



## **SOUTH FLORIDA WORKFORCE INVESTMENT BOARD**

### **FINANCE COMMITTEE MEETING**

**Tuesday, August 12, 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. February 14, 2008
  - B. March 12, 2008
  - C. May 7, 2008
  - D. June 19, 2008
  - E. June 25, 2008
3. June 2008 Finance Report
4. Internal Controls Review Presentation
5. Approval of SFWIB 2008-2009 Budget
6. Approval to Renew Professional Services Agreement with Sharpton, Brunson & Company, P.A.
7. Financial Monitoring Report

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2.A

**SFWIB - Finance Committee**

*August 12, 2008*

**Minutes of SFWIB Finance Committee Meeting  
February 14, 2008**

South Florida Workforce Investment Board  
 Finance Committee Meeting  
 February 14, 2008 at Noon  
 South Florida Workforce Investment Board Headquarters  
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

| <b>COMMITTEE MEMBERS IN ATTENDANCE</b>  | <b>SFW STAFF</b>  | <b>OTHER ATTENDEES</b>                                     |
|---|---|--|
| 1. Jeff Bridges, <i>Chairperson</i><br>2. Bernardo Adrover<br>3. Roberto Datorre<br>4. Charles Gibson<br>5. Ramiro Inguanzo<br>6. Rachel Sapoznik | Beasley, Rick<br>Alonso, Gustavo<br>Kistner, Ken<br>Pierre, Linda | Mitchell, Carlana, <i>Miami-Dade County Public Schools</i> |
| <b>COMMITTEE MEMBERS NOT IN ATTENDANCE</b><br>7. Jeffrey Blacher<br>8. Willie Carpenter   |   |  |

Agenda items are displayed in the order they were discussed.

**1. Call to Order and Introductions**

Mr. Bridges called the meeting to order at 12:17P.M., and noted that a quorum had been achieved.

**2. Approval of Finance Committee Meeting Minutes of January 3, 2008**

Rachel Sapoznik moved approval of the minutes of the January 3, 2008 Finance Committee meeting. The motion was seconded by Bernardo Adrover and approved.

**3. December 2007 Finance Report**

Mr. Beasley presented the December 2007 report for the period July 1, 2007 through December 31, 2007, and answered the member's questions.

Mr. Datorre asked if the vacant headquarter space had been leased, and Mr. Beasley responded that the Housing Finance Authority had leased the space.

Gus Alonso continued the report.

Ms. Sapoznik asked if SFW is prepared for a possible budget cut. Mr. Alonso responded that that would be discussed in agenda item number 5.

Mr. Bridges commented that the Executive Director monitors spending on a daily basis.

Mr. Bridges asked for information on the temporary staff, and why that item is over budget.

Mr. Beasley noted that the funds had been included in the administrative category and should be in programs category.

Mr. Beasley continued the report and noted that the AWI/WFI may potentially rescind up to \$2 million dollars in SFW WIA funds. He added that the U.S. Department of Labor has not yet released the final

TEGL He explained that we have resources to adjust so that there would be no impact on current contracts.

Mr. Datorre asked what about next year.

Mr. Beasley stated that in the last seven years this Region has lost nearly 40 million dollars of its funding, and that next year the Region is expecting an estimated \$6 million reduction. He added that SFW must operate like a business and get to a level where cuts do not impact services, and to do that we must have the full support of all partners. We need to look at the long term. The partners will be involved in the process to develop the system.

Mr. Beasley reported on discussions regarding access points that might be staffed by local organizations to assist in job placement.

He added that he expects to present a plan to the full Board in April.

#### **4. 2008/2009 SFW Budget Discussion**

Mr. Beasley asked Gus Alonzo to present the item. He noted that the important section is the assumptions which include reductions in funding, and funds that may be carried forward. The rescission reduces the amount that may be carried forward. The projected cuts range from 12% in the WIA Adult program to 16% in the WIA Dislocated program and various cuts in the other programs.

There was a lengthy discussion concerning TANF funds and the certified forward process.

Mr. Alonzo noted that the funding short-fall from Fiscal Year 07-08 to Fiscal Year 08-09 is projected to be approximately \$6.4M.

Mr. Beasley added that all options must be explored so that staff and contracts are not impacted.

Mr. Adrover requested that staff prepare three budget scenarios for the Committee's review and that they would like the other Committees to review.

Mr. Beasley offered that a link to the Workforce Systems Committee documents regarding the Career Center design would be sent to the Committee.

Mr. Beasley commented that he intended that the process be a partnership, with the buy-in from the Partners.

#### **5. WIA Rescission Discussion**

Mr. Beasley reported on the amended FY 2008 Omnibus spending bill and the projected funding rescission amounts, and the impact it would have on this Region.

There was lengthy discussion concerning the reasons for the rescission, as well as the impact on the Region. Mr. Beasley explained some of the methods that could be used to reduce the impact.

He explained that the worst case scenario would have a potential \$2 million dollar impact to the Region, and the best case scenario would have the potential impact of just less than \$300,000. Mr. Beasley noted that final figures are expected from the State by the end of February 2008.

#### **6. Recommendation as to the Authorizing Staff to Use TANF Funds to Off-set WIA Adult Funds**

Mr. Beasley presented the item and explained that staff recommends that staff be authorized to use up to \$426,114 in TANF funds to off-set the over budget in WIA Adult funding. In order to minimize the impact on the Service Partners contracts TANF funds can be used to off-set this reduction.

Mr. Datorre asked what the TANF program does. Mr. Beasley responded that TANF is the Temporary Assistance for Needy Families, and assists low-income people find work, receive training, child care, Food Stamps, etc.

Roberto Datorre moved approval to authorize staff to use up to \$426,114 TANF funds to off-set WIA Adult funds. The motion was seconded by Bernardo Adrover and approved.

The Members agreed to move future meeting dates to the first Wednesday of each month at 8:30A.M., in the same location.

The meeting adjourned at 1:00 P.M.



**2.B**

**SFWIB - Finance Committee**

**August 12, 2008**

**Minutes of SFWIB Finance Committee Meeting March 12, 2008**

South Florida Workforce Investment Board  
 Finance Committee Meeting  
 March 12, 2008 at 8:30 A.M.  
 South Florida Workforce Investment Board Headquarters  
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

| <b>COMMITTEE MEMBERS IN ATTENDANCE</b>   | <b>SFW STAFF</b>  | <b>OTHER ATTENDEES</b>  |
|--|---|---|
| 1. Jeff Bridges, <i>Chairperson</i><br>2. Roberto Datorre<br>3. Charles Gibson<br><br><b>COMMITTEE MEMBERS NOT IN ATTENDANCE</b><br>4. Bernardo Adrover<br>5. Jeffrey Blacher<br>6. Willie Carpenter<br>7. Ramiro Inguanzo<br>8. Rachel Sapoznik | Beasley, Rick<br>Alonso, Gustavo<br>Garcia, Christine<br>Kistner, Ken<br>Pierre, Linda<br>Quiñones, Dulce<br>Salomon, Maribel | Mendez, Jessey- <i>Community Coalition, Inc.</i><br>Nunez, Guadalupe- <i>Community Coalition, Inc.</i><br>Cadena, Mildred- <i>Miami-Dade County Schools</i> |

Agenda items are displayed in the order they were discussed.

