



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 8/18/2020	(3) CONTACT/PHONE Mark Maier (805) 781-4267	
(4) SUBJECT Submittal of the report for Eckerd Youth Alternatives, Inc., Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2019-20. 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).			
(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 <u>7/16/2019</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(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: 8/18/2020

SUBJECT: Submittal of the report for Eckerd Youth Alternatives, Inc., Workforce Innovation and Opportunity Act Annual Fiscal and Procurement Review for program year 2019-20. 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. (Eckerd).

### **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 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 2019-20 was Eckerd's third year serving both adult and youth job seekers.

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

Eckerd 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 related to the reconciliation of monthly invoices to the general ledger, allocation of staff leave time charged across multiple programs, and incomplete support documentation for an expense payment. Eckerd's procurement activities complied with grant requirements.

Eckerd agreed with our conclusions 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's 2019-20 program year contracts with Eckerd totaled \$1,417,000 for WIOA services.

**RESULTS**

We determined overall, Eckerd is meeting applicable WIOA requirements concerning financial management and procurement for program year 2019-20.

**ATTACHMENTS**

- 1 WIOA Program Monitoring Report of Eckerd PY 2019-20



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**Workforce Innovation and Opportunity Act**  
**Fiscal and Procurement Review**  
**Final Monitoring Report**  
**Program Year 2019-20**

**July 2020**

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



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

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TO: DEVIN DRAKE, SOCIAL SERVICES DIRECTOR

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

A handwritten signature in blue ink, appearing to be "JK", located to the right of the "FROM:" line.

DATE: July 22, 2020

SUBJECT: WORKFORCE INNOVATION AND OPPORTUNITY ACT FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT FOR PROGRAM YEAR 2019-20

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 2019-20 program year. The review resulted in three findings which required a response by Eckerd indicating their corrective action plan. Their response to each finding is included below.

BACKGROUND

On June 18, 2019 and July 9, 2019, the Department of Social Services (DSS) renewed two contracts with Eckerd for the 2019-20 program year. The contracts awarded WIOA funds in the amount of \$917,000 to provide America's Job Center of California (AJCC) one-stop Adult, Dislocated Worker, and Rapid Response/Layoff Aversion services and \$500,000 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* 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.



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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 2019-20 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 that Eckerd is meeting applicable WIOA requirements concerning the financial management for program year 2019-20 excluding the three exceptions noted below.

**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.

**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.



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(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.

**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.

**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



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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.

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.

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.





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PROCUREMENT REVIEW RESULTS

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

PRIOR YEAR MONITORING FINDINGS

Prior year findings are for informational purposes only.

PRIOR YEAR 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 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.



PRIOR YEAR 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.

PRIOR YEAR 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 automatically run 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.



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Recommendation:

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

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 blue ink, appearing to read "J. Hamilton", written over a horizontal line.

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 Enfantino, Department of Social Services Department Administrator  
Sarah Hayter, Department of Social Services WIOA Program Manager