

DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



LESLIE WILKINS
CHAIRPERSON

ALLICYN C.H. TASAKA
EXECUTIVE DIRECTOR

STATE OF HAWAII
WORKFORCE DEVELOPMENT COUNCIL
830 Punchbowl Street, Suite 417, Honolulu, Hawaii 96813
Phone: (808) 586-8630 Web: <http://labor.hawaii.gov/wdc/>

July 16, 2018

Ms. Alison Lum
Executive Director
Oahu Workforce Development Board
City and County of Honolulu
715 South King Street, Suite 211
Honolulu, Hawaii 96813

RE: On-Site Program and Financial Management Monitoring – WIOA Programs

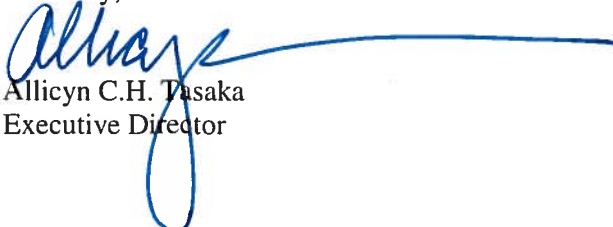
Dear Ms. Lum:

A program and financial management monitoring was conducted on June 18-19, 2018 for the WIOA Adult, Youth, Dislocated Worker, and Local Administrative Cost programs operated by your agency. We greatly appreciate your staff's courtesy and cooperation extended to the monitors during the review.

The attached monitoring report includes findings and concerns for your review and follow up. I encourage you to work closely with your program and fiscal staff, and the members of the Oahu Workforce Development Board to seek corrective actions and resolution. The deadline to respond to WDC is Friday, August 31, 2018.

If you have any questions, please feel free to call Jeanne Ohta (programs) at 586-9170 or Elaine "Jiji" Masangkay (fiscal) at 586-8892.

Sincerely,


Allicyn C.H. Tasaka
Executive Director

Enclosures

C: Jason Chang, Chair, Oahu Workforce Development Board

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OAHU WORKFORCE DEVELOPMENT BOARD
PROGRAM AND FINANCIAL MONITORING REPORT

SUBRECIPIENT: Oahu Workforce Development Board
Department of Budget and Fiscal Services

PROGRAMS: WIOA Adult, Dislocated Workers, Youth, and LAC Programs

DATE: June 18-19, 2018

INTERVIEWEES: **Program:**
Alison Lum
Kirsten Thornton
Erick Pascual

Fiscal:
Justin Sarce
Rowena Santamaria
Christine Kira

MONITORS: **Program:**
Jeanne Ohta
Maria-Elena Diaz

Fiscal:
Kathy Miyahira
Elaine Masangkay

SCOPE: Program and Financial Management Review

FISCAL REVIEW:

Summary of observations:

Fiscal activities of Oahu WDB (OWDB) are processed under one section of the Fiscal and Accounting Services of the City and County of Honolulu; the fiscal activities of the service provider/subrecipient and American Job Center (AJC) are processed by another section. Both are sections of the Department of Budget and Fiscal Service; a firewall exists to separate their operations. Also, a proper segregation of duties was observed. However, the formal designation of the reporting hierarchy for the OWDB within the City Administration has not been finalized.

As observed in 2017 and in 2018, there is a strained relationship between OWDB and the fiscal department. This relationship has caused problems with prompt payment of expenditures and has caused a delay in the preparation of the budget for the American Job Center's (AJC) Infrastructure Funding Agreement (IFA). The OWDB staff has not been able to obtain the costs pertaining to the AJC facilities (e.g. rent, utilities, common area maintenance, etc.). This information is critical to completing the Memorandum of Agreement for infrastructure and shared costs from the core and mandatory partners of the AJC. These are required elements of the comprehensive AJC structure. These issues must be solved and not be allowed to persist because problems at the fiscal level affect program performance. Fiscal staff must understand their link to program performance. OWDB and the service provider Work Hawaii are both responsible for meeting performance measures.

Report of the City's Independent Auditor:

The independent auditor's report did not identify any deficiencies in the internal control over financial reporting that is considered a material weakness. However, one of the findings is a deficiency in information technology controls which could impact the financial statements. Access to server administrator account is shared which could allow unauthorized personnel to post or change transactions. In response, the Department of Information Technology has proposed a corrective action which was expected to be completed by June 2018. WDC requests a copy of the report of the completed corrective action.

Program and Fiscal Finding #1:

There is no policy for monitoring of subrecipients: the One Stop Operator and the service provider for Title I Adult, Dislocated Worker and Youth Programs. As monitoring has not been conducted in at least the last two program years, OWDB is not compliant with monitoring requirements.

Recommendation:

OWDB must establish both fiscal and program monitoring policies and procedures immediately and must conduct monitoring of the service providers in PY 2018.

