WIOA 2018-03, Change 1: WIOA/PY16-PY19 Regional and Local Plan Modifications. This modification included a description of the coordination of local area and statewide rapid response activities, a discussion of Connecting Colorado, the integrated case management information system mandated by the state and clarification of updated performance measures.

In preparing the May 18 modification, the Denver WDB consulted with CDLE and the Colorado Workforce Development Council (CWDC), regarding the observations included in this audit report. Our state partners relayed that, in an effort to streamline WIOA Plan requirements, its staff reviewed all of the questions/sections for both regional plans and local area plans required by
federal law. The state then determined which items were best addressed on a regional level and which were best addressed on a local level. It determined that rapid response coordination and integrated case-management systems were items better addressed at the regional level. CDLE and CWDC stress that as Local Area Plan is not a stand-alone document, it is officially considered a part of the Regional Plan when a local area is included in a planning region with more than one local area; the Central Planning Region’s responses related to rapid response coordination and the integrated case management information system are considered the Denver’s response.

The Performance Measures included in the modification on May 18, 2018 are those measures currently in place as negotiated between the U.S. Department of Labor (USDOL) and Colorado for the 2016 and 2017 Program Years. CDLE has communicated that it has not yet finalized negotiation with USDOL of the performance measures for the 2018 Program Year, which begins July 1, 2018. Per USDOL Training and Employment Guidance Letter (TEGL) Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Act Employment Service as amended by Title III of WIOA, for Program Years (PYS) 2018 and PY 2019, Colorado must negotiate local Performance Measures by September 30, 2018; the Denver WDB may not be able to update its Local Plan until that time. When these measures are finalized, the Denver WDB, Denver will update its Local Plan to reflect these finalized Performance Measures and submit this additional modification to CDLE and CWDC for approval after the required public comment period. The Denver WDB appreciates the observations of the Denver Auditor’s Office. However, its ability to update its Local Plan is contingent upon the willingness of CDLE and CWDC to accept an additional Local Plan Modification outside of its annual process.

### RECOMMENDATION 1.2

The Executive Director of Economic Development should coordinate with its one-stop and other service providers to ensure that monthly and quarterly reporting requirements reflect the performance measures required by WIOA, as contained in the updated Denver Workforce Development Board Local Plan.

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### Narrative for Recommendation 1.2

Denver will ensure that monthly and quarterly reporting by the one-stop operator and other service providers reflect the updated WIOA Performance Measures as contained in the Modified Local Plan. Additionally, at the time the Denver WDB updates its Local Plan to reflect finalized Performance Measures in response to Recommendation 1.1 above, it will remove references to obsolete or out-of-date performance measures and reporting requirements included throughout its Local Plan, and submit this additional modification to CDLE and CWDC for approval after the required public comment period. Per USDOL Training and Employment Guidance Letter (TEGL) Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Act Employment Service as amended by Title III of WIOA, for
Program Years (PYs) 2018 and PY 2019, Colorado must negotiate local Performance Measures by September 30, 2018; the Denver WDB may not be able to update its Local Plan until that time.

It is important to emphasize that the Denver WDB originally included Workforce Investment Act (WIA) Common Measures only as placeholders in the 2016-20 Local WIOA Plan, under the direction of CDLE and CWDC. The Local Plan was developed and submitted to the state at a time prior to the June 29, 2016 USDOLE publication of its Training and Employment Guidance Letter (TEGL) 26-15, Negotiating Performance Goals for the Workforce Innovation and Opportunity Act (WIOA) Title I Programs and the Wagner-Peyser Employment Service as amended by Title III, for Program Year (PY) 2016 and PY 2017. The Denver WDB appreciates the observations of the Denver Auditor’s Office. However, its ability to update its Local Plan is contingent upon the willingness of CDLE and CWDC to accept and approve an additional Local Plan Modification outside of its annual process.

**RECOMMENDATION 1.3**
The Executive Director of Economic Development should develop a formal, systematic, and comprehensive approach for evaluating the City’s privatization of workforce development programs and services, including an analysis of the full cost of the different services provided, transition costs, and costs associated with monitoring and oversight resulting from a change in provider services.

