

Workforce Development Board (WDB) – Audit Committee

Date Tuesday, November 21, 2023

Time 11:00 am

Place In person & via Zoom

9246 Lightwave Ave, Suite 210, San Diego, CA 92123

<https://workforce-org.zoom.us/j/81393104803>

Meeting ID: 813 9310 4803

WELCOME

Rick Vaccari – Chair

- Call the meeting to order
- Non-agenda public comment

AGENDA ITEMS (Open Session):

Action Item:

Item #1: Minutes of the March 22, 2023 Audit Committee Meeting

information Items:

Item #2: FY2023 Financial Closure & Audit Updates

AGENDA ITEMS (Closed Session):

information Item:

Item #3: CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph 2 of subdivision (d) of

Government Code Section 54956.9: (One or More Potential Cases)

Adjournment

PUBLIC COMMENT: Members of the public may address the Committee on issues on this agenda (three minutes per subject) and/or other items within the Committee's scope. To speak, utilize the "Raise Hand" feature. The SDWP will provide accommodations to persons who require assistance. Questions: (619) 228-2301.

Item #1: Minutes of the March 22, 2023 Audit Committee Meeting

Members Present

Rick Vaccari (Chair), Rolando Charvel, Tracy Drager, Shandon Harbour, Carmen Summers

Staff Present

Peter Callstrom, President & CEO
Shannon Moran, COO
Dennis Kingery, VP of Finance

Location:

The meeting was called to order by Rick Vaccari at 2:03 pm with a quorum.

Non-Agenda Public Comment:

None

Action Items

Item 1: Minutes of the May 13, 2022 Audit Committee Meeting

Committee approves the meeting minutes.

Moved (S. Harbour), Seconded (T. Drager); R. Charvel, M. Rosado, & C. Summers abstained

Item 2: FY2022 Financial Statements & Audit Report

Brad Welebir from Rogers, Anderson, Malody & Scott, LLP (RAMS) provided an overview of the tax return, audit report, and audit process. No modifications were necessary in the financial statements and SDWP received a clean audit. Brad and SDWP

staff reviewed the findings and corrective action plans. The audit was delayed due to delays in reports and staff turnover.

Motion: Audit Committee approves FY2022 Financial Statements & Audit Report
Moved (C. Summers), Seconded (R. Charvel), Carried unanimously

Adjournment: The meeting was adjourned at 1:09 pm.

Next Meeting: TBD

Item #2: FY2023 Financial Closure and Audit Updates

FY2023 Close

The SDWP Finance Department is currently undergoing FY23 year-end fund rebalancing, posting of closing entries and other reconciliations to ensure accuracy, completeness, and integrity of our financial data. Final entries are to be completed by the end of November 2023 with the Audit planned to launch in December 2023.

Key activities in FY23 included a historical cleanup of aged payables (reduction of 40%) and amounts due to other agencies (reduction of 50%). In June 2023, SDWP received a \$10M prepayment (300% increase in cash) for Sector Initiatives from State funding. Due to the transition from KRA to Grant Associates, SDWP has also made adjustments to our cost share agreements and will be subject to lease consideration under GASB87. We have also upgraded to the MIP Cloud and switched from Union Bank to US Bank.

From an initial review, the FY23 Budget appears overestimated by almost 10% (\$42.7M proposed with only \$32.8M of actual spend) Based on this, the FY24 budget was set to a realistic target of \$36.5M, in line with actual trend of spend and planned expenditures.

Factors that contributed to lower expenditures in FY23 are listed below:

- Staff turnover and operational concerns
- Less participants than anticipated
- Subrecipients underperformed and did not utilize full funding
- Planned Personnel: 150 FTEs forecasted but only had 130 FTEs

Our focus for FY24 is to ensure planned expenditures are executed. This includes incorporating a more robust budgeting software to provide timely data regarding budget vs actuals as well as reviewing operational workflows to eliminate any hindrances and enhancing support for subrecipients.

FY2023 Audit Update:

SDWP solicited bids from qualified accounting firms to furnish audit services on various federal awards, including WIOA, and other non-federal funding sources. SDWP serves as both the grant recipient and administrative entity for WIOA and other federal and state job training funds in San Diego County. The Uniform Guidance and OMB guidance require that SDWP have independent financial and compliance audits of its federal funds performed annually. The period of performance for the audit services will be July 1, 2023, through June 30, 2024, with the Single Audit and tax preparation for fiscal year ending June 30, 2023. The Request for Bid (RFB) was issued May 12, 2023. Only one proposal was received. Rogers, Anderson, Malody & Scott, LLP (RAMS) submitted a

Technical Proposal for professional auditing services in June 2023 and will be selected for the FY23 Audit with option of three additional fiscal years.

Founded in 1948, RAMS has over 75 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting, and management advisory services. They understand the complexity of performing governmental audits and have a dedicated team of auditors that possess the specialized knowledge and experience to help ensure our audit is planned and executed in a way that maximizes audit efficiency and effectiveness. Their firm:

Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service with high quality reporting to clients.

Utilizes Teammate Analytics, a suite of more than 200 Computer Aided Audit Tools (CAATs). This software empowers audit teams with the ability to perform powerful, meaningful data analysis which builds upon other robust, substantive audit procedures. This value-added service also helps to identify specific transactions or amounts which may be indicative of fraud.

Performs an intelligent, risk-based audit (using CAAT) which enables them to focus on key audit areas, allowing for a higher quality audit at a reasonable fee.

Currently provides auditing services to over 75 governmental agencies and not-for-profit organizations, including over 30 cities, most of which have enterprise activities and over 35 special districts.

Is committed to helping meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing quality audit services.

The audit process will be divided into 3 sections:

- Segment 1 – Planning/internal control (December 2023)
- Segment 2 – Substantive testing/analysis (January 2024)
- Segment 3 – Report