Since a sizeable portion of the grant is managed by Work Hawaii, it is imperative that an annual on-site monitoring is conducted over the subrecipient's program operation to ensure proper accountability and compliance with the program requirements. Also, quarterly desk monitoring is recommended in addition to the annual on-site monitoring.

To avoid any conflict of interest and to have a fair and unbiased review of the programs, one-stop operations, and fiscal functions, WDC further recommends that OWDB consider hiring a third party to conduct the required monitoring functions.

Program and Fiscal Finding #2:

Although there are budget and fiscal policies and procedures in place, there is still confusion in the processing of mileage reimbursement. Hence, reimbursements to staff are delayed which can disrupt program activities and cause misstatement of the expenditure register due to unrecorded mileage expenditures. This situation has also led to the understatement of expenditures related to Work Experience for the Youth Program. Due to this lack of adherence to established policies and procedures OWDB will not meet the 20% Work Experience minimum for the second consecutive year.

Recommendation:

OWDB and the Department of Budget and Finance must agree that policies and procedures that exist should be followed. Fiscal staff should not be the sole arbiter of which expenditures are being paid. If policies and procedures have been followed and the expenditure authorized by the appropriate parties, fiscal staff should not be allowed to put a hold on them indefinitely. It is unreasonable to allow months to pass before the dispute is resolved. If an expenditure is disallowed by the fiscal staff, the relevant county or federal regulation or statute should be cited so that OWDB staff can respond on a timely basis. The success of the programs is dependent on both the fiscal and program staff working together to support each other by using their expertise (program and fiscal) to improve their efficiency and performance.

Program and Fiscal Finding #3:

OWDB does not have a contract with Work Hawaii as the service provider for the Title I programs (Adult, Dislocated Worker, Youth). There is a contract signed by Nelson Koyanagi

between the City and County of Honolulu and the One Stop Operator–Work Hawaii (dated July 13, 2017) based on the required Request for Proposals for the One Stop Operator which was issued to satisfy requirements of the Workforce Innovation and Opportunity Act (WIOA).

The only other document OWDB has with Work Hawaii is a Memorandum of Understanding where Work Hawaii is one of the partners of the Oahu WorkLinks One Stop System of partners. The agreement is dated July 1, 2013 to June 30, 2015, and was then extended to allow for transition to WIOA until June 30, 2016. There is no current agreement or contract between OWDB and Work Hawaii for service provision.

Recommendations:

OWDB must have a contract or formal written agreement with Work Hawaii to provide services for the Title I programs. The contract should specify the scope of work, payment, time period, performance goals, reporting requirements, staffing levels, and any other specifications OWDB deems necessary for the efficient operation of the programs and workforce system. (Refer to 2 CFR §679.430)

Program and Fiscal Concern #1:

It appears that only the budget plan serves as a control tool to manage expenditures of the service provider. Requests for reimbursements or advance payments of salaries are approved if the budget is not exceeded.

Recommendation:

A more stringent documentation requirement and analysis of expenditures vs. program performance be implemented to provide additional control in managing WIOA resources. Since a significant portion of the expenditures is personnel costs, OWDB should require the service provider to attach the payroll report when requesting funds. The payroll report must have the following information:

1. Employee initials (first and last name)
2. Position Title
3. Hourly rate
4. FTE
5. Time charges per program

The amount requested for personnel costs must tie with the payroll reports.

The local area must bear in mind that its stewardship of WIOA funds entails a responsibility to mitigate fraud, waste and abuse. Therefore, the “cost per participant” must be calculated and monitored every month, and the service provider must be held accountable to the participant numbers in the agreement with the Board.

Other Fiscal Recommendations:

1. Payroll and Time Distribution

Time sheet should include codes for the programs (AP, DW, YP, RR) to provide a more accurate allocation of employees' time. Currently, the time sheet has only two activity codes: administrative and WIOA programs. Then, the hours are further allocated based on the number of participants.

2. P-Card Transactions

Since purchases up to \$2,499 can be charged on the P-card, it is recommended that a "purchase request" is prepared prior to making a purchase. Below is a suggested process that Oahu can implement:

- a) Prior to making a purchase over \$500.00, the purchaser prepares and signs the "Purchase Request" form and submits it to the supervisor for approval.
- b) The supervisor will approve by signing the "Purchase Request" form.
- c) The purchaser can then proceed to make the purchase using the P-card.
- d) After the purchase, the purchaser will follow the P-card procedures set by the office of Budget and Fiscal Services of the City and County of Honolulu.

3. Disbursements

Paid invoices should be stamped or noted as "Paid" to avoid duplicate payment.

4. Cost Allocation Plan

Oahu WDB should establish a cost allocation plan (CAP) so there is consistency when allocating costs to various programs, e.g. HireNet services.