



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 7/16/2019	(3) CONTACT/PHONE Kerry Bailey (805) 788-2979 Mark Maier (805) 781-4267	
(4) SUBJECT Submittal of the report for Eckerd Youth Alternatives, Inc. (dba Eckerd Connects), Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2018-19. All Districts.			
(5) RECOMMENDED ACTION 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. (dba Eckerd Connects).			
(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: N/A <input type="checkbox"/> 4/5th's Vote Required <input 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>6/19/18</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 W. Hamilton, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 7/16/2019

SUBJECT: Submittal of the report for Eckerd Youth Alternatives, Inc. (dba Eckerd Connects), Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2018-19. 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. (dba Eckerd Connects).

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. In 2017, the Department of Social Services selected Eckerd Connects to operate the America's Job Center of California and to provide employment services for Adults, Dislocated Workers, Rapid Response/Layoff Aversions, and Youth. The program services county residents and the local labor market by matching businesses with skilled workers. Program year 2018-19 is Eckerd Connects' second year serving both adult and youth job seekers.

In accordance with the WIOA grant requirements, annual fiscal and procurement monitoring is performed to verify funds have been spent in accordance to federal guidelines. Completion of the 2018-19 program year monitoring guide determines the level of Eckerd Connects' compliance with the federal and state laws, regulations, policies and directives related to the WIOA funds.

Eckerd Connects generally complies with the financial management requirements with the exceptions outlined in the attached Fiscal and Procurement Monitoring Report. Detailed in the attached report, we identified three fiscal findings relating to the reconciliation of invoices to the general ledger, the inaccurate allocation of an expense, and the inability to support the calculation used in the methodology for allocating shared expenses across multiple programs. Eckerd Connects' procurement activities complied with grant requirements. Eckerd Connects agreed with our report and their responses to the findings and recommendations are included with the report.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services

FINANCIAL CONSIDERATIONS

The County contracted with Eckerd Connects for \$1,350,000 for program year 2018-19 in addition to a \$768,063 program funding carryover from program year 2017-18.

RESULTS

We determined overall, Eckerd Connects is meeting applicable WIOA requirements concerning financial management and procurement for program year 2018-19.

ATTACHMENTS

- 1 WIOA Program Monitoring Report of Eckerd Connects
- 2 Eckerd Connects WIOA Program Monitoring Response Letter



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

**Workforce Innovation and Opportunity Act
Fiscal and Procurement Review
Final Monitoring Report
Program Year 2018-19**

June 2019

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



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

June 13, 2019

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

Dear Ms. Boulanger:

Our office recently completed the monitoring review of the Workforce Innovation and Opportunity Act (WIOA) funded contract with Eckerd Youth Alternatives, Inc. (Eckerd) for the 2018-19 program year. The review resulted in three findings which required a response by Eckerd indicating their corrective action plan. Their responses to the findings are included in the attached letter.

BACKGROUND

On July 17, 2018, the County renewed two contracts with Eckerd for the 2018-19 program year. The contracts awarded WIOA funds in the amount of \$800,000 to provide America's Job Center of California (AJCC) one-stop Adult, Dislocated Worker, and Rapid Response/Layoff Aversion services and \$550,000 to provide youth employment, training and education services.

The partnership between the County and Eckerd assists job seekers gain employment by helping workers acquire the skills employers need and connecting businesses with qualified workers.

PURPOSE

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 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.

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*



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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.

For the financial management portion of this review, we focused on the following areas: internal controls including fiscal policies and procedures, allowable costs, and accurate and complete 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.

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 2018-19 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 overall, Eckerd is meeting applicable WIOA requirements concerning the financial management for program year 2018-19 excluding the three exceptions noted below. Their responses to the findings are included in the attached letter.

FINDING 1

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

Observation: Six out of eight WIOA program invoices reviewed did not reconcile to Eckerd's general ledger.

Cause(s): (1) On multiple occasions, DSS staff requested adjustments to Eckerd's monthly invoices on the basis that certain costs were disallowable. Eckerd made these adjustments to the invoices



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but did not identify them as adjustments in the general ledger or reconcile the general ledger to the invoices.

(2) Eckerd made the business decision not to invoice certain operational costs. However, these costs continued to appear in the general ledger without being clearly identified as unbilled or reconciled to the invoices.

(3) On several occasions, Eckerd's operational costs were not invoiced in the month for which they occurred. Instead, Eckerd delayed invoicing until budget modifications were approved by DSS. These amounts were not clearly identified on the invoice as having occurred in a prior period.

Effect: Failure to reconcile the general ledger to the invoices could result in the over or undercharging of expenses and in the inaccurate reporting of grant funds.

Recommendation: We recommend Eckerd perform a monthly reconciliation of the general ledger to the invoices sent the Department of Social Services.

FINDING 2

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

Observation: One out of eighteen expenses reviewed was incorrectly charged 100% to the Youth WIOA program. The expense's supporting documentation notated the Youth WIOA program should only be allocated 75% of the total invoice amount.

Cause: Eckerd's fiscal staff inadvertently overlooked the allocation noted on the expense documentation.

