



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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 7/25/2017		(3) CONTACT/PHONE Mark Maier 781-4267/Kerry Bailey 788-2979	
(4) SUBJECT Submittal of the report for Goodwill Central Coast Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2016-2017. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review report and Goodwill Central Coast's 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"/> 4/5th's 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 6/7/2016	
(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: 7/25/2017

SUBJECT: Submittal of the report for Goodwill Central Coast Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2016-2017. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review report and Goodwill Central Coast's response.

DISCUSSION

The Workforce Innovation Act (WIA) 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. In 2014 the Workforce Innovation and Opportunity Act (WIOA) was signed into law. WIOA supersedes and updates the Workforce Innovation Act (WIA) of 1998. WIOA retains the basic components of the WIA, and streamlines programs and reporting while increasing the focus on servicing the most vulnerable workers including disadvantaged and unemployed adults and youth. Goodwill Central Coast (Goodwill) operates an adult One-Stop Center, provides system publicity and promotion activities, as well as outreach and recruitment services.

The purpose of our review was to determine the level of Goodwill's compliance with the County contract, as well as the application of federal and state laws, regulations, policies and directives related to the WIOA funds regarding financial management and procurement for program year 2016-2017.

We have attached our monitoring report which was issued on July 6, 2017 and, which includes one procurement finding relating to inventory management.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services

FINANCIAL CONSIDERATIONS

The County contracted with Goodwill for \$935,000 for program year 2016-2017.

RESULTS

We determined overall, Goodwill is meeting applicable WIOA requirements concerning financial management for program year 2016-17 with one exception relating to documentation of paid invoices. The exception did not rise to the level of non-compliance and does not require a contractor response.

Review of the procurement systems indicated Goodwill is meeting applicable WIOA requirements with two exceptions. One of the exceptions regards the need to update the procurement/disposal policy. This exception did not rise to the level of non-compliance. The other exception, considered a finding, relates to inventory management. All exceptions are detailed in the attached monitoring report. The contractor response to the finding is also attached.

ATTACHMENTS

1. WIOA Program Monitoring Report of Goodwill Central Coast
2. Goodwill Central Coast's Monitoring Report Response Letter



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

**Workforce Innovation and Opportunity Act
Fiscal and Procurement Review
Monitoring Report
Program Year 2016-17**

July 2017

JAMES P. ERB, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

James W. Hamilton, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

July 6, 2017

Tammy Aguilera
Department of Social Services Workforce Development Board Director
3433 S Higuera St.
San Luis Obispo, CA 93401

Dear Ms. Aguilera:

This report is to inform you of the results of our Workforce Innovation and Opportunity Act (WIOA) program year 2016-17 review of Goodwill Central Coast's (Goodwill) 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 Goodwill'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 conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The *International Standards for the Professional Practice of Internal Auditing* require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

We collected the information for this report through interviews with representatives of Goodwill, a review of applicable policies and procedures, and a review of documentation supporting samples of reimbursement claims, expenditures and procurements for program year 2016-17.



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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 Goodwill'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 Goodwill's responsibility.

BACKGROUND

Goodwill was awarded WIOA funds from the County of San Luis Obispo in the amount of \$935,000 to provide American's Job Center of California one-stop adult, dislocated worker, and rapid response services for program year 2016-17.

FISCAL REVIEW RESULTS

We determined Goodwill is meeting applicable WIOA requirements concerning financial management for program year 2016-17. During our review, we made one suggested improvement for an issue which did not rise to the level of non-compliance: one vendor invoice was not marked as reviewed and approved to be paid. Documenting the review and approval of invoices to be paid ensures funds are spent appropriately. We recommend all invoices indicate approval of the invoice to be paid.

PROCUREMENT REVIEW RESULTS

We determined Goodwill is meeting applicable WIOA requirements concerning procurement management for program year 2016-17 with two exceptions noted below.

FINDING 1

Requirement:	CFR 2, 200.313(d)(2) requires physical inventory of property must be taken and the results reconciled with the property records at least once every two years.
Observation:	Six items listed on Goodwill's WIOA property inventory log were determined to belong to non-WIOA related programs.
Cause:	Goodwill staff did not prioritize updating and maintaining the inventory log.



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Effect: When accurate inventory logs are not maintained, program assets cannot be easily identified, increasing the risk of misappropriation of program assets.

Recommendation: We recommend Goodwill staff review the inventory list and work with the Department of Social Services to remove items on the log that do not belong to the WIOA programs.

Response: See attached Goodwill Central Coast letter

In addition to our finding, we made one suggested improvement for an issue which did not rise to the level of non-compliance: The auditors found that Goodwill Central Coast had 1.) not updated their procurement policy to address micro-purchases and 2.) not created a property disposal policy. Uniform Guidance regulations for federal awards require subrecipients to document procedures for micro-purchases and disposal of program property. We recommend Goodwill update their procurement policy to address micro-purchases and create a disposal policy that meets the minimum federal regulations.

We would like to thank your staff and Goodwill Central Coast 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 Mark Maier, Auditor, at (805) 781-4267 or Kerry Bailey, Internal Auditor Manager, at (805) 788-2979.

Sincerely,

A handwritten signature in black ink, appearing to read "J P Erb".

James P. Erb, CPA, CICA
Auditor-Controller

Cc: Ed Durkee, Goodwill Central Coast President/CEO
Nick Andrews, Goodwill Central Coast Vice President of Finance
Anne Guthrie, Goodwill Central Coast Vice President Workforce Development Services
Gene Prescott, Goodwill Central Coast Senior Accountant
Anne Kidder, Goodwill Central Coast Office Manager
Gladys Kintz, Department of Social Services Fiscal Manager
Dawn Boulanger, Department of Social Services WIOA Program Manager

June 26, 2017

County of San Luis Obispo
James P. Erb, Auditor-Controller

RE: **REVIEW OF WIOA PROGRAM YEAR 2016-17 RESPONSE TO FINDING 1**

RESPONSE:

Goodwill Central Coast staff is working with Department of Social Services (DSS) and is now engaged in determining the status of the missing six (6) items of inventory and also in determination if they may have not been part of any current or prior WIOA funding as to appear on the Inventory Logs and as well may have been inadvertently placed on the inventory log by DSS personnel at the time of assuming the contract from the Private Industry Council (PIC). We are working to provide acceptable documentation and support for the items of equipment purported to be missing.

In regard to this matter Goodwill Central Coast accepts responsibility for any property being identified as WIOA's and of reasonable age which could be expected to be in its custody and as not to have been abandoned due to obsolescence and/or failure in the normal course of operations and should have been properly accounted for or inventoried on the Inventory Logs.

Respectfully,



Nicholas Andrews
Vice President Finance
Ph: (831) 600-0204
Cell: [REDACTED]
Fax: (831) 423-0339

cc: Ed Durkee, Goodwill Central Coast President/CEO
Anne Guthrie, Goodwill Central Coast VP Workforce
Gene Prescott, Goodwill Central Coast Senior Accountant
Anne Kidder, Goodwill Central Coast Office Manager
Gladys Kinz, Department of Social Services Fiscal Manger
Dawn Boulanger, Department of Social Services QIOA Program Manager