



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

<b>(1) DEPARTMENT</b> Auditor – Controller – Treasurer – Tax Collector	<b>(2) MEETING DATE</b> 8/10/2021	<b>(3) CONTACT/PHONE</b> Mark Maier (805) 781-4267 Desiré Harris (805) 781-5099	
<b>(4) SUBJECT</b> Request to receive, review, and file an audit report of Eckerd Youth Alternatives, Inc., Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for Program Year 2020-21. All Districts.			
<b>(5) RECOMMENDED ACTION</b> It is recommended that the Board receive, review, and file the Workforce Innovation and Opportunity Act Fiscal and Procurement Review Monitoring Report for Eckerd Youth Alternatives, Inc.			
<b>(6) FUNDING SOURCE(S)</b> N/A	<b>(7) CURRENT YEAR FINANCIAL IMPACT</b> \$0.00	<b>(8) ANNUAL FINANCIAL IMPACT</b> \$0.00	<b>(9) BUDGETED?</b> Yes
<b>(10) AGENDA PLACEMENT</b> <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
<b>(11) EXECUTED DOCUMENTS</b> <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
<b>(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)</b> N/A		<b>(13) BUDGET ADJUSTMENT REQUIRED?</b> BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
<b>(14) LOCATION MAP</b> N/A	<b>(15) BUSINESS IMPACT STATEMENT?</b> No	<b>(16) AGENDA ITEM HISTORY</b> <input type="checkbox"/> N/A Date <u>8/18/2020</u>	
<b>(17) ADMINISTRATIVE OFFICE REVIEW</b> Zachary A. Lute			
<b>(18) SUPERVISOR DISTRICT(S)</b> All Districts			



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: 8/10/2021

SUBJECT: Request to receive, review, and file an audit report of Eckerd Youth Alternatives, Inc., Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for Program Year 2020-21. All Districts.

### **RECOMMENDATION**

It is recommended that the Board receive, review, and file the Workforce Innovation and Opportunity Act Fiscal and Procurement Review Monitoring Report for Eckerd Youth Alternatives, Inc.

### **DISCUSSION**

The 2014 Workforce Innovation and Opportunity Act (WIOA) is a federally funded grant program that provides employment training, education, literacy and vocational rehabilitation services for adults and youth. WIOA is designed to strengthen and improve the public workforce systems and put job seekers back to work by helping workers acquire the skills employers need and help employers access the talent pool needed to compete in a global economy. For Program Year 2020-2021, four contracts totaling \$1,307,380 were awarded to Eckerd Youth Alternatives, Inc. (Eckerd) to provide youth and adult job services in the County.

In accordance with the WIOA grant requirements, annual fiscal and procurement monitoring occurs to assess that grant funds have been spent in accordance with federal and state laws, regulations, policies, and directives related to WIOA funds.

Our audit objectives were to:

- Determine whether Eckerd's expenditure reports were accurate, current, and complete.
- Determine whether Eckerd's payroll costs charged to the WIOA grant were accurately charged as direct or allocated costs and were appropriate and authorized.
- Determine whether Eckerd's invoiced WIOA expenses were accurately charged as direct or allocated costs and were allowable, appropriate, and authorized.
- Determine whether purchases made through procurement processes were completed in compliance with applicable federal guidelines.

Our review determined Eckerd complied with the financial management and procurement activities specified in the grant.

**OTHER AGENCY INVOLVEMENT/IMPACT**

The Department of Social Services receives and administers WIOA grant funds to Eckerd Youth Alternatives, Inc.

**FINANCIAL CONSIDERATIONS**

The County's 2020-21 program year contracts with Eckerd Youth Alternatives, Inc. totaled \$1,307,380 for WIOA services.

**RESULTS**

Audits of grants improve compliance and support monitoring consistent with the County's vision of a livable and well governed community.

**ATTACHMENTS**

- (1) WIOA Fiscal and Procurement Review Monitoring Report of Eckerd PY 2020-21



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

---

**Workforce Innovation and Opportunity Act  
Fiscal and Procurement Review  
Monitoring Report  
Program Year 2020-21**

Department of Social Services

July 2021

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



**COUNTY OF SAN LUIS OBISPO**

**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

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

**Lydia J. Corr, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector

---

TO: DEVIN DRAKE, SOCIAL SERVICES DIRECTOR

FROM: JAMES HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: JULY 19, 2021

SUBJECT: WORKFORCE INNOVATION AND OPPORTUNITY ACT FISCAL AND PROCUREMENT REVIEW  
MONITORING REPORT FOR PROGRAM YEAR 2020-21

Our office recently completed the monitoring review of the Workforce Innovation and Opportunity Act funded contract with Eckerd Youth Alternatives, Inc. for the 2020-21 program year. The review did not result in any findings or recommendations.

**BACKGROUND**

The Workforce Innovation and Opportunity Act (WIOA) is designed to strengthen and improve the public workforce systems and put job seekers back to work by helping workers acquire the skills employers need and help employers access the talent pool needed to compete in a global economy. For Program Year 2020-2021, four contracts totaling \$1,307,380 were awarded to Eckerd Youth Alternatives, Inc. (Eckerd) to provide youth and adult job services in the County.

