



SOUTH FLORIDA WORKFORCE INVESTMENT BOARD

FINANCE COMMITTEE MEETING

**Wednesday, September 10, 2008
Noon**

South Florida Workforce Investment Board Headquarters
7300 Corporate Center Drive
5th Floor - Conference Room 3
Miami, Florida 33126

AGENDA

1. Call to Order and Introductions
2. Approval of Finance Committee Meeting Minutes
 - A. August 12, 2008
3. July 2008 Finance Report
4. Internal Controls Review Action Plan
5. Recommendation as to a Pilot Cash Advance Initiative
6. Financial Monitoring Report – JFM Update

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SFWIB - Finance Committee

September 10, 2008

Minutes of SFWIB Finance Committee Meeting August 12, 2008

South Florida Workforce Investment Board
 Finance Committee Meeting
 August 12, 2008, Noon.
 South Florida Workforce Investment Board Headquarters
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

COMMITTEE MEMBERS IN ATTENDANCE	ADDITIONAL SFWIB MEMBERS	OTHER ATTENDEES
1. Jeff Bridges, <i>Chairperson</i> 2. Bernardo Adrover 3. Willie Carpenter 4. Charles Gibson 5. Ramiro Inguanzo	Margolis, Edward, <i>SFWIB Chairperson</i> Manrique, Carlos	Beaven, Heather – <i>Jobs for Florida Graduates (JFG)</i> Conklin, Coleen – <i>Jobs for Florida Graduates (JFG)</i>
COMMITTEE MEMBERS NOT IN ATTENDANCE 6. Jeffrey Blacher 7. Robert Datorre	SFW STAFF Beasley, Rick Alonso, Gustavo Kistner, Ken Pierre, Linda Quiñones, Dulce	Harvey, Hilary – <i>Jobs for Miami</i> Iglesias, Laura – <i>Jobs for Miami</i> Mitchell, Carlena – <i>Miami-Dade County Public Schools</i> Pattee, Curt – <i>Ernst & Young LLP</i> Rabbito, Catherine – <i>Easter Seals</i> Tirado, Ruth – <i>ABC Institute</i> Weeks, Susan – <i>ABC Institute</i> Williams, Lionel – <i>Ernst & Young LLP</i>

Agenda items are displayed in the order they were discussed.

1. Call to Order and Introductions

Mr. Jeff Bridges, Committee Chair, called the meeting to order at 12:07 p.m. Introductions of those in attendance were noted and a quorum was present.

2. Approval of Finance Committee Meeting Minutes of February 14, 2008, March 12, 2008, May 7, 2008, June 19, 2008, and June 25, 2008.

Mr. Charles Gibson moved approval of the Finance Committee meeting minutes of February 14, 2008, March 12, 2008, May 7, 2008, June 19, 2008, and June 25, 2008. The motion was seconded by Mr. Bernardo Adrover and carried.

3. June 2008 Finance Report

Mr. Rick Beasley, SFWIB Executive Director, presented the un-audited finance report for the months ending June 30, 2008, and reviewed the items on the second page of the report containing notes to be brought to the Member’s attention.

Mr. Beasley reported that expenditures were lower than expected due to the possible rescission of funds by the State that did not take place. He noted that some Reed Act funds had been used for the purchase of the mobile units, and added that most of our funding, which does not include funding such as Reed Act funds, could be rolled over to the next fiscal year.

Although Reed Act funds cannot be used for training, charges were adjusted to cover some core and intensive services of the adult & dislocated workers.

Mr. Beasley commented that at the next meeting he would provide the SAMS report for the past fiscal year.

Mr. Manrique expressed a concern regarding training and support services. He added that Mr. Beasley is correct, but he has concerns remaining regarding the WIA, and WIA Dislocated funding, and that traditionally TANF funding is difficult to spend. He is concerned that the funds might run out early in the fiscal year.

