

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 6/5/2012	(3) CONTACT/PHONE Kerry Bailey 788-2979 Matt Purkiss 781-5099	
(4) SUBJECT Submittal of the Annual Fiscal and Procurement Review Report of the Workforce Investment Act (WIA) contracts with Goodwill Industries and San Luis Obispo Community College District.			
(5) RECOMMENDED ACTION It is recommended that the Board receive and file the WIA Annual Fiscal and Procurement Review report.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date August 23, 2011 and January 10, 2012	
(18) ADMINISTRATIVE OFFICE REVIEW  Nikki J. Schmidt			
(19) SUPERVISOR DISTRICT(S) All Districts -			

# County of San Luis Obispo



TO: Board of Supervisors  
FROM: Gere W. Sibbach, Auditor-Controller  
DATE: 6/5/2012  
SUBJECT: Submittal of the Annual Fiscal and Procurement Review Report of the Workforce Investment Act (WIA) contracts with Goodwill Industries and San Luis Obispo Community College District.

## **RECOMMENDATION**

It is recommended that the Board receive and file the WIA Annual Fiscal and Procurement Review report.

## **DISCUSSION**

The Workforce Investment Act of 1998 rewrote statutes governing programs of job training, adult education, and literacy and vocational rehabilitation. The Act mandates the use of a One-Stop Operating Center which streamlines services, eliminates duplication of services and empowers individual participants to develop the skills necessary to obtain employment. Currently Goodwill Industries operates the adult One-Stop Center, provides system publicity and promotion activities, as well as outreach and recruitment services. San Luis Obispo Community College District operates the youth One-Stop Center.

The purpose of our review was to determine the level of compliance with County contracts, as well as the application of federal and state laws, regulations, policies and directives related to the WIA funds regarding financial management and procurement for program year 2011-2012.

We have attached our monitoring reports which include a Fiscal Review Results section where the findings and recommendations are discussed in detail. The reports were issued to Goodwill Industries and San Luis Obispo Community College District on May 4 and March 28, 2012 respectively. Goodwill Industries included a response to our specific recommendations, and it is attached to our monitoring report. Additionally, our findings are summarized in the results section below.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

Department of Social Services

## **FINANCIAL CONSIDERATIONS**

The County contracted with Goodwill Industries and the San Luis Obispo Community College District for \$1,251,602 and \$1,077,400 respectively for Program Year 2011-2012.

## **RESULTS**

There were no findings or corrective actions reported for the San Luis Obispo Community College District.

The finding for Goodwill Industries included the reimbursement of costs that were allowable, but not identified in the contract's line-item budget. Goodwill Industries has indicated that the approved line-item budget will not be exceeded.

without Department of Social Services' written permission and that in the future, Goodwill Industries will clearly identify budget proposal costs which are expected to be reimbursed during the fiscal year covered by the contract. Such action will resolve the finding.

Annual fiscal and procurement review of the County's Workforce Investment Act contractors is one of the tools mandated by the State to ensure compliance with the many requirements needed to operate a successful work assistance program for the residents of the County of San Luis Obispo. Annual monitoring activities help maintain contractor accountability for public funds and contribute to the County's vision of a livable, prosperous and well governed community.

### **ATTACHMENTS**

1. Cuesta College WIA Report
2. Goodwill WIA Report
3. Goodwill Management Response

# County of San Luis Obispo

## Office of the Auditor-Controller

1055 Monterey Street Room D220  
San Luis Obispo, California 93408  
(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**

**JAMES P. ERB, CPA, Assistant**

**LYDIA CORR, CPA, Deputy**

**JAMES HAMILTON, CPA, Deputy**

Email [auditor@co.slo.ca.us](mailto:auditor@co.slo.ca.us)

March 28, 2012

Dr. Matthew Green, Ph.D., Director  
Workforce Economic Development and Community Programs  
San Luis Obispo Community College District  
Highway 1, Building 4700  
San Luis Obispo, CA 93403-8106

RE: WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2011-2012

Dear Dr. Green:

This is to inform you of the results of our review for Program Year 2011-2012 of the San Luis Obispo County Community College District Workforce Investment Act Services (Cuesta College) grant financial management and procurement systems. For the fiscal portion of this review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal controls, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring, single audit and audit resolution policies and procedures, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management if available.