**1. Call to Order and Introductions**

Mr. Bridges called the meeting to order at 8:40A.M., and noted that a quorum had not been achieved.

**2. Approval of Finance Committee Meeting Minutes of February 14, 2008**

Due to the lack of a quorum the minutes were not approved.

**3. January 2008 Finance Report**

Mr. Beasley presented the December 2007 report covering the period July 1, 2007 through December 31, 2008, and answered the member's questions.

Mr. Beasley described the SFWIB budget summary as follows: Budget \$62 million of which \$61.9 million was allocated and \$28.9 million spent. He explained in detail the expenditures of Headquarter Costs, Career Center Services and Training Support Services.

Mr. Roberto Datorre asked about the Temporary Staff allocation of \$125,171 and Mr. Beasley explained that the amount had been included in the headquarters administration budget, but should have been reflected in the programs budget as the staff in question did not work at headquarters.

Mr. Bridges inquired whether the mobile units had been paid in full. Mr. Gus Alonso, Assistant Director for Finance responded that the two (2) mobile units were paid for in full.

Mr. Beasley added that \$254,000 has not been spent and could be reallocated to the Adult program.

In addition, Mr. Beasley informed the Committee that each Region would receive letters explaining the amount of the funding cut. The total funding reduction for Florida is estimated to be \$12 million.

Mr. Gibson asked about the Take Stock in Children and 5,000 Role Models funds, and Mr. Beasley explained that as they are new contracts TANF funds were allocated to the Take Stock in Children program as well as the 5,000 Role Models program to purchase scholarships.

Mr. Bridges questioned the payroll benefits and why it was below budget. Mr. Beasley explained that there are staff members who are performing dual roles, and due to the possible funding cuts; he does not wish to fill positions and in the future be forced to lay-off personnel. The amount can be reallocated to training of services; and the monies must be spent by the end of June.

Mr. Bridges asked when the Children's Trust funding would be received, and Mr. Beasley responded that there had been some negotiations regarding what may be charged as administrative costs and what may be charged as program cost. Administrative costs are capped at 10%.

#### **4. Financial Monitoring Reports**

Mr. Beasley asked Dulce Quiñones, Contract Compliance Supervisor, to present the monitoring report. She noted that contracts are monitored two to three times per year and the executive summaries would continue to be submitted to the Board.

Ms. Quiñones described the Financial Monitoring Reports as follows:

##### City of Hialeah

Several deficiencies with cost allocation; personnel activity reports not completed; invoice packages submitted to SFW with several errors causing over billing; and late fees were included which are unallowable costs; no quality control performed; salary amounts were different amongst budgets ; inventory records were not maintained properly and interim financial statements were not provided.

Ms. Quiñones explained that staff reviews only a small sample of cases.

Ms. Delia Milian, Executive Director at the Hialeah Downtown Career Center, addressed the Committee and responded that she received the report the previous day and she would work on addressing concerns, and some of the discrepancies were due to open enrollment and an oversight (3 employees were switched to a PPO (insurance health plan).

Ms. Milian explained that when the City of Hialeah receives the final report; they would prepare a response.

Time allocation on programs was also an issue according to Ms. Quiñones; the percent of allocation to programs should be equal to 100%. It was also noted that the supervisor of the program has ten (10) days to reply with a detailed explanation for the discrepancies found.

##### Cuban American National Council, Inc.

Unallowable costs, late fees were not recorded according to the accounting procedures; credit cards and invoices not paid on time, reimbursement forms not properly completed, salary discrepancy vs. budget recorded, sample employee personnel files missing documentations, existing procurement policies and procedures were not in conformity.

##### Transition, Inc.

Budgets categorized and allocated administrative costs as program costs; disallowed costs in the amount of \$6,909.72; cost and allocation plan was not completed; accounting records not closed at the end of the month; discrepancies with the general ledger balances; and the interim financial reports background check not properly completed; Form 990 was not filed within the timeframe; procurement requirements were not followed; inventory reports were not submitted to SFW and no fixed assets physical inventory completed.

Mr. Datorre inquired about background checks and whether they were required procedures and had staff been in compliance. Ms. Quiñones explained that one person was later dismissed due to the background check.

#### **5. Fiscal Year 2006-2007 Audit Report**

Tony Brunson, Senior Audit Partner of Sharpton, Brunson & Company, P.A. and Kevin Adderly, Senior Manager/Director and Lead on SFW's audit presented to the Committee the "DRAFT South Florida Workforce Investment Board Annual Financial Statements, June 30, 2007."

Both auditors elaborated on the function of the audit; and presented an overview of the internal controls governing financial operations and the laws and regulations required for Federal awards.

There was one material weakness noted, and no items were considered non-compliant.

Mr. Adderly provided an overview of operating expenses comparing 2006 to 2007 such as Welfare Transition Program from \$21,339 in 2007 to \$25,130 in 2006.

He added that Auditors do not search for fraudulent activities, but do test internal controls and they are obligated to report fraud, if found.

He mentioned that they worked with several providers, reviewing receivables and payables and as a result it is customary that accruals are done when the books are closed, and no difficulties with management were encountered.

Mr. Adderly reported on OMB Report and internal controls.

It was noted that SFW has been carrying various deferred revenue balances in its books for several grants that were closed out as far back as program year 2003 2004, and 2005.

Mr. Beasley informed the Committee that a reconciliation of account balances was conducted, matching all the revenue sources with expenses, and it was found that there were deferred revenue accounts that remain on the books in the amount of \$823,000.

The State was consulted on this issue and they indicated they did not have a problem with SFW using the funds during the current program year. Mr. Alonso informed the Committee that staff was planning to re-employ the funds in current year programs. Mr. Beasley added that a letter would be submitted to the State with copy to the Board no later than April 17<sup>th</sup> explaining how the funds would be used.

Mr. Bridges suggested to table the discussion of the Financial Monitoring Reports for the next Committee Meeting.

Mr. Beasley commented that \$48,000 from Catholic Charities still needs to be still to be collected. He added that letters were sent and meetings have been requested, but the issue still persists. As a result the State has requested that any unpaid funds to Catholic Charities be forwarded to the State as repayment

Mr. Bridges noted that the items on the agenda were completed, and asked for any questions or comments.

The Members agreed to move future meeting dates to the first Wednesday of each month at 8:30 am in the same location.

The meeting adjourned at 10:25 am.



