Finance Committee Meeting

WCF Admin Office
707 Mendham Blvd., Suite 250
Orlando, FL 32825
Monday, June 3, 2013
9:00 a.m.

MINUTES

MEMBERS PRESENT:	Bill Merck, Melanie Cornell, Catherine Hanson (via phone), and Joe Sarnovsky (via phone)
MEMBERS ABSENT:	Mark Wylie
STAFF PRESENT:	Pam Nabors, Kevin Neal, Leo Alvarez, Nilda Blanco (via phone), Anika Holmes (via phone) and Kaz Kasal
GUESTS PRESENT:	Dalton Hall / Taylor, Lombardi, Hall & Wydra

WELCOME & CHAIRS' REMARKS

Mr. Merck called the meeting to order at 9:00am and welcomed those in attendance.

Roll Call/Establishment of Quorum
Ms. Kasal reported there was a quorum present.

Public Comment
None offered.

APPROVAL OF MINUTES FROM PREVIOUS MEETING
After review of the minutes from the 4/23/13 Finance Committee Meeting, Mr. Sarnovsky made a motion to approve the minutes. Ms. Cornell seconded, motion passed.

INFORMATION AND DISCUSSION ITEMS

Taylor, Lombardi,Hall & Wydra – Update on Technical Assistance
Mr. Hall greeted the committee and provided an overview of the technical assistance his firm has provided to WCF over the last few months. This assistance included: process overview of key fiscal areas, gaining an understanding of policies and procedures in place, identifying gaps/deficiencies, streamlining processes and identifying areas to strengthen internal controls, Their assistance was provided on-site and they met one-on-one with the finance staff. At the completion of the review, a matrix was developed which included their observations and specific recommendations. Mr. Dalton commented that staff has been receptive to their assistance and recommendations, and welcome the opportunities to change. The following are areas where adjustments occurred:

Procurement – worked with staff to improve procurement process: cost estimates, analysis and contract requirements. Also recommended that when releasing RFPs, RFQ, etc. to post all questions and answers on WCF website so all proposers can see the same information. Ms. Nabors added that staff incorporated this process with the WIA Youth Year-Round RFP that was released a few months ago.

Cash management – updated policies and procedures: i.e. Payroll Manager was processing payroll and preparing bank reconciliation, but this should not be done by same person, so these two duties were separated out to strengthen internal controls.

Payroll – Personnel Activity Reporting (PAR), which is used for employees to record their time by funding stream through software program called Microix. Training was provided to staff a year ago on how to properly record their time to appropriate funding stream; however staff seemed to struggle with this – so it was recommended to provide additional training to staff to reinforce and better understand what they learned last year. This training occurred a few months ago. This training should continue to occur on a periodic basis to reinforce accurate recording of time per funding stream.

Operational Disbursements – worked with staff to educate them on proper documentation/approval process: comparability of quotes, receipts, substantiating purchase items, ensuring proper allocation.

ITAs – Gazelle, the tracking system WCF utilizes for ITAs, does not capture training expenditures by program year. Some ITAs are split between two program years and expenditures need to be obligated to appropriate year. Mr. Alvarez added that the software vendor has been contacted to make modifications so this can be more easily captured.

Gas Cards – tracking system is being done manually with an Excel spreadsheet. It is recommended that this be automated either: 1) using swipe cards, which would be scanned at the site, or 2) using debit cards, which can be reloaded remotely so participant does not have to come into the office. Automating this process will result in less staff intensive time on this task. Mr. Hall stated that there are pros and cons to both options, so this is still under review. A recommendation will be provided at a later date.

Mr. Dalton closed stating that staff has spent significant time in this clean-up process. He is very pleased to see management's focus on continued improvement.