Our review was conducted under the authority of Section 667.410 (b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Cuesta College with applicable federal and state laws, regulations, policies, and directives related to the Workforce Investment Act (WIA) grant regarding financial management and procurement for Program Year 2011-2012.

We collected the information for this report through interviews with representatives of Cuesta College, a review of applicable policies and procedures, and a review of documentation retained by Cuesta College for a sample of reimbursement claims, expenditures and procurements for Program Year 2011-2012.

BACKGROUND

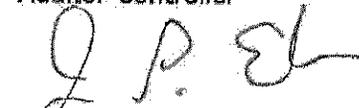
Cuesta College was awarded WIA funds to improve the educational workforce skill competency level through focus on youth acquiring basic work readiness skills and job experience. Programs include Youth One-Stop, School Classroom, and After School. For Program Year 2011-2012, Cuesta College was allocated \$538,700 to operate the In-School program and \$538,700 to operate the Out-of-School program.

For the first half of fiscal year 2011-2012, Cuesta College reported expenditures of \$186,655 for the In-School program and \$197,993 for the Out-of-School program. Total WIA expenditures were \$384,648.

FISCAL & PROCUREMENT REVIEW RESULTS

We conclude that, overall, Cuesta College is meeting applicable WIA requirements concerning the financial management and procurement systems of this grant for Program Year 2011-2012.

Gere Sibbach, CPA  
Auditor-Controller



James P. Erb, CPA  
Assistant Auditor-Controller

cc: Reva Bear  
Department of Social Services Program Manager

**County of San Luis Obispo**  
*Office of the Auditor-Controller*  
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**GERE W. SIBBACH, CPA**

**JAMES P. ERB, CPA, Assistant**  
**LYDIA CORR, CPA, Deputy**  
**JAMES HAMILTON, CPA, Deputy**  
Email auditor@co.slo.ca.us

May 4, 2012

Michael J. Paul, President and CEO  
Goodwill Industries of Santa Cruz, Monterey and SLO Counties  
Workforce Investment Act Services  
350 Encinal St.  
Santa Cruz, CA 95060

RE: WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2011-12

Dear Mr. Paul:

This report is to inform you of the results of our review for Program Year 2011-2012 of the Goodwill Industries of Santa Cruz, Monterey and San Luis Obispo Counties Workforce Investment Act Services (Goodwill Industries) grant financial management and procurement systems. For the fiscal portion of this review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal controls, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring, single audit and audit resolution policies and procedures, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management if available.

Our review was conducted under the authority of Section 667.410 (b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Goodwill Industries with applicable federal and state laws, regulations, policies, and directives related to the Workforce Investment Act (WIA) grant regarding financial management and procurement for Program Year 2011-2012.

We collected the information for this report through interviews with representatives of Goodwill Industries, a review of applicable policies and procedures, and a review of documentation retained by Goodwill Industries for a sample of reimbursement claims, expenditures and procurements for Program Year 2011-2012.

BACKGROUND

Goodwill Industries was awarded One-Stop Operator WIA Adult and Dislocated Worker, funds from the County of San Luis Obispo in the amount of \$1,251,602 to provide One-Stop system publicity and promotion activities; outreach and recruitment services; and One-Stop career centers facility management and maintenance for FY 2011-2012.

For the first half of fiscal year 2011-12, Goodwill Industries reported expenditures of \$555,163 for the WIA programs.

FISCAL REVIEW RESULTS

We identified one area of fiscal noncompliance with the contract which is discussed in the finding listed below and must be addressed by management.