There was discussion regarding savings, if any due for the Career Centers. Mr. Beasley noted that there would be no change in the budget because the staff was retained, and there are still eleven centers. Mr. Margolis noted that that change would be reflected on the next budget year.

4. Internal Controls Review Presentation

Mr. Beasley introduced the item and explained that the Agency for Workforce Innovation (AWI) released an RFP to obtain consulting services from CPA firms with extensive experience in the area of internal control to conduct onsite internal control reviews of selected AWI sub-recipients. The firm of Ernst & Young LLP was selected to conduct these reviews for South Florida Workforce Investment Board.

Mr. Curt Pattee gave an overview of the process used to complete the review. Copies of the Ernst & Young report *Agency for Innovation Regional Workforce Board #23 – Miami Dade/Monroe, Finance Committee Presentation, 12 August 2008* were distributed.

Mr. Lionel Williams reported that Region 23 had the fewest number observations of all other reviews. The number of observations noted, per function area were as follows.

Governance	5
Specific Financial Systems:	
Revenue, Receipts, and Cash Management	1
Payables and Disbursements.....	2
Procurement.....	0
Human Resources and Payroll.....	2
Access to Information Technology Systems.....	3
Operations of Selected Participant Programs	
(Prepaid Items)0	2
Compliance with Sub-Recipient Requirements ...	0
Total Observations	15

There were positive observations as well in the Governance, Financial Systems, Information Technology, Participant Programs, and Compliance with Sub-Recipient Monitoring areas.

The report included a number of key observations and opportunities for improvement. Management's response is not included.

The closing remarks included their appreciation of the cooperation and assistance provided during the review by the Board, Executive Management Team, and staff.

It was noted as well, that the Workforce Board's Executive Management Team proactively began the process of addressing the recommendations by establishing new policies and operating standards designed to help minimize, mitigate, and/or limit the risks associated with the exposures identified.

Mr. Beasley informed the Members that he and the Executive Director of the Early Learning Coalition (ELC), Evelio Torres had discussed the possibility of performing peer reviews of SFW by ELC staff and peer reviews of ELC by SFWIB staff.

Mr. Margolis thanked the presenters and noted that the tone of the review report was appreciated.

Mr. Margolis suggested that management approval of system overrides to the MIP system should be investigated. Mr. Beasley noted that an override is sometimes necessary and that is a software issue. The functionality exists, but the package purchased by the State does not include that functionality.

Mr. Margolis asked for their opinion of the benefits of having quality assurance staff in the field. The response was that the OCI responsibility for that area was of benefit. Mr. Bridges requested that this topic be included on the next agenda.

Mr. Bridges requested that an action plan be provided at the next meeting to indicate actions taken to correct the reported observations. After review it would be forwarded to the Board for review, and then to the State, if appropriate. It seems appropriate to have a management response.

5. Approval of SFWIB 2008-2009 Budget

Mr. Beasley distributed the *Revised Budget Explanation of Changes*, and presented the funding revenue changes in new funding and carry-forward funding for the SFWIB FY 2008-2009 Budget. He also reported on the changes to expenditures for headquarters, training, facility costs, and contracts.

Mr. Bernardo Adrover moved approval of the SFWIB 2008-2009 Budget. The motion was seconded by Mr. Willie Carpenter and carried unanimously.

6. Approval to Renew Professional Services Agreement with Sharpton, Brunson & Company, P.A.

Mr. Beasley presented the item and noted that approval of this action would allow Sharpton, Brunson & Company, P.A. to begin the audit process immediately after the end of the current fiscal year.

Mr. Willie Carpenter moved approval to Renew Professional Services Agreement with Sharpton, Brunson & Company, P.A.. The motion was seconded by Mr. Charles Gibson and carried unanimously

7. Financial Monitoring Report-Jobs for Miami

Mr. Beasley noted that SFWIB staff conducts financial monitoring of the Region's Service Partners. He presented the Executive Summary of the Financial Monitoring Report for Jobs for Miami (JFM) dated August 4, 2008, and added that the full report is available at the Committee.