2.C

SFWIB - Finance Committee

August 12, 2008

Minutes of SFWIB Finance Committee Meeting May 7, 2008

South Florida Workforce Investment Board  
 Finance Committee Meeting  
 May 7, 2008, at 8:30 A.M.  
 South Florida Workforce Investment Board Headquarters  
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

| COMMITTEE MEMBERS IN ATTENDANCE  | SFW STAFF  | OTHER ATTENDEES  |
|--|--|--|
| 1. Jeff Bridges, <i>Chairperson</i><br>2. Bernardo Adrover<br>3. Roberto Datorre                           | Beasley, Rick<br>Alonso, Gustavo<br>Kistner, Ken<br>Pierre, Linda<br>Quiñones, Dulce | Milian, Delia- <i>City of Hialeah</i><br>Mitchell, Carlana- <i>Miami-Dade County Schools</i><br>Rodriguez, Maria- <i>Youth Co-Op, Inc.</i> |
| COMMITTEE MEMBERS NOT IN ATTENDANCE  | Additional SFWIB Members   |  |
| 4. Jeffrey Blacher<br>5. Willie Carpenter<br>6. Charles Gibson<br>7. Ramiro Inguanzo<br>8. Rachel Sapoznik | Margolis, Edward, <i>SFWIB Chairperson</i>   |  |

Agenda items are displayed in the order they were discussed.

**1. Call to Order and Introductions**

Mr. Jeff Bridges, Committee Chairman, called the meeting to order at 8:40 A.M., and noted that a quorum had not been achieved.

**2. Approval of Finance Committee Meeting Minutes of February 14, 2008, and March 12, 2008**

Due to the lack of a quorum the minutes were not approved.

**3. March 2008 Finance Report**

The un-audited finance report for the months ending March 31, 2008, was presented by Mr. Rick Beasley, Executive Director.

He began the report with the agency summary of total revenues \$62,816,752, amount budgeted \$62,039,274, and the unobligated funding of \$777,478. He added that actual expenditures through March 31, 2008, totaled \$37,663,863 which was at a rate of 60.71%. That was less than the standard rate of 75%, which means we were under expended in some categories.

Mr. Beasley reported the information on the notes page of the report.

1. Headquarter Costs- Equipment is under anticipated target, 23.36% vs. 75% over a nine month period due mainly to little spending in the Capital & Non-Capital Equipment budget. These purchases will be made on an as needed basis.
2. Career Centers-Youth Services are under anticipated target in the areas of Out of School (60.15%), In School (58.96%), and Special Programs (59.50%). Staff will keep an eye out on these variances



to see if further intervention is necessary. However please note that there is a summer program that begins in June that have budgeted expenditures that will not materialize until fiscal year end.

3. Career Centers- Veteran Staff Incentives have been fully utilized, 100% vs. 75%, and no additional payment is anticipated this fiscal year.
4. Training and Support Services are significantly under anticipated projections, 40.53% vs. 75%. This is an area that has been closely monitored in the past and will continue to be. Staff is diligently working with Service Partners in an effort to maximize resources available. Some suggestions that staff have made, is for the service providers to closely monitor vouchers issued that have not materialized and to reconcile and void if necessary. Also, not all EWT and TAA allocations have been awarded.
5. Other Programs & Contracts are under anticipated projections, 50.23% vs. 75%. This is due to some new Board actions that have been recently approved and/or awarded such as 5000 Role Models of Excellence, Take Stock in Children, University of West Florida, and Miami Dade College. Also, IDA and Career Services allocations have not been awarded.

There was discussion as to the deadline for submission of invoices from training providers. Mr. Gustavo Alonso, SFW Controller reported that SFW would pay for invoices received within 45 days after the end of our fiscal year.

Ms. Carlena Mitchell, Miami-Dade County Schools, was recognized from the floor. She noted that training invoices through June 30<sup>th</sup> would be submitted to SFW by July 15<sup>th</sup>.

Regarding item number five, Mr. Alonso confirmed that the invoice had been submitted by Take Stock in Children.

Mr. Datorre inquired why some programs were under-expended. Mr. Beasley responded that the Youth Programs have one summer component for the period July to September, and an additional summer component from May to June.

Mr. Datorre asked how the headquarters deficit would be made up. Mr. Beasley responded that certain items may be decided on by the end of the year on items that were held until the rescission was decided.

Mr. Bridges asked for a report on the headquarters lease. Mr. Beasley responded that last year SFW renewed for one year, and the renewals must be a year in advance. SFW pays \$20-\$21 per square foot for a Type A building, which is a reasonable amount.

Mr. Margolis asked whether any equipment would be needed going forward. Mr. Beasley responded that imaging equipment is necessary to move to a paperless system and reduce the storage costs of \$30,000 to \$40,000. In addition the color printer is three to four years old and must be replaced. He added that REED Act funding could be used for this purpose.

#### **4. Budget (Discussion)**

The SFW 2008-2009 Budget Projections were presented by Mr. Beasley.

Mr. Beasley explained the funding assumptions and noted that the REED Act funding to be received can not be used for the same activities as WIA funding, such as support services.

Mr. Bridges asked when funding information would be available. Mr. Beasley responded that the information should be released at the State Workforce Board next week.

Mr. Beasley noted that a full budget would be presented at the next meeting.

## **5. Internal Review (AWI)**

Mr. Beasley noted that the Agency for Workforce Innovation (AWI) hired the firm of Ernst & Young to conduct onsite internal control reviews of selected AWI sub-recipients, including regional workforce boards and the Early Learning Coalition.

The internal audit of SFW consisted of an in-depth review of Information & Technology (IT) procedures, a Governance Review, Financial Systems Documentation (Revenues and Receipts, Payables and Disbursements, Procurement, and Payroll), and ITGCs (i.e. Systems Access and Data Security), Participant Programs, Compliance with Sub-Recipient Requirement, and Control Self Assessment Considerations.

Mr. Gustavo Alonso, SFWIB Controller, reported that the reviewers were here for two weeks. During the first week they documented the major internal control processes, such as receivables, and fixed assets. Reports were received at the end of that week of 10-15 pages each. The next week they made decisions as to which processes should be tested.

Mr. Alonso noted that the reviewers returned the previous week and tested the key internal controls. They would return for the formal exit. On Friday he met with them and, in his opinion the issues to be brought up were very insignificant, and were directed mainly at the IT area, such as passwords that do not expire after 30 days.

Mr. Beasley noted that SFW must ensure that staff takes vacations. He said they told him that they said things look pretty good. There is one item pending regarding vendor invoices that they want to test that one more time. The final report should be presented in a week.

He noted that Sharpton, Brunson did not present their report at the last SFWIB meeting, but would present at the next SFWIB meeting.

Mr. Margolis noted that the Sharpton and Brunson noted that the Board should to take a more pro-active role in monitoring and reviewing the processes.