Requirement: The Program Year 2011-12 Contract between Goodwill Industries of Santa Cruz, Monterey and San Luis Obispo Counties Workforce Investment Act Services and the County of San Luis Obispo Department of Social Services requires that Goodwill Industries be reimbursed for all necessary and reasonable costs incurred on behalf of the County within the limits obligated by the contract and established by the budget and budget narrative.

Observation: We determined that \$15,248 of costs, which were not established in the contract by the line-item budget were reimbursed to Goodwill Industries.

Cause: Goodwill Industries invoiced the County for \$15,248 of allocated Industrial Way facility rent which was not established by the line-item budget.

Effect: Goodwill Industries included \$15,248 of rental costs which are allowable, but were not identified in the line-item budget. Goodwill Industries has invoiced for 71% of the rental budget as of January 31, 2012 (58% of the fiscal year).

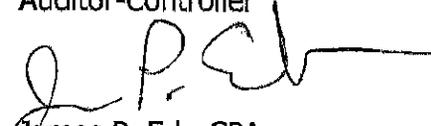
Recommendation: Goodwill Industries must not exceed the approved line-item budget for rental expense. Going forward, Goodwill Industries must clearly identify in its budget proposal costs for which it expects to be reimbursed during the fiscal year covered by the contract.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is Goodwill Industries' responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, remain Goodwill Industries' responsibility.

Goodwill Industries indicated that the approved line-item budget will not be exceeded without Department of Social Services written permission and that in the future, Goodwill Industries will clearly identify budget proposal costs which are expected to be reimbursed during the fiscal year covered by the contract, resolving the issue above.

We would like to thank Goodwill Industries of Santa Cruz, Monterey and San Luis Obispo Counties and your staff for their cooperation and assistance during our review. We also appreciate the attention the Goodwill staff has dedicated to addressing previous recommendations. If you have any questions regarding this report or the review that was conducted, please contact Kerry Bailey at (805) 788-2979 or Matt Purkiss at (805) 781-5099.

Gere W. Sibbach, CPA  
Auditor-Controller



James P. Erb, CPA  
Assistant Auditor-Controller



# GOODWILL

Industries of Santa Cruz, Monterey  
& San Luis Obispo Counties, Inc.

*Our Business is Changing Lives!*

April 25, 2012,

County of San Luis Obispo  
Auditor-Controller's Office  
Attn: Matthew Purkiss, Auditor Analyst  
1055 Monterey Street, Room D-220  
San Luis Obispo, CA 93408

**Response to: WORKFORCE INVESTMENT ACT FISCAL AND PROCUREMENT  
REVIEW DRAFT MONITORING REPORT PROGRAM YEAR 2011-12**

Dear Mr. Matthew Purkiss:

Goodwill Industries has received your draft monitoring report dated March 21, 2012. It is our understanding that this fiscal review observation doesn't rise to the level of a "Finding", that we are operating within line item budgets and all costs are allowable. However, you observed that Goodwill will exceed the line item budget for rent if we continue to invoice at the same rate. With that understanding, Goodwill Industries will not exceed the approved line item budget without written permission to do so from the Department of Social Services. In the future, Goodwill will clearly identify budget proposal costs for which we are expected to be reimbursed during the fiscal year covered by the contract.

Goodwill will seek written permission from DSS to exceed this budgeted line item. We believe this should be granted due to the shared cost of ADA compliance agreed to at the contract's inception that was expected to be paid to Goodwill outside the contract. Subsequently, DSS asked us to include this cost inside the contract. We addressed it in the narrative and omitted it from the line item budget as an oversight.

Thank you,

A handwritten signature in black ink, appearing to read 'Michael J. Paul'.

Michael J. Paul  
President/CEO

Cc: John Collins - Senior VP, Shoreline Workforce Development Services  
Nick Andrews - Finance Director, Goodwill Industries, Santa Cruz  
Bill Barker - Finance Manager, Goodwill Industries, San Luis Obispo