Mr. Beasley noted that the report is presented in order to keep the Committee informed. JFM has been given until August 14th to provide requested documentation, and if not provided, SFW's relationship with JFM would be severed.

He added that an incident report prepared by Dulce Quinones, SFWIB Office of Continuous Improvement (OCI) would be sent today to the Inspector General.

Mr. Margolis noted that JFM is SFWIB's only African American provider, and all options need to be considered.

The meeting adjourned at 1:35 p.m.



3.

SFWIB – Finance Committee

September 10, 2008

July 2008 Finance Report

BACKGROUND

The un-audited finance report for the month ending July 31, 2008, will be reviewed.

Attachments



4.

SFWIB – Finance Committee

September 10, 2008

Internal Controls Review Action Plan

Discussion

BACKGROUND

At the August 12, 2008, Finance Committee meeting, representatives of Ernst and Young LLP reviewed for the Committee members the Internal Control Review Report of SFWIB, that they completed on behalf of AWI.

The Finance Committee Chair requested that an action plan be provided at the next Finance Committee meeting to indicate actions that were taken to correct the reported observations contained in the Internal Control Review Report.

Attached for the Committee's review and discussion is the Internal Control Review Report action plan.

Attachment

	Observations	Risks / Implications	Recommendations	Implementation Strategy	Sponsor	Completion Date
1	Management maintains Fidelity Bond Coverage for \$100,000 per incident for all employees. Insufficient coverage may expose the Workforce Board to damages as a result of misappropriation of assets.	Coverage may not be sufficient for the nature and complexity of the business, potentially exposing the agency to damages as a result of misappropriation of assets.	Management should consider increasing coverage of the insurance policy to protect the agency against misappropriation of assets.	1. Find out from other Workforce Boards their limits of coverage. 2. Obtain quotes and make recommendation to SFWIB as to the appropriate level of coverage.	R. Beasley/ G. Alonso	12/1/2008
2	A periodic self-assessment is not performed by the Board of Directors or Committees to evaluate its performance against the established goals and objectives.	Established objectives for the Board of Directors may not be met by the members of the Board and/or Committees responsible for execution.	The Board of Directors and Committees should develop a formal process to perform a periodic self-assessment to evaluate performance against established objectives. This review should include, but not be limited to, an assessment of the established objectives to determine if the objectives provide effective oversight of the Workforce Board and to determine if the objectives were properly met.		R. Beasley	12/1/2008
3	The Workforce Board does not require a minimum number of consecutive days of scheduled, paid leave time each calendar year for any employees.	The lack of mandatory vacations for employees performing key control functions could lead to the misappropriation of assets, if ineffective internal controls exists.	Management should establish a policy that requires a minimum number of consecutive days of scheduled leave time each calendar year for all employees (or at a minimum, for employees within departments where inherent risk is higher, such as the Finance and IT Departments). Management should notify the employees that the policy is mandatory.	Before implementation of mandatory vacation leave, will collaborate with the Miami-Dade County's personnel dept to ensure compliance with existing MDC policies and procedures.	M. Smith	10/1/2008