## **6. Pilot Cash Advance Initiative (Discussion)**

Mr. Beasley reported that the issue had been brought up at the last SFWIB meeting by Commissioner Jordan. The Commissioner had suggested that SFW pilot a program with the small Community Based Organizations (CBO) who are interested in working with SFW, but do not have sufficient funds on hand and therefore would require cash advances.

Mr. Bridges cautioned that this must be looked at very, very closely. He added that it could be difficult to get the advanced funding back from the provider. He suggested that the organizations took at applying for a Small Business Administration (SBA) loan.

Mr. Beasley noted that staff would continue to research the issue.

The consensus was to take no action at this time until further research information is presented as to controls that other entities have in place to safeguard their funds.

## **7. Approval to Accept and Allocate Additional Food Stamp Employment and Training (FSET) Funds)**

Mr. Beasley reported that SFWIB was awarded an additional \$87,332.00 for the Food Stamp Employment and Training (FSET) program for the period October 1, 2007 to June 30, 2008.

He noted that staff requested approval to accept the \$87,332.00 in FSET funds, as well as authorization to allocate a portion of the FSET funds for the purpose of hiring additional staff as follows:

|  |             |
|--|-------------|
| 6 FSET Specialists to develop Work Experience sites            | \$41,088.00 |
| 3 Career Advisors to provide Case Management services          | \$18,144.00 |
| 4 Clerks to assist with clerical functions of the FSET Program | \$20,160.00 |
| 10% Administrative Cost for SFW                                | \$ 7,940.00 |
| Total Funds  | \$87,332.00 |

Mr. Bridges noted that there was consensus to approve this item and forward it to the full Board for consideration.

The meeting adjourned at 10:55 A.M.



2.D

**SFWIB - Finance Committee**

**August 12, 2008**

**Minutes of SFWIB Finance Committee Meeting  
June 19, 2008**

South Florida Workforce Investment Board  
 Finance Committee Meeting  
 June 19, 2008, at 7:30 A.M.  
 South Florida Workforce Investment Board Headquarters  
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

|  |  |  |
|--|--|--|
| <p><b>COMMITTEE MEMBERS IN ATTENDANCE</b></p> <ol style="list-style-type: none"> <li>1. Jeff Bridges, <i>Chairperson</i></li> <li>2. Bernardo Adrover</li> <li>3. Charles Gibson</li> <li>4. Ramiro Inguanzo</li> </ol> <p><b>COMMITTEE MEMBERS NOT IN ATTENDANCE</b></p> <ol style="list-style-type: none"> <li>5. Jeffrey Blacher</li> <li>6. Willie Carpenter</li> <li>7. Robert Datorre</li> <li>8. Rachel Sapoznik</li> </ol> | <p><b>SFW STAFF</b></p> <p>Beasley, Rick<br/>         Alonso, Gustavo<br/>         Anne, Glancy<br/>         Kistner, Ken<br/>         Pierre, Linda<br/>         Quiñones, Dulce</p> <p><b>ADDITIONAL SFWIB MEMBERS</b></p> <p>Margolis, Edward, <i>SFWIB Chairperson</i><br/>         Manrique, Carlos</p> | <p><b>OTHER ATTENDEES</b></p> <p>Milian, Delia-<i>City of Hialeah</i><br/>         Mitchell, Carlana-<i>Miami-Dade County Schools</i><br/>         Rodriguez, Maria-<i>Youth Co-Op, Inc.</i></p> |
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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 7:45 A.M., and noted that a quorum had not been achieved.

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

Due to the lack of a quorum the minutes were not approved.

**3. April 2008 Finance Report**

Rick Beasley, SFW Executive Director, presented the un-audited finance report for the period of July 1 2007 through April 30, 2008.

Mr. Beasley reported the information on the notes page of the report.

1. Headquarter Costs- Equipment is under anticipated target, 27.88% vs. 83.33% over a ten month period due mainly to little spending in the Capital & Non-Capital Equipment budget. These purchases will be made on an as needed basis.
2. Career Centers-Youth Services are under anticipated target in the areas of Out of School (66.64%), In School (63.91%) and Special Programs (18.46%). Staff will keep an eye out on these variances to see if further intervention is necessary. However, it was noted there is a summer program that begins in June that budgeted expenditures that will not materialize until fiscal year end, and the Children’s Trust Contracts were recently awarded under the Special Programs category.

3. Career Centers- Veteran Staff Incentives have been fully utilized 100% vs. 83.33%, and no additional payment is anticipated this fiscal year.
4. Training and Support Services are significantly under anticipated projections, 46.57% vs. 83.33%. This is an area that has been closely monitored in the past and will continue to be. Staff is diligently working with Service Partners in an effort to maximize resources available. Some suggestions that staff have made, is for the service providers to closely monitor vouchers issued that have not materialized and to reconcile and void if necessary. Also, not all EWT and TAA allocations have been awarded.

There was a discussion as to the deadline for submission of invoices from training providers. Mr. Beasley noted that the training providers have a deadline of July 15<sup>th</sup> to submit their invoices.

Mr. Margolis asked whether staff looked into the spending practices of the service providers, since last year, the services providers spent all their training dollars at the end of the program year. Mr. Beasley mentioned that staff reports found that majority of the career centers were right on target with their budget spending for the adult programs.

Mr. Gustavo Alonso, SFW Controller, reported that SFW received additional REA funding in the amount of \$67,000. Mr. Beasley mentioned that the REA fund will be allocated for next program year; it will not affect this year's budget.

Mr. Adrover asked for clarification on whether staff wanted to reallocate to readjust the 2007-2008 budget.

Mr. Bridges asked for clarification on Item number four, Training and Support Services on the financial report. Mr. Beasley explained that SFW has 11.6 million dollars for Training and Support. Mr. Beasley added that SFW spent 5.4 million dollars, which leave a remaining balance of 6.2 million dollars. He added that these are dollars that are spent on ITA's and EWT projects.

#### **4. 2007-2008 Budget Modification**

Mr. Beasley explained that SFW expended programmatic dollars on temporary staff for the following programs: Trade Adjustments Assistance (TAA), Florida Rebuilds, Ready to Work and Military Family Employment Advocacy. Mr. Beasley added that SFW did not budget for the temporary programmatic positions. He added that SFW may need to reallocate or readjust some items on the budget to cover the cost of the temporary staff expenditures.

Mr. Adrover recommended that staff add footnotes to budget items, which will make it easier for members to understand the budget analysis.

Mr. Bridges asked why is it necessary to adjust the budget verses reallocating expenses. Mr. Beasley noted that for the past few years, he noticed that the temporary staff line item continued to increase. Mr. Bridges added that he does not recommend that we adjust the budget too many times in a year span. Mr. Bridges recommended that we reallocate expenses and note where the variances stand. Mr. Adrover agreed.

Mr. Manrique commented that the board should be notified of any significant change to the budget.