Effect: The Youth WIOA program was overcharged \$146.89.

Recommendation: We recommend Eckerd credit the Youth WIOA program \$146.89.



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FINDING 3

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

Observation: When Eckerd incurs expenses that relate to multiple programs, the expenses are allocated by the number of full-time equivalent employees in each program. For three out of eighteen expenses reviewed, this allocation methodology could not be substantiated with current supporting documentation.

Cause: Eckerd's financial systems allows for allocation calculations for expenses to be setup once and then run automatically each month thereafter. When the rental expense allocation calculations were setup the underlying support documentation for the calculation was not maintained. As staffing changes have occurred since the allocation calculation was setup the cause of the lack of support documentation could not be determined.

Effect: We were unable to validate the allocation and consequently the accuracy of the three expenses billed to the Department of Social Services. The three expenses totaled \$10,077; of which, \$2,116 was charged to WIOA programs.

Recommendation: We recommend Eckerd maintain support documentation showing how expense allocation calculations are determined.

PROCUREMENT REVIEW RESULTS

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

PRIOR YEAR MONITORING FINDINGS & CURRENT STATUS

There were no findings in the prior program year's monitoring.



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

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 "James W. Hamilton".

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

Cc: Lauren Lewis, Eckerd's Fiscal Manager
Jonathan Zeigler, Eckerd's VP of Operations
Tammy Aguilera, Eckerd's Senior Operations Director
Allison Schiavo, Eckerd's Area Program Manager
Michelle Infantino, Department of Social Services' Fiscal Manager
Sarah Hayter, Department of Social Services' WIOA Program Manager

ACCREDITATIONS
COA | AdvanceED/SACS

Eckerd.org



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M E M O R A N D U M

Date: June 11, 2019
To: James W. Hamilton, CPA
cc: Mark Maier, Desire Harris, Michelle Infantino, Dawn Boulanger
From: Lauren Lewis
Phone: 321-428-4830
RE: Monitoring Report Program Year 2018-19

Dear Mr. Hamilton,

Eckerd has reviewed and provides the following feedback in reference to your monitoring report issued on May 21, 2019. We thank you for the opportunity to continue to improve processes and procedures to best align with the County of San Luis Obispo's recommendations.

FINDING 1

Observation: Six out of eight WIOA program invoices reviewed did not reconcile to Eckerd's general ledger.

Recommendation: We recommend Eckerd perform a monthly reconciliation of the general ledger to the invoices sent to the Department of Social Services.

Response / Corrective Action Plan: The report indicated three (3) causes in relation to this Observation.

In response to Cause (1), when adjustments are made by DSS staff, they are always in arrears – meaning that adjustments cannot be made to Eckerd's general ledger in the same period that the original invoice was provided. Eckerd's standard procedure however is to document these adjustments and make journal entries to an "Unallowable" account for those expenses that are permanently unbillable. This will allow the general ledger to reconcile to amounts paid by DSS staff.

In response to Cause (2), a similar procedure identified above will be adhered to as Eckerd decides to not bill specific costs to DSS. Eckerd's internal procedure is to continue to identify unbillable costs to each specific project, but journal entries will be made in the month that the decision is made to move expenses to an "Unallowable" account.

In response to Cause (3), when costs are not billed in the month that the expense is incurred, Eckerd will notate manual adjustments on the General Ledger report that is submitted with invoices. The "period" column on the

general ledger will indicate the period that the expense was incurred so that an audit trail can be followed.

Eckerd performs monthly reviews of the general ledger to the Invoices sent to the Department of Social Services and will follow the processes identified in the responses to the causes above to accurately account for adjustments.

FINDING 2

Observation: One out of eighteen expenses reviewed was incorrectly charged 100% to the Youth WIOA program. The expense's supporting documentation notated the Youth WIOA program should only be allocated 75% of the total invoice amount.

Recommendation: We recommend Eckerd credit the Youth WIOA program \$146.89.

Response / Corrective Action Plan: Eckerd acknowledges this error in expense coding. A credit will be provided to the Youth project on the May 2019 invoice. Additional training will be provided in the month of June to both operational and fiscal staff to ensure this issue does not recur.

FINDING 3

Observation: When Eckerd incurs expenses that relate to multiple programs, the expenses are allocated by the number of full-time equivalent employees in each program. For three out of eighteen expenses reviewed, this allocation methodology could not be substantiated with current supporting documentation.

Recommendation: We recommend Eckerd maintain support documentation showing how expense calculations are determined.

Response / Corrective Action Plan: Eckerd has developed and will maintain a cost allocation plan for expenses that are allocated to multiple funding streams with DSS for next fiscal year. This plan will be reviewed with DSS staff and then submitted to Eckerd's Accounts Payable department for execution.

Eckerd continues to fine tune fiscal policies and procedures to best align with DSS procedures to accurately track expenditures as they are incurred, billed, reviewed and finally reimbursed. Monthly reviews will occur that will involve both fiscal staff and operational staff to ensure that expenses incurred are allowable, and appropriately documented for reimbursement by DSS.

Sincerely,



Lauren Lewis
Eckerd Connects
Director, Finance WFD