4	No formal risk assessment is in place at the Workforce Board.	Risks may not be identified in a timely basis and addressed timely, exposing the agency to a potentially weaker control environment.	A formal risk assessment process should be performed to periodically evaluate the risks that the agency is exposed to and identify the controls in place to mitigate the identified risks. This allows for a more proactive approach to risk as opposed to reactive. This assessment could be performed by management or an Internal Audit department.	1. Meet with Early Learning Coalition Center management to discuss "Peer Review" procedures. 2. Jointly develop an Internal Control Self Assessment Tool. 3. Perform annual Peer Review and Control Self Assessments with the Early Learning Coalition..	G. Alonso/D. Quinones	12/31/2008
5	Mandatory, formalized training is not required as part of the new hire orientation process. In addition, opportunity for improvement exists to provide mandatory periodic training to existing Workforce Board staff.	Personnel may not have the competence and training necessary for their assigned level of responsibility or the nature and complexity of the entity's business. This may lead to errors in carrying out finance duties, employee unrest, and job dissatisfaction.	The Workforce Board should require formal, mandatory training, including any training provided by the Office of Management and Budget, Federal Inspectors General, State Auditors, and Industry Associates, for key personnel in Finance and IT Departments, as needed.	1. Propose policy and procedures modification to require that all Finance employees obtain 16 hours of continues education per year.	R. Beasley/ G. Alonso	12/1/2008
6	There is currently no control in place to verify that checks received for non-grant revenue are deposited.	Cash receipts are subject to misappropriation if not adequately controlled.	Management should implement a control to reconcile the checks received per the receipt log maintained by the Accounting Clerk to the amounts deposited per the monthly bank statement to verify that checks received were deposited.	1. Propose policy and procedures modification to require that the Account Clerk performing the monthly bank reconciliations compare the amounts deposited per the bank statement to the check deposit logs.	G. Alonso/C. Garcia	12/1/2008
7	An independent review of additions and changes to the Vendor Master File in MIP is not conducted.	Fictitious or inaccurate vendor information entered into MIP may not be detected, resulting in payments to fraudulent or incorrect vendors.	Periodic monitoring of the vendor master file should be performed. This could be achieved by running monthly reports such as new vendors added, any vendor changes (i.e. vendors changed to inactive or deactivated status), last transaction date per vendor, or any other data items that would provide an activity trail and having the reports reviewed by the appropriate level of management on a consistent, periodic basis.	1. Propose policy and procedures modification to require that the Assistant Director of Finance generate a quarterly report listing the amounts paid to each vendor. 2. Distribute the above report to the management team so that they can review for appropriateness.	G. Alonso/C. Garcia	12/1/2008
8	MIP produces a duplicate invoice warning if a duplicate vendor invoice is entered; however, this warning can be overridden by the Account Clerks.	Overriding preventative controls related to duplicate invoices may lead to duplicate payment processing.	Management has confirmed with the Sage software provider that MIP can not be configured to prevent duplicate vendor invoice processing by Account Clerks.	No action required	G. Alonso/C. Garcia	NA
9	There is no evidence of a reconciliation performed between changes requested by the Human Resources Department and the Payroll processed by the County.	Payroll expenses may not be properly recorded. Payments may be processed for unauthorized changes made to payroll.	Human Resources should vouch all changes made to the County's payroll system for its employees back to approved documentation prior to payroll processing. Additionally, Human Resource should trace all changes requested to the County's payroll system prior to payroll payment.	Modify internal procedures to ensure, i.e. tax deductions and health insurance changes are traced and reflected.	M. Smith	12/1/2008