#### **5. Approval of SFWIB FY 2008-2009 Budget**

Mr. Beasley presented the 2008-2009 budget to the committee. He reported that the State projected that we may be receiving more funding for the FSET program. He added that SFW would be receiving \$55,254,461 in new funding for the 2008-2009 budget. In addition, Mr. Beasley added that there was approximately a \$7,000,000 difference in funding between last year and this year.

Mr. Beasley mentioned that the State law requires that 50% of the funding has to be spent on training. Mr. Beasley indicated that he asked staff to look into consolidating/reducing the square footage at headquarters in order to save on cost. In addition, he reported that salaries will increase by 10 percent, benefits up 6 percent, rent up 5 percent and workers compensation up.

Mr. Bridges asked when the benefits renew. Mr. Alonso reported that the benefits renew every year since SFW staff are county employees.

Mr. Manrique asked what the duties of quality assurance staff are. Mr. Margolis responded that they are hired to monitor. Mr. Manrique stated that when making decisions you should be making them based on the whole fiscal year.

Mr. Bridges added that we need to make notes reflecting the variances on this budget.

Mr. Adrover commented that he was not ready to approve the budget at this meeting. Mr. Bridges agreed.

Mr. Adrover recommended the Finance Committee should reconvene and have a special meeting next week specifically for the budget.

#### **6. 2008-2009 Funding Allocation Methodology**

Mr. Beasley reported that this was a discussion item.

Mr. Bridges recommended that the Committee table this item until the next meeting.

#### **7. Pilot Cash Advance Initiative (Follow-up Discussion)**

Mr. Beasley reported that staff researched the county's policy. Mr. Margolis recommended that we table this item until the next full board meeting.

Mr. Gibson asked if the members or staff can do something regarding the participation of committee members. Mr. Bridges suggested that we change the committee meetings days back to Thursday's at Noon.

Meeting adjourned at 8:59 am.



2.E

SFWIB - Finance Committee

August 12, 2008

Minutes of SFWIB Finance Committee Meeting June 25, 2008

South Florida Workforce Investment Board  
 Finance Committee Meeting  
 June 25, 2008 - 12:00 Noon.  
 South Florida Workforce Investment Board Headquarters  
 7300 Corporate Center Drive, 5th Floor - Conference Room 3

|  |   |   |
|--|---|---|
| <p><b>COMMITTEE MEMBERS IN ATTENDANCE</b></p> <ol style="list-style-type: none"> <li>1. Bernardo Adrover</li> <li>2. Robert Datorre</li> <li>3. Charles Gibson</li> <li>4. Ramiro Inguanzo</li> </ol> <p><b>COMMITTEE MEMBERS NOT IN ATTENDANCE</b></p> <ol style="list-style-type: none"> <li>5. Jeff Bridges, <i>Chairperson</i></li> <li>6. Jeffrey Blacher</li> <li>7. Willie Carpenter</li> <li>8. Rachel Sapoznik</li> </ol> | <p><b>SFW STAFF</b></p> <p>Beasley, Rick<br/>         Alonso, Gustavo<br/>         Hernandez, Juan<br/>         Kistner, Ken<br/>         Pierre, Linda<br/>         Quiñones, Dulce</p> <p><b>ADDITIONAL SFWIB MEMBERS</b></p> <p>Margolis, Edward, <i>SFWIB Chairperson</i><br/>         Perez, Andres “Andy”</p> | <p><b>OTHER ATTENDEES</b></p> <p>Bajic, Bojan – <i>Youth Co-Op, Inc.</i><br/>         Oller, Virama – <i>Transition, Inc.</i><br/>         Simpkins, Ted – <i>Arbor</i></p> |
|--|---|---|

Agenda items are displayed in the order they were discussed.

**1. Call to Order and Introductions**

Bernardo Adrover, Committee Vice-Chair, announced that in Mr. Jeff Bridges absence he will chair the meeting. The meeting was called to order at 12:20 p.m. After introductions of those in attendance it was noted a quorum had not been achieved.

**2. Approval of Finance Committee Meeting Minutes of:**

- February 14, 2008
- March 12, 2008
- May 7, 2008

Due to the lack of a quorum the minutes were not approved.

**3. Approval of SFW FY 2008-2009 Budget**

Rick Beasley, Executive Director, reminded the Committee that an issue was raised at the Board meeting, as to the way SFW modifies the budget or show the variances. Mr. Beasley stated that the policy has been that anytime dollars are accepted, the budget has been modified. At a recent meeting Mr. Bridges, Finance Committee Chair, recommended that moving forward for next fiscal year, SFW reallocate expenses and note where the variances were.

Gustavo Alonso, Assistant Director for Finance, described for the members different approaches that staff can take when preparing the reports, so that budget changes are shown with a variance. Mr. Beasley stated that a written summary could also be provided.

Mr. Adrover recommended that staff add footnotes to budget items that are changed, which will make it easier for members to understand the budget analysis.

Mr. Margolis congratulated Mr. Beasley and staff for providing a Headquarter expense budget that shows very good stability and a very cautious approach on expenditures.

Mr. Beasley stated that although Carlos Manrique was not in attendance at this meeting, he had raised some questions in reference to the headquarter budget not taking as big a cut as the providers budgets. In response staff prepared the following:

Mr. Beasley announced that during the year, he did not fill needed positions. There are 3 positions needed at headquarters that total \$381,017. Although spread thinly, current staff is covering those job duties.

Mr. Manrique had questioned specifically 4 Quality Assurance Positions that have been proposed to be transferred from the providers to headquarters. Mr. Beasley noted that it was not staffs' recommendation to transfer the positions; the recommendation came from the providers. Mr. Beasley asked Juan Hernandez, Adult Programs Manager to explain.

Mr. Hernandez stated that as part of meetings held in conjunction with Providers in an effort to save funds and improve the current system; it was discussed and recommended that it would be more efficient to transfer 4 Quality Assurance positions that were scattered amongst the career centers to headquarters as a team, where they could perform quality assurance of all the centers and in addition, provide training & technical assistance from our office.

Mr. Beasley also made the Committee aware that headquarter staff are employees of Miami-Dade County and as such they had to abide by County guidelines, whereby wage increases and performance bonuses had to be given, which was very difficult during the funding cuts we are facing.

Mr. Andy Perez asked if the vacant positions will be eliminated. Mr. Beasley responded that vacant positions will be eliminated; the only 4 positions that will be added are the Quality Assurance Positions that were already mentioned which represents \$217,520. The positions that will be eliminated would have totaled \$381,017.

Mr. Perez called the Committee's attention to the Miami Herald article that reported Mayor Carlos Alvarez eliminated 1,600 positions County wide, since SFW employees are County employees he asked if SFW employees would be affected. Mr. Beasley stated no, SFW's funding is not part of the general County fund. Nevertheless, since SFW is part of the County, at times in light of being a good team player, we have taken in employees from other departments that had bumping rights. Just last year there were 3 vacant positions that the County bumped employees into, which ended up costing SFW \$143,000. This type of action not only hurts SFW because of the deficit situation, but also because we have to accept employees that do not have the qualifications/skills particular to our needs. Mr. Beasley has made the County aware of SFW's needs and situation and hopes they will re-consider before taking this type of action in the future.