Eckerd was awarded \$582,800 for Adult and Dislocated Worker programs. These programs provide job-seekers employment opportunities through community partner agencies as well as services provided through the America's Job Center of CA (AJCC) site. Job-seeker services include outreach, intake/eligibility, orientation, education/training, and other supportive services. In prior program years, WIOA funds were allocated to Rapid Response and Layoff Aversion programs. Funding to Eckerd for these programs was removed in Program Year 2020-2021 as these services are provided directly by Department of Social Services WIOA staff.

Eckerd was awarded \$575,000 for Youth services. These services are provided to transitional age youth 16-24 years old either directly by Eckerd or through partnerships with other youth-serving agencies. Services include tutoring, study skills training, instruction leading to completion of secondary school, alternative school services, mentoring, paid and unpaid work experience, occupational skills training and support services (i.e., clothing assistance and transportation).

Also, due to the declaration of a public health emergency for COVID-19, additional WIOA grant funds were made available. Eckerd was awarded \$139,500 through the WIOA National Dislocated Worker Grant and a \$10,080 grant for underserved individuals impacted by the COVID-19.

The graph below shows the WIOA grants awarded to Eckerd over the last four program years.

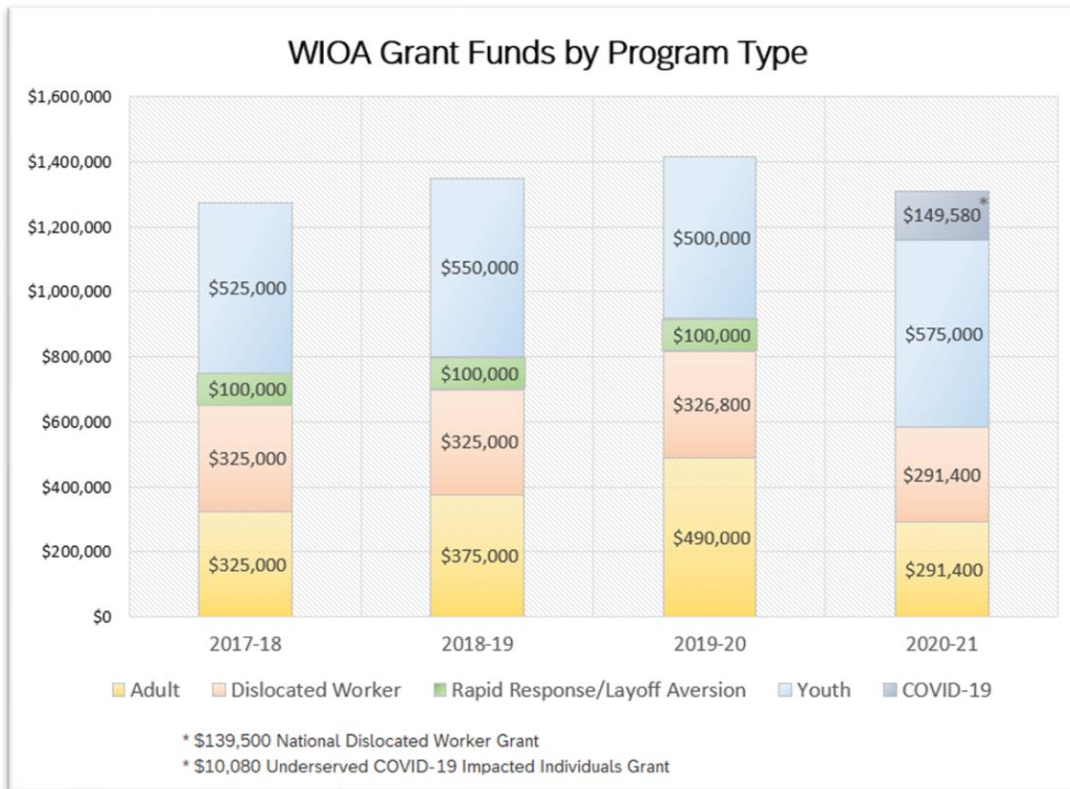


**COUNTY OF SAN LUIS OBISPO**

**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

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

**Lydia J. Corr, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector



Fluctuations to WIOA grant amounts are related to the State’s WIOA allocation calculation and carryover funds from one program year to the next.

**AUDIT OBJECTIVES**

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 objective of this review was to determine Eckerd’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.

**AUDIT METHODOLOGY**

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* 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



## COUNTY OF SAN LUIS OBISPO

### AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

**Lydia J. Corr, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector

---

the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our procedures related to financial management focused on the following areas: internal controls including fiscal policies and procedures, allowable costs, and accurate and complete fiscal reporting.

Our procedures related to procurement examined internal controls including procurement policies and procedures, methods of procurement, cost and price analyses, and contract terms and agreements.

We collected the information for this report through interviews with representatives of Eckerd, review of Eckerd's applicable policies and procedures, and through review of supporting documentation for samples of reimbursement claims, expenditures and procurements occurring in the 2020-21 program year.