	Observations	Risks / Implications	Recommendations	Implementation Strategy	Sponsor	Completion Date
10	The August payment to the County for payroll costs was overpaid by approximately \$500.	Payroll expenses are not recorded accurately or in the proper period.	Management should reiterate the importance of a thorough monthly payroll review.	1. The Assistant Controller and Account Clerk processing the bi-monthly payroll have met to reiterated the importance of thorough payroll reviews. (It should be noted that the auditor's finding was an isolated exception).	G. Alonso/C. Garcia	8/31/2008
11	Opportunities exist for network security to be strengthened.	Failure to implement password controls increases the risk that an unauthorized individual will gain access to sensitive company information. Furthermore, the lack of an AD Security policy exposes the organization to brute force attacks. Individuals can attempt to login to the network an infinite number of times.	Passwords should be set to expire on a regular, defined cycle (i.e., 60-90 days). In addition, a password history of 3-8 passwords should be maintained with a minimum number of days before a user may re-use the same password (i.e., one day). Without a minimum password age, the user can repeatedly cycle through passwords until they get to an old favorite.	The 90 day recommendation will be implemented for the finance staff with access to the MIP system. Staff will be required to change their MIP passwords every 90 days. A security form originating from the Finance Director or Controller is used to add or modify access for all finance users.	M. Smith	10/10/2008
12	IT policies and procedures do not exist for change management and logical access.	Unauthorized or unapproved changes may be placed into production that may have a negative impact on the production environment.	The Workforce Board should document the policies and procedures for application change and maintenance. The policy should define a classification of changes and the appropriate level of required documentation based on the type of change (i.e., patches, upgrades etc). Management should include as part of the documentation any evidence supporting the authorization, testing and approval of changes moved into production.	Propose policy and procedures modification for application change and maintenance.	M. Smith	10/1/2008
13	The "Disaster Recovery" section of the Accounting Policies and Procedures manual has not been tested.	The Workforce Board may not be able to restore critical business data or continue normal business operations timely in the event of a natural or man-made disaster.	The Information Technology and Finance Departments should collaborate to create a periodic test of backup and recovery procedures for MIP.	Propose policy and procedures modification to reflect restoration testing. The IT and Finance Depts. will collaborate to update and implement procedures.	M. Smith	12/1/2008
14	Detailed review of Transportation Request Logs is performed subsequent to payment processing for transportation card reimbursement.	Reimbursement requests for unauthorized charges are not detected until after payment is processed.	Management should perform a detailed review of Transportation Request Logs using the system generated tool prior to issuing transportation card reimbursement.	1. Propose policy and procedures modification to require that the review of the Transportation Requests Logs using the system generated tool prior to issuing transportation card reimbursements.	G. Alonso/M. Gomez	12/1/2008
15	A manual review is performed for duplicate transportation card numbers prior to payment processing for transportation card reimbursement.	Payments may be made for unauthorized transportation charges.	Configure the system to produce an error when a duplicate transportation card number is entered by a Counselor or Supervisor at the One Stop Center. If this is not possible, Management should adjust the report format so that the card numbers are listed in numerical order to allow for easier identification of duplicates.	1. The system has been configured to check for duplicate transportation card numbers and generates error message if the card number already exists in the system.	G. Alonso/M. Gomez	9/30/2008



5.

SFWIB – Finance Committee

September 10, 2008

Recommendation as to the Approval of a Pilot Cash Advance Initiative

RECOMENDATION

SFWIB staff recommends the approval to develop and implement a Pilot Cash Advance program.

BACKGROUND

At the May 7, 2008, Finance Committee meeting, the members discussed the possibility of SFWIB developing a Pilot Cash Advance Initiative that would assist local small Community-Based and Faith-Based Organizations to participate in SFWIB future initiatives.

SFWIB staff has researched the Miami-Dade County policy and staff is recommending that a Pilot Cash Advance program be developed and include, as a minimum, the following:

1. The Pilot will be limited to four agencies,
2. Contracts will not exceed \$100,000.00 per project,
3. The agencies must be a non-profit, in business for at least two (2) years, has not had a contract with SFWIB within the last two (2) years and must be able to meet the SFWIB Due Diligence Requirements,
4. The Cash advance will be 2/12th of the contract amount (first and last months of the contract),
5. Expenses must be fully supported and documented; i.e. cancelled checks, etc., and
6. Reimbursements will be on a monthly basis, and cash advanced funds will be repaid as a percentage of the reimbursement invoice.

SFWIB staff recommends the approval to develop and implement a Pilot Cash Advance program.



6.

SFWIB – Finance Committee

September 10, 2008

Financial Monitoring Report – Jobs for Miami Update

Informational/Discussion

BACKGROUND

The SFWIB staff conducts financial monitoring of the Region's Service Partners.

At the August 12, 2008, Finance Committee meeting the results of the Financial Monitoring Report for Jobs for Miami, dated August 4, 2008, was shared with the Committee members. Jobs for Miami had until August 14, 2008, to provide requested documentation to SFWIB.

SFWIB staff will update the Committee members on Jobs for Miami.