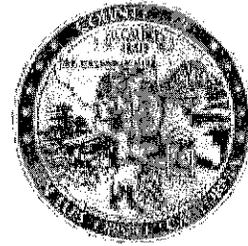


**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 8/16/2016	(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of the report for Henkels & McCoy, Inc. Workforce Investment and Opportunity Act Annual Fiscal and Procurement Review for program year 2015-2016. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the Workforce Investment and Opportunity Act Annual Fiscal and Procurement Review report, and the Henkels & McCoy, Inc. response.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(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) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: <u>12-15-2015</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 8/16/2016

SUBJECT: Submittal of the report for Henkels & McCoy, Inc. Workforce Investment and Opportunity Act Annual Fiscal and Procurement Review for program year 2015-2016. All Districts.

## **RECOMMENDATION**

It is recommended that the Board receive, review, and file the Workforce Investment and Opportunity Act Annual Fiscal and Procurement Review report, and the Henkels & McCoy response.

## **DISCUSSION**

California implemented the federal Workforce Investment Act (WIA) of 1998 in the year 2000 with the goal of building a comprehensive workforce investment system that would increase employment opportunities, job earnings and retention while improving occupational skills to sustain California's economic growth in future years. On July 22, 2014, the Workforce Innovation and Opportunity Act (WIOA), the first legislative reform of the public workforce system in 15 years, was signed into law. WIOA supersedes and updates the Workforce Investment Act of 1998. WIOA is designed to strengthen and improve the public workforce system and put job seekers back to work by helping workers acquire the skills employers need and helping employers access the talent pool needed to compete in a global economy.

Henkels & McCoy, Inc. (H&M) was selected to provide targeted youth employment services to older and out-of school youth in San Luis Obispo County. H&M was selected based on their experience with implementing employment and work programs for WIOA - eligible at-risk youth.

The purpose of our review was to determine H&M's level of compliance with the County contract as well as applicable federal and state laws, regulations, policies and directives related to the WIOA funds regarding financial management and procurement for program year 2015-2016.

We have attached our monitoring report which was issued to Henkels and McCoy, Inc. on June 21, 2016 and includes one fiscal review finding. We have also attached H&M's response to our finding.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

Department of Social Services

## **FINANCIAL CONSIDERATIONS**

The County contracted with Henkels & McCoy, Inc. for \$594,694 for program year 2015-2016.

## **RESULTS**

We determined Henkels & McCoy, Inc. generally met applicable WIOA requirements concerning both financial management and procurement practices for program year 2015-2016.

However, we found one instance where H&M did not comply with WIOA regulations, and we made a suggested improvement for an issue which did not rise to the level of non-compliance. Our finding and recommendation is detailed in the attached report. Henkels and McCoy's response to our finding is also attached.

**ATTACHMENTS**

1. Final Monitoring Report
2. Henkels & McCoy, Inc. Response



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

## **Workforce Innovation and Opportunity Act Fiscal and Procurement Review Monitoring Report Program Year 2015-16**

**July 2016**

**JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector-Public Administrator**



**COUNTY OF SAN LUIS OBISPO**  
AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR  
1055 MONTEREY ST. RM. D290  
SAN LUIS OBISPO, CA 93408  
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<http://sloacttc.com>

**JAMES P. ERB, CPA**  
Auditor-Controller  
Treasurer-Tax Collector  
  
**James W. Hamilton, CPA**  
Assistant

July 26, 2016

Charlotte Johnson  
Henkels & McCoy, Inc.  
Workforce Innovation and Opportunity Act Services  
4241 Tanbark Street  
San Jose, Ca 95129

Dear Ms. Johnson:

This report is to inform you of the results of our Workforce Innovation and Opportunity Act (WIOA) program year 2015-16 review of the youth services' financial management and procurement systems. For the financial management portion of this review, we focused on the following areas: internal controls including fiscal policies and procedures, allowable costs, cash management, cost allocation, single audit, and fiscal reporting. For the procurement portion of the review, we examined internal controls including procurement policies and procedures, methods of procurement, cost and price analyses, and contract terms and agreements.