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 Eckerd's responsibility to ensure that their systems, programs, and related activities comply with the WIOA grant program requirements, federal and state regulations, and applicable directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, remain Eckerd's responsibility.

#### FISCAL REVIEW RESULTS

We determined that Eckerd is meeting the overall applicable WIOA requirements for financial management in program year 2020-21 and appropriately invoiced the Department for program costs.

#### PROCUREMENT REVIEW RESULTS

We determined Eckerd did not make any purchases that meet WIOA procurement requirements.

#### PRIOR YEAR MONITORING FINDINGS AND CURRENT STATUS

##### PRIOR YEAR FINDING 1

*Requirement:* CFR 2, 200.302 (2) requires financial management systems to disclose accurate, current, and complete financial results.

*Observation:* Five out of ten WIOA program invoices submitted to DSS for September 2019 and March 2020 did not reconcile to Eckerd's general ledger.



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

- 
- Causes:**
- (1) On four of the invoices, Eckerd did not bill operational costs related to equipment rentals.
  - (2) On September's Out of School Youth's program invoice, an adjusting entry was made in October, which reduced operational costs, but was back dated to September.
- Effects:**
- (1) Equipment rental costs of \$558 were underbilled on the September 2019 and March 2020 invoices.
  - (2) The adjusting entry to September's Out of School Youth over billed DSS \$154.
- Recommendation:**
- We recommend Eckerd ensure their general ledgers are complete and reconcile to their invoices sent DSS. The complete general ledger should be included on the invoice detail sent to DSS and all costs be invoiced to DSS unless identified as unallowable costs. Additionally, all corrections should be recorded in the period they made if the invoice period has already passed, as to not cause the ledger to no longer reconcile to the invoice.
- Eckerd's Response:**
- Going forward Eckerd will prioritize setting realistic allocations for operational services to avoid having to hold expenses until budget modifications are done. Additionally, placing items in a holding account would allow the general ledger to reconcile with the monthly invoices. This would avoid having corrections recorded in later invoice periods.
- Current Status:**
- No differences between the current program year general ledger and invoices were identified that resulted in incorrect billing to the Department.**

PRIOR YEAR FINDING 2

- Requirement:**
- CFR 2, 200.431 (b) (2) requires fringe benefit cost be equitably allocated to all related activities.
- Observation:**
- Leave time on three out of ten timecards tested was not properly allocated.
- Cause:**
- Eckerd's employees incorrectly allocated their leave time when completing their timecard.





COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

*Effect:* The September WIOA Adult and Dislocated Worker programs were over billed 1.2 hours, while the Youth Program was underbilled 2 hours. In March, the WIOA adult program was overbilled 5.5 hours, the Dislocated Worker program was underbilled 4 hours and the Out of School Youth program was underbilled 1.5 hours.

*Recommendation:* We recommend Eckerd ensure employees' leave time fringe benefits are properly allocated to the appropriate WIOA programs prior to invoicing.

*Eckerd's Response:* Although corrective adjustments were made to properly allocate the employees' leave time labor and benefits between their worked activities, having these defaulted hours accurately allocated through our payroll processor before getting uploaded to our general ledger would significantly cut down on confusion. During the timecard approval process, all defaulted time will be reviewed by the employees' supervisor and adjusted through our payroll program. This way overbilling and underbilling is far less likely to occur.

***Current Status:*** **No current program year issues were identified related to the allocation of employees' leave time fringe benefits.**

PRIOR YEAR FINDING 3

*Requirement:* CFR 2, 200.62 (a) requires internal controls be implemented to properly record and account for transactions.

*Observation:* On the Job Training timecards are incomplete and/or contain inaccurate information.

- All three timecards tested did not indicate the pay period, include total hours worked, and were not signed by the Career Coach.
- One of the three timecards tested was signed by the employee and the supervisor before the end of the pay period.

*Cause:* Missing or incorrect information was not identified during the approval process.

*Effect:* Incomplete, inaccurate, or not properly approved timecards could lead to payroll errors, resulting in over or under billing of participant costs.



**COUNTY OF SAN LUIS OBISPO**

**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

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

**Lydia J. Corr, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector

---

*Recommendation:* We recommend Eckerd review On the Job Training timecards for accuracy and completeness and document the review.

*Eckerd's Response:* During the start of the Covid shut down, approvals relied on e-signatures and virtual communication which were a cause of disorder in the approval process. We have since provided complete backup at the time of monitoring and have spoken to our employers/career coaches to see that special attention be taken when reviewing pay periods, hours worked and signatures, before approval is issued.

**Current Status:** **No current program year issues were identified with On-the-Job Training timecards.**

We would like to thank your staff and Eckerd 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 Desiré Harris, Internal Auditor at (805) 781-5099 or Mark Maier, Internal Auditor at (805) 781-4267.

Sincerely,

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

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

Cc: Lauren Lewis, Eckerd's Senior Director, Finance WFD  
Tammy Aguilera, Eckerd's Senior Operations Director  
Dawn Boulanger, Department of Social Services Workforce Development Board Director  
Michelle Infantino, Department of Social Services Department Administrator  
Sarah Hayter, Department of Social Services WIOA Program Manager