Mr. Adrover asked staff to ensure that the budget information that will be presented to the Board clearly show the changes and recommendations with footnotes so that everything is clear.

Mr. Adrover asked Mr. Beasley to go over the Fiscal Year 2008-2009 budget. Mr. Beasley reported that the 2007-2008 budget had been \$54,500,937; the new projected funding for 2008-2009 for all funding streams as reported by AWI would be \$50,489,298 which was a \$4 million decrease in funding.

Mr. Adrover asked with a \$4 million deficit plus projected carry forward totaling \$6.9 million, how is staff going to handle allocations with providers for the new fiscal year. Mr. Beasley responded that



staff will use the experience gained with last years' budget, be very conservative, and present different options as recommendations to the Committee for final approval by the Board.

Mr. Roberto Datorre asked for a breakdown of actual allocations going directly to programs. Mr. Beasley called the Committee's attention to the Programs Allocation and Headquarter Expense Budget charts provided within the agenda.

Mr. Datorre stated that it was his opinion that we need to cut back on the number of Committee meetings that are scheduled.

Mr. Beasley distributed a copy of a final report provided by the State from a recent audit review. Staff was happy to report the review had no findings.

Mr. Datorre asked for an update on the issue of reimbursement packages received from providers late. Mr. Beasley stated that staff will bring that issue and other issues of concern up for discussion at the next meeting in order to get guidance from the Committee on how best to proceed.

The Committee members present provided their consensus to forward the recommendations presented to the full Board for approval.

Mr. Beasley informed the Committee that he had conversations with the Mayor's Office in reference to Board members lack of participation. A chart of membership attendance was provided for their review. Neither staff nor the Board had the power to remove or change members, only the Mayor had that power. In addition, staff also mentioned the need to change/add language within the By-Laws to address this type of issues.

The following items were tabled until the next meeting.

**4. 2008-2009 Funding Allocation Methodology**

**5. Pilot Cash Advance Initiative (Follow-up Discussion)**

The meeting adjourned at 1:40 p.m.



3.

**SFWIB – Finance Committee**

***August 12, 2008***

**June 2008 Finance Report**

**BACKGROUND**

The un-audited finance report for the months ending June 30, 2008, will be reviewed.

*Attachments*



4.

**SFWIB – Finance Committee**

***August 12, 2008***

**Internal Controls Review Presentation**

**Informational**

**BACKGROUND**

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 and would use their experience to conduct onsite internal control reviews of selected AWI subrecipients. The firm of Ernst & Young LLP was selected by AWI to conduct these reviews.

Ernst & Young LLP reviewed policies, procedures, and key business processes including an in-depth review of Information & Technology (IT) procedures, Governance Review, Financial Systems Documentation (Revenues and Receipts, Payables and Disbursements, Procurement, and Payroll), and ITGCs (i.e. Systems Access and Data Security), Participant Programs, Compliance with Sub-Recipient Requirement, and Control Self Assessment Considerations.

A representative from Ernst and Young LLP will review for the Committee members the Internal Control Review Report that they completed on behalf of AWI.

*Attachments*

A decorative graphic on the left side of the slide. It features a black and white photograph of several interlocking gears of different sizes. A large, bright yellow triangle is superimposed over the right side of the gears, pointing towards the top right corner of the slide.

**Draft for  
Review**

**Agency for Workforce Innovation**

**Regional Workforce Board #23 – Miami Dade/Monroe**

**Finance Committee Presentation**

**August 14, 2008**



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# Agenda

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- ▶ Introductions
- ▶ Project Objectives
- ▶ Project Scope
- ▶ Procedures Performed and Testing Approach
- ▶ Summary Results
- ▶ Positive Observations
- ▶ Key Observations - Opportunities for Improvement
- ▶ Closing Remarks
- ▶ Questions

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## Project Objectives

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- ▶ The primary objectives of this engagement was to obtain an understanding of the internal control structure at the Workforce Board, a sub-recipient of the Agency for Workforce Innovation (AWI).
- ▶ Our procedures were performed to provide observations and recommendations to improve the effectiveness and efficiency of internal controls in certain functional areas.
- ▶ The project was not intended to be a regulatory compliance review (the A-133 audit serves that purpose).

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## Project Scope

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The functional areas in scope were as follows:

- ▶ Governance
- ▶ Specific Financial Systems
  - ▶ Revenue, Receipts, and Cash Management
  - ▶ Payables and Disbursements
  - ▶ Procurement
- ▶ Human Resources and Payroll
- ▶ Access to Information Technology Systems
- ▶ Operations of Selected Participant Programs (Prepaid Items)
- ▶ Compliance with Sub-recipient Requirements

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# Procedures Performed and Testing Approach

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We performed the following key tasks:

- Obtained and reviewed applicable administrative documents
- Conducted face-to-face interviews with the Workforce Board's management and key governance positions
- Developed an understanding of the key business processes through narratives and risk control matrices
- Performed walkthroughs of sample transactions
- Considered "what could go wrong" and whether existing controls mitigated those risks to identify potential control gaps
- Judgmentally selected a sample of transactions from each of the functional areas to test key controls identified and developed recommendations for improving the design or execution of the control process
- Reviewed our preliminary observations with RWB #23's Management Team and developed recommendations



# Summary of Results

| Summary of Observations – RWB #23 Miami Dade/Monroe         |                        |
|---|------------------------|
| Functional Area   | Number of Observations |
| Governance  | 5                      |
| Specific Financial Systems:                                 |                        |
| Revenue, Receipts, and Cash Management                      | 1                      |
| Payables and Disbursements                                  | 2                      |
| Procurement   | -                      |
| Human Resources and Payroll                                 | 2                      |
| Access to Information Technology Systems                    | 3                      |
| Operations of Selected Participant Programs (Prepaid Items) | 2                      |
| Compliance with Sub-Recipient Requirements                  | -                      |
| <b>Total Observations:</b>                                  | <b>15</b>              |

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## Positive Observations

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### *Governance*

- ▶ Management's active involvement in the internal control environment resulted in fewer observations compared to the other Workforce Boards within the scope of our contract.

### *Financial Systems:*

- ▶ Management uses functionality within the accounting system, Sage MIP Fund Accounting Software (MIP), to automate controls.
- ▶ The Policy Coordinator requires that all personnel involved in the Request for Proposal evaluation process to complete a form certifying that they do not have a conflict of interest with the Providers under review.

### *Information Technology*

- ▶ The Workforce Board has appropriately segregated duties between custody of assets, authorization or approval of related transactions affecting those assets, and recording or reporting of related transactions within MIP.
- ▶ The Assistant Director of Finance performs a quarterly review of user access to determine whether user access is appropriate.