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 Henkels & McCoy, Inc.'s financial management and procurement compliance with applicable federal and state laws, regulations, policies, and directives related to the Workforce Innovation and Opportunity Act funding.

We collected the information for this report through interviews with representatives of Henkels & McCoy, Inc., a review of applicable policies and procedures, and a review of documentation supporting samples of reimbursement claims, expenditures and procurements for program year 2015-16.

#### BACKGROUND

Henkels & McCoy, Inc. was awarded WIOA funds from the County of San Luis Obispo in the amount of \$594,694 to provide youth employment, training and education services for program year 2015-16.

## FISCAL REVIEW RESULTS

We determined Henkels & McCoy, Inc. is meeting applicable WIOA requirements concerning financial management for program year 2015-16 with one exception:

### FINDING 1

**Requirement:** The standards for internal control in the federal government require management to clearly document internal controls and all transactions and other significant events. Additionally, transactions must be authorized and executed by a person acting within the scope of their authority.

**Observation:** Of the thirty-seven timecards tested four were not signed by an employee or his supervisor.

**Cause:** Staff neglected to document review and approval of timecards.

**Effect:** When timecards are not reviewed by the employee and supervisor, the risk for payroll error and fraud increases.

**Recommendation:** We recommend that all timecards be signed by each employee as well as reviewed and signed by the employee's supervisor.

**Response:** See attached Henkels & McCoy letter

## PROCUREMENT REVIEW RESULTS

We determined overall, Henkels & McCoy, Inc. is meeting applicable WIOA requirements concerning procurement for program year 2015-16. However, during our review we made one suggested improvement for an issue which did not rise to the level of non-compliance: we noted during our review the inventory log lacked equipment locations for three pieces of equipment and contained inaccurate locations for other items. Accurate and complete inventory logs aid in preventing loss, damage, or theft of property. Henkels & McCoy should work with the Department of Social Services to update the inventory list.

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

We would like to thank Henkels & McCoy, Inc. for the cooperation and assistance we received during our review. If you have any questions regarding this report or the review that was conducted, please contact Suzanne De Witt, Auditor, at (805) 781-4846 or Kerry Bailey, Chief Internal Auditor, at (805) 788-2979.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. P. Erb', with a long horizontal flourish extending to the right.

James P. Erb, CPA, CICA  
Auditor-Controller

Cc: Sue Gretchen, Fiscal Manager  
Danielle Christensen, Program Manager  
Gladys Kintz, Department of Social Services Fiscal Manager  
Tammy Aguilera, Department of Social Services Workforce Development Board Director  
Dawn Boulanger, Department of Social Services WIA Program Manager



**NETWORKS**  
Infrastructure for the New Century

July 25, 2016

County of San Luis Obispo  
1055 Monterey Street Rm. D290  
San Luis Obispo, CA 93408

Dear Mr. James Erb,

In response to the finding that Henkels & McCoy, Inc. did not have all timecards signed by an employee and supervisor. The past year was difficult for the entire staff of Henkels & McCoy. The staff had multiple Account Representatives during the billing for this contract. As of April of this year we were able to find a person dedicated to the work and more importantly the importance of paying attention to detail. The Account Representative has put together a check list of all the necessary documentation that is necessary for timecards, expense sheets, payables and making sure all cost billed is necessary and allowable.

We have also put a double check system in place where we have a second person review all documentation. In the future with the checks and balances that are now in place we will/should not have any documents submitted without signatures and proper approval.

We hope that you find this response acceptable, and we would like to thank you for allowing us to work with you and the young people of San Luis Obispo.

Sincerely,

Susan Gretchen  
Fiscal Manager

450 Davis Drive • Plymouth Meeting, PA 19462  
t. 484-344-2161 • f. 215-263-7568 • [www.HenkelsNetWorks.com](http://www.HenkelsNetWorks.com)