<u>Results of Annual DEO Fiscal Monitoring</u>
Mr. Alvarez stated that the DEO monitors were on-site the week of 5/20/13 to perform their annual financial monitoring. The monitoring team consisted of 5 DEO internal staff including Wes Underwood, Bureau Chief of Financial Monitoring and Accountability. DEO is working towards continuing to utilize an internal monitoring team (vs. contracting this monitoring function out), and they are also looking to provide year-round monitoring vs. annual monitoring. Mr. Alvarez referenced the document entitled "2012-13 Financial Compliance Monitoring Report – WCF/RWB 12"- this is DEO's draft monitoring report that was received last Friday, as a result of their visit. The report indicates that WCF has no current year findings or other non-compliance issues. This is a big difference from previous years. Currently WCF is still under the high-risk designation and release of this designation is contingent upon results of this monitoring report and board certification. There were two (immaterial) observations made by DEO:

Observation #1 - WCF paid an 18% fee to TEWS Company for payroll processing for work experience participants. 15.25% of the 18% goes toward payroll tax and the remaining 3.75% of the fee goes toward the fee to process the payroll. In July 2012, DEO required 50% of WIA Adult and Dislocated Worker funds be spent on ITAs (which includes ITAs, work experience and staff time working with ITAs). Mr. Alvarez indicated he received verbal guidance from DEO that the 3.75% processing fee could be counted towards the 50%; however, this guidance proved incorrect and is considered a non-allowable cost for the ITA. However, after 3.75% fees were removed, 50% requirement was still met.

Observation #2 – Services were provided prior to the contract execution date for the vendor contract between TEWS and WCF. TEWS performed background checks on program participants during December 2012, but the contract was not executed until 1/3/13. Best practice recommendation is that no services should be rendered until execution of contract. Mr. Alvarez noted that there was a letter of intent and reimbursement was not received until after the contract was effective. Mr. Sarnovsky suggested that the best practice should always be to have a complete and executed contract prior to services being rendered. The back-up plan utilizing a letter of intent could be used in the event of a valid emergency; however, this should not be part of the normal process. Ms. Nabors concurred.

Mr. Alvarez stated that the final report should be received next week. Ms. Nabors added that a revised Board Roster (to reflect a reduction in the number of business seats) was sent to Rosa McNaughton/DEO and she responded back that the roster was in compliance. Ms. Nabors also received an email from Mr. Hart/WFI which he indicated that WCF was “on track” for removal of high-risk designation. These are both good indicators of the anticipated lifting of this designation.

<u>Draft of FY 2013-14 Budget</u>
Mr. Alvarez reviewed the Powerpoint document entitled “Program Year 2013-14 Budget” – and provided the following information.

Page 1 – “13-14 Proposed Budget by Funding Source” – Proposed total of $39.8 for PY 13-14. Mr. Alvarez noted that carry-in dollars of $15.4M (from PY 12-13) is a projected number and will need to be adjusted in July 2013. With regard to deferment – in previous years the practice was to defer 50% in the 2-year WIA funds. However per guidance from DEO and Mr. Hall it is recommended to decrease deferment to 30%.

Page 2 – “Source of Funds – 13-14 with Comparisons”– this shows a listing of all funds, description of funds and this year vs. next year budget and difference. A 6.7% decrease is expected for fiscal year 13-14 vs. current fiscal year. This decrease is due to sequestration and improved economy (less people on unemployment). There will also be a projected decrease in TANF (WT) funding of 10.9%, which fortunately is less than what was initially anticipated of 20%.

Page 3 – “Funding Allocation by Grant – PY 13-14” – this pie chart shows the funding split (slice) by %, with the largest slices allocated to WIA/WP/WT.

Page 4 – “Budget 2-Year Comparison” – shows 13-14 vs. 12-13 budgets, and split by program and administrative. $37.8M is projected towards program support, and $1.9M projected toward admin costs, which equates to 4.9% allocation toward Admin. This is the lowest Admin cost this region has had; it is usually at 7%. Up to 10% can be allocated to Admin, so WCF is way below this. Mr. Sarnovsky asked if the State defines the Admin allocation. Mr. Alvarez concurred. Mr. Sarnovsky asked how WCF compares to other like-size RWBs in the state with regard to Admin costs. Mr. Hall, who also works with some of the other RWBs, indicated 4.9% is comparatively low. Mr. Alvarez added that he can obtain actual data on this from the other like-size RWBs. Mr. Sarnovsky suggested that this should be highlighted to the board and it is also a press-worthy item. Mr. Alvarez also noted on Page 4 that the increase in facility cost for fiscal year 13-14 is due to the upcoming office moves (furniture and moving expenses), but these expenditures will decrease over time. Ms. Nabors noted that the increase in professional development is due to the increased focus on performance improvement for staff.

Page 5 – "WCF Staffing Statistics – PY 13-14" – 300 staff: 253 with WCF and 47 with DEO. 80% are WCF programmatic staff, 15% DEO staff and 5% administrative staff.

Page 6 –"13-14 Program Training" – shows breakdown of training line items and amount allocated per line item. Mr. Neal stated that based on thorough review by staff and Program Review Committee, it is being proposed, as part of programmatic re-design, that more training options should be available for participants. Included in these expanded options are pre-vocational training programs, which are short-term in nature. Based on feedback from employers and also at round table discussions with staff agencies, it has been identified that there are many jobs available requiring a minimum level of training; and this puts people to work quickly – i.e. forklift operators, OSHA certifications, etc. Ms. Nabors added that after July 2013, small RFQs will be released to identify short-term training providers and job readiness programs. Mr. Neal stated that, now with the Business Service Unit is in full operation, this department will coordinate training options to include customized training, On-Job-Training and Employed Worker Training. Ms. Nabors stated that under Occupation Skills Training, advanced manufacturing training has been earmarked as a continued focus for participants to gain skills in advance manufacturing.

Page 7 – "Facilities" – shows breakdown of each office, square footage, rental cost, lease expiration and average number of customers served, As part of the 5-year facility plan, with regard to East Colonial Drive offices, the smaller office (3,000 sq. ft.) will be closed effective 6/30/13 and this will provide a savings of $50,000 per year. The lease will be extended at the larger office (11,000 sq. ft.) and more efficient use of space will be created – this is a good location and bus stop is right out front. This office also has the highest amount of traffic. With regard to Seminole County, the offices will be consolidated into one, comprehensive office. This will be at a new location (@10,000 sq. ft.), which is projected to happed by the end of the first quarter, but not incur additional expense. Ms. Cornell asked where they are looking in Seminole County for the new location. Ms. Nabors replied that they are in negotiations for a space near the JobVantage office; however there is an issue they are trying to work out in the negotiations, so if it does not work out, they may need to look further. Mr. Katheder has been very instrumental with these negotiations. Ms. Cornell indicated that she has a contact in Seminole County that could be very helpful and has a very good knowledge – she will provide this contact to Ms. Nabors. Ms. Nabors indicated that the administrative office will also be reviewed to determine feasibility of early lease termination.

Page 8 – "Notes Relative to Proposed WCF Operation Budget" – Mr. Alvarez indicated that, as mentioned earlier, deferment will be decreased to 30% (from 50%). Mr. Merck asked if this will affect staff levels. Ms. Nabors replied that per State guidance RWBs should spend 80% and if not spent, State can recapture and reallocate to another region. For the upcoming year, to make the adjustment more manageable, 30% will be deferred; however in the following year this will probably decrease to 20%. Mr. Alvarez stated, like last year, the proposed expenditure level for salaries and benefits reflects a 3% average merit increase, which will be effective from 7/1/13. Mr. Sarnovsky asked if the 3% is across the board. Ms. Nabors replied that this is not across the board, but based on performance. Mr. Alvarez stated that overhead costs will remain at same level as last year.

After further discussion and review, Ms. Cornell made a motion to approve moving the FY 2013-14 Budget to board for review/approval. Mr. Sarnovksy seconded, motion passed.

Mr. Alvarez stated that this Thursday, 6/6/13 the proposed budget will be forwarded to the full board, Audit Committee and Consortium for their review. This will provide 2 weeks to review and forward any questions prior to the 6/20/13 Joint Meeting of the Consortium and Board.

Mr. Merck asked Ms. Nabors to provide a review of how effective WCF is with serving community needs. Ms. Nabors replied that the focus has been re-establishing and reconnecting in the community. Some very good partnerships have been established with community organizations, training providers, economic development commissions (EDCs) and the chambers. As connections continue to be established, WCF is able to service the community with more impact. As economy improves, WCF will re-engage those individuals still unemployed. Also it will be important to identify other efficiencies and continue to perform with fewer dollars. This year this WCF stabilized financially and re-established their reputation in the community.

CHAIRS' CLOSING REMARKS

Mr. Merck closed complimenting staff on the terrific job they have down with all of the changes.

There being no other business, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,

Kaz Kasal
Sr. Administrative Assistant