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**Narrative for Recommendation 1.3**
OED is formalizing and process mapping the systems that are in place for monitoring and evaluating contract and system performance. Currently three departments within OED provide contract oversight and monitoring including the Programs Team, Contracts Team, and the Financial Management Unit. The teams will work together to ensure that all future oversight and monitoring is done in a strategic and collective manner, and that information gathered through these activities will inform a comprehensive evaluation of the system and performance on a continual basis. OED, or a contracted partner will conduct a full cost analysis and evaluation of the workforce system prior to privatization and post-privatization. OED is currently in the discovery phase of identifying potential partners to conduct such an evaluation. Information from ongoing internal monitoring and oversight, along with the results of the privatization evaluation will provide the necessary data to inform next steps for OED.

**RECOMMENDATION 1.4**
The Executive Director of Economic Development should develop policies and procedures to ensure that the data used to support workforce development program operations and performance is complete, accurate, and valid.
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<tr>
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**RECOMMENDATION 1.5**
The Executive Director of Economic Development should develop detailed, contract-specific policies and procedures to guide its contract monitoring activities related to the provision of the City’s workforce development programs and services. The policies and procedures should identify the precise contract provisions to be monitored and the evidence required to demonstrate that all terms have been met.

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**Narrative for Recommendation 1.5**
The Office of Economic Development is in process of updating its policies, procedures, and contract monitoring tools to include more detailed information related to the specifics of its contacts and monitoring activities to ensure that all contractual obligations are consistently being reviewed and monitored for adherence to program compliance as contracted. Denver Workforce Services will utilize the applicable elements of the scope of work in relation to the contract provisions to be monitored and the applicable supporting documentation in satisfaction to demonstrate that all terms have been met.

**RECOMMENDATION 1.6**

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Denver Office of Economic Development
201 W. Colfax Ave. | Denver, CO 80202
www.denvergov.org/oed
720-913-1990

311 | POCKETGOV.COM | DENVERGOV.ORG | DENVER 8 TV
After developing detailed, contract-specific policies and procedures to guide contract monitoring activities related to the provision of the City’s workforce development programs and services, the Executive Director of Economic Development should establish deadlines for reporting that will enable timely identification and resolution of compliance and performance issues.

<table>
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</table>

**Narrative for Recommendation 1.6**
The Office of Economic Development will include a timeframe of scheduled contractor monitoring in its policies and procedures to ensure compliance and performance issues are identified, reported, and addressed in a timely manner. The agency strives to meet midyear annual monitoring compliance for Denver Workforce contracts. OED will work with management to determine a standard operating procedure that meets funding, programmatic and compliance requirements that will ensure adherence to efficient, timely, monitoring and reporting.

**RECOMMENDATION 1.7**
The Executive Director of Economic Development should establish and require participation in a formal training or certification program for staff engaged in contract monitoring for workforce development program and services contracts.

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<thead>
<tr>
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<tbody>
<tr>
<td>Agree</td>
<td>11/30/18</td>
<td>Tony Anderson 720-913-5410</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.7**
The Office of Economic Development Contract Performance Management staff have attended the Clarity, Impact, Speed; Delivering Audit Reports That Matter, offered by The Institute of Internal Auditors Research Foundation & Evaluation Intensive training offered by Joining Visions and Action (JVA) Consulting. The agency will establish and identify consistent formal training opportunities on contract monitoring and will require participation for staff engaged in the monitoring of workforce development program and services contracts. In addition, the agency will research for leading practices and seek industry recognized trainings/certifications.
Please contact Tony Anderson at 720-913-5410 with any questions.

Sincerely,

Tony Anderson
Director

cc: Valerie Walling, Deputy Auditor, CPA, CMC
    LaKesha Allen Horner, Audit Supervisor, MPA
    Eric Hiraga, Executive Director
    Amy Mueller Edinger, Chief Operating Officer
    Deborah Carmen, Chief Business Development Officer