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## Positive Observations - Continued

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### *Participant Programs:*

- ▶ Per the contract agreement, Service Providers are responsible for purchasing prepaid items (including transportation cards), which are maintained at the One Stop Centers for disbursement. The Workforce Board does not reimburse the Service Provider for prepaid items that have been lost or stolen.
- ▶ The Workforce Board implemented a support services system, Services Account Management System (SAMS). This system allows the agency to implement automated controls for the participant program processes.

### *Compliance with Sub-Recipient Monitoring:*

- ▶ The Workforce Board has created the Office of Continuous Improvement (OCI) to perform both fiscal and programmatic monitoring of sub-recipients.
- ▶ The Office of Continuous Improvement also includes a Quality Assurance (QA) Department, which reports directly to the Executive Director. The QA Department is responsible for quarterly reviews of all Adult and Dislocated Worker programs funded under the Workforce Investment Act (WIA) and Career Advancement Program (CAP).

**Note:** While our analysis was not intended to provide an opinion or any form of assurance upon the effectiveness of control procedures in general, but to make recommendations regarding control deficiencies, these positive observations do indicate management and staff are dedicated to the improvement of controls and the control environment.

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## Key Observations – Opportunities for Improvement

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- Consider increasing the amount of Fidelity Bond Coverage for all employees
- The Board of Directors should consider developing a formal process to periodically perform self-assessments to evaluate performance of goals and objectives
- Consider developing a formal risk assessment process to identify and address risks internally in addition to reliance on external monitoring such as the A-133 Audit
- The Workforce Board should document verification that cash and checks received from non-grant revenue sources are deposited in full
- Consider performing a independent review of additions and changes to the Vendor Master files in MIP
- Require management approval of any MIP system overrides before they occur
- Consider performing a thorough monthly payroll review to reduce the risk of incorrect transactions
- Opportunities exist for network security to be strengthened (i.e., passwords and lockout settings)
- Consider developing and documenting policies and procedures for system changes, access to and maintenance of the MIP system
- Consider performing periodic tests of the Disaster Recovery procedures for the MIP system
- Consider performing a detailed review of Transportation Request Logs prior to issuing reimbursements for transportation cards

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## Closing Remarks

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- We appreciate the cooperation and assistance provided to us during the course of our work by the RWB #23's Board, Executive Management Team, and staff.
- The Workforce Board's Executive Management Team proactively began the process of addressing our recommendations by establishing new policies and operating standards designed to help minimize, mitigate, and/or limit the risks associated with the exposures identified.

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# Questions

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5.

**SFWIB – Finance Committee**

*August 12, 2008*

**Approval of SFWIB 2008-2009 Budget**

**RECOMMENDATION**

SFWIB staff recommends approval of the SFW FY 2008-2009 Budget.

**BACKGROUND**

Attached for the Committee's review is the proposed SFW FY 2008-2009 Budget.

SFWIB staff recommends approval of the SFW FY 2008-2009 Budget.

*Attachments*



6.

**SFWIB – Finance Committee**

***August 12, 2008***

**Approval to Renew Professional Services Agreement with Sharpton, Brunson & Company, P.A. to Provide External Independent Auditing Services**

**RECOMMENDATION**

SFWIB staff recommends the approval to renew the Professional Services Agreement for the period July 1, 2008 to June 30, 2009, with Sharpton, Brunson & Company, P.A. to provide External Independent Auditing Services for an amount not to exceed \$130,000.

**BACKGROUND**

Sharpton, Brunson & Company, P.A. was competitively selected to provide independent external auditing services for the South Florida Workforce Investment Board and the Professional Agreement with Sharpton, Brunson & Company, P.A. contained renewal language.

Sharpton, Brunson & Company, P.A. has performed exceptionally well, completing the external audit by the deadline and allowing SFWIB to meet its regulatory and contractual requirements.

SFWIB staff recommends the approval to renew the Professional Services Agreement for the period July 1, 2008 to June 30, 2009, with Sharpton, Brunson & Company, P.A. to provide External Independent Auditing Services for an amount not to exceed \$130,000.

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.





7.

**SFWIB – Finance Committee**

***August 12, 2008***

**Financial Monitoring Report – Jobs for Miami**

**Informational/Discussion**

**BACKGROUND**

The SFWIB staff conducts financial monitoring of the Region's Service Partners. Attached for the Committee's review and discussion is the Executive Summary of the Financial Monitoring Report for Jobs for Miami. The full report will be available at the Committee meeting

*Attachment*



**Office of Continuous Improvement  
Administrative Monitoring**

**Private Industry Council of Dade County, Inc.  
d/b/a Jobs For Miami (JFM)**

**August 4, 2008**

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|                          |                        |                        |
|--------------------------|------------------------|------------------------|
| <b>Contract Numbers:</b> | WDS-YS-ISY-PY'07-04-02 | WDS-YS-OSY-PY'07-04-01 |
| <b>Contracts Amount:</b> | \$910,777              | \$1,138,895            |
| <b>Contracts Period:</b> | 7/1/07 to 6/30/08      | 7/1/07 to 6/30/08      |
| <b>Index Codes:</b>      | 20704                  | 60704                  |

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| <b>Contract Numbers:</b> | RET-DP-PY'07-14-00 | RET-DP-PY'07-15-00 |
|--------------------------|--------------------|--------------------|

|                          |                     |                     |
|--------------------------|---------------------|---------------------|
| <b>Contracts Amount:</b> | \$1,424,553         | \$280,205           |
| <b>Contracts Period:</b> | 01/01/08 to 9/30/08 | 01/01/08 to 9/30/08 |
| <b>Index Codes:</b>      | 90814               | 90815               |

**Total Funding:** \$3,754,430

**Contracts Staff:** Madalyn Uptgrow, Contracts Administrator

**Monitoring Staff:** Frances Gonzalez-Lago, Contracts Compliance Monitor  
Jocelyn R. Fulton, Contracts Compliance Monitor  
Antoaneta Apostolakos, Contracts Compliance Monitor  
Dulce M. Quiñones, Contracts Compliance Supervisor

**Distribution:** Kenroy Campbell-Cooper, Chairperson of the Board, JFM  
Hilary Harvey, President/CEO, JFM  
Rick Beasley, Executive Director, SFWIB  
Gustavo Alonso, Assistant Director of Finance, SFWIB  
Madalyn Uptgrow, Contracts Administrator, SFWIB

**Prior Audit Dates:** Desk review 4/7/08, Administrative Monitoring 9/6/07

**Type of Agency:** Non-profit

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## Exhibit E – Financial Analysis

### Private Industry Council of Dade County, Inc. d/b/a Jobs For Miami (JFM)

#### I. EXECUTIVE SUMMARY

On June 16, 2008, the Office of Continuous Improvement (OCI) performed a follow up administrative monitoring of Jobs for Miami (JFM) encompassing the review and implementation of corrective actions cited during the previous monitoring. **Repeat findings** of the same nature were noted in two consecutive program years. Corrective actions were not implemented.

JFM was not in substantial compliance with the Office of Management and Budget (OMB) Circulars A-122 and A-133, the executed contracts, and the Financial Accounting Standard Board which publishes the Generally Accepted Accounting Principles (GAAP), for the aforementioned executed contracts with SFWIB. Below is a summary of those deficiencies OCI has determined are the most serious.

- JFM was found to be in breach of its executed contracts with SFWIB as follows:
  - Ineffective or improper use of SFWIB funds (Article II, Section E, Item 2)
  - Failed to submit, or submitted incorrect or incomplete proof of expenditures to support disbursement requests (Article II, Section E, Item 5)
  - Failed to correct deficiencies discovered during previous monitorings (Article II, Section E, Item 10)
  - Failed to fulfill in a timely and proper manner any and all of contractor's obligations in accordance with time periods set forth in the contract (failed to submit the independent audit report by June 30, 2008 (Article I, Section E, Item 5 and Article II, Section E, Items 12 and 13)
  - Failed to submit to the monitors for inspection records requested (Article I, Section J)
  - Failed to maintained worker's compensation insurance as required (Article I, Section F, Item e)
  - Failed to furnish proof of background screenings (Article II, Section E, Item 4)
- Overall, OCI identified numerous organizational problems and governance concerns, internal controls deficiencies, inaccurate accounting records, inability to secure an independent fiscal audit, ineffective administrative procedures, and questionable financial transactions.
- The financial condition of JFM is poor and deteriorating as evidenced by negative working capital, by the large amount of checks that have not been remitted to vendors for lack of funds, by borrowing funds from senior staff to cover emergency cash shortages and by issuing checks without sufficient funds, consequently incurring overdrafts. **These are repeat findings.**
- A total of \$19,724.09 has been identified as disallowed costs, which should be returned to SFWIB.

## Exhibit E – Financial Analysis

- On 7/31/08, OCI was informed by the President/CEO that JFM does not have an active worker's compensation insurance policy. Worker's compensation is a contractual requirement of the executed contracts. Further, life and disability insurance was cancelled for non-payment, but at a later date reinstated. On 7/25/08 JFM provided supporting documentation regarding the commercial general liability, property and auto insurance policies which had been renewed for the period of July 08 through July 09.
- JFM had two key Board of Directors positions vacant, the Vice Chairman and Treasurer. On 7/31/08 the President/CEO informed OCI that the last time the Board of Directors met was on February 2008, however, supporting documentation was not provided. The last documented date JFM's Board of Directors met was on August 21, 2007.
- JFM entered into an agreement with an alleged financial consultant, Mr. J. Wells, who allegedly represented that he would arrange introductions to prospective lenders and to advise and assist JFM in establishing new banking/lender relationships in an effort to obtain loans totaling \$1,000,000. A success fee of 8% would have to be paid to this consultant at the time of the closing of the loan. JFM paid the alleged financial consultant a "refundable" fee of \$15,000, in five installments between 4/16/08 and 5/21/08. However, as of the date issuance of this monitoring report, no such services had been provided to JFM. JFM informed OCI that JFM has attempted to contact the alleged financial consultant to recoup the "refundable" fees but has been unsuccessful to date. There was no documentary evidence that the agreement with the alleged financial consultant was ever approved by the Board of Directors of JFM.
- JFM submitted expenditures for reimbursement to the SFWIB which expenditures had not been paid to vendors, not in compliance with Article IV, Section M of the executed contracts. JFM prepared checks for vendors but did not remit payment to vendors. Original checks and corresponding invoices were held by JFM's accounting staff. ***This is a repeat finding.***
- On the first day of the monitoring visit and upon OCI inquiry regarding unpaid invoices, the monitors were provided with a total of seventy-nine (79) vendor invoices totaling \$141,546.55 for the months of December 2007 through June 2008, with original checks attached, for which payment had not been remitted to the vendors. Of this amount, \$134,999.84 was issued from the general operating account and \$6,546.71 from the payroll account.
- Prior year costs were allocated and submitted for reimbursement to SFWIB under the current contract, not in accordance with OMB A-110, Subpart C, Item 28 and Article IV, Section M of the executed contracts. ***This is a repeat finding.***
- Instances were noted where senior staff and staff of JFM approved their own transactions with JFM.
- Duplicate expenditures were submitted for reimbursement to SFWIB. ***This is a repeat finding.***

## Exhibit E – Financial Analysis

- JFM did not maintain adequate supporting documentation to justify expenditures as required by Article IV, Section M of the executed contracts. ***This is a repeat finding.***
- JFM did not submit the independent audit report as of 9/30/07, due at SFWIB's Office of Continuous Improvement on 6/30/08, as required per Article I, Section E, Item 5 of the executed contracts and OMB A-133. ***This is a repeat finding.***
- Checks were generated but JFM paid the obligations via Automated Clearing House (ACH), preauthorized debit, official check, or by phone. Instead of voiding the checks and reversing the original entry in the accounting system through a journal entry, the original checks were kept as proof of payment and these checks perpetually appeared as outstanding in the banks' reconciliations. ***This is a repeat finding.***
- OCI noted a modus operandi where checks were consistently voided and replaced by another check in thirty-three (33) instances, or 25.38 percent of the sample. Replaced sampled checks remained outstanding as of the writing of this report. JFM was not able to provide a logical explanation for the above mentioned procedures.
- JFM did not provide complete bank statements and bank reconciliations for all accounts to the monitors. ***This is a repeat finding.***
- JFM had incurred bank fees totaling \$1,785 for non-sufficient and unavailable funds fees. These fees are unallowable costs as per OMB A-122. ***This is a repeat finding.***
- Checks were not issued in strict sequential order. The check register showed breaks in check number sequences. A total of 379 checks were not recorded in the register, but 208 checks had been paid by the bank, 36 checks had been voided or spoiled and 135 checks were unaccounted for. ***This is a repeat finding.***
- A senior staff employee of JFM, who is no longer employed by JFM, made a loan to JFM to temporarily resolve cash flow problems. ***This is a repeat finding.***
- Critical employees' information submitted to the payroll service processing company was inaccurate and remained uncorrected for several months after the payroll processing company notified JFM of the errors.
- Personnel files did not contain all required documentation. ***This is a repeat finding.***
- Refugee Participants' files were poorly documented as evidence by discrepancies between source documentation and the data recorded on various JFM's forms. There was also an instance where 2<sup>nd</sup> placement supporting documentation was not in the file, yet the fee for the 2<sup>nd</sup> placement was paid by SFWIB. The amount of \$360.00 paid for the 2<sup>nd</sup> placement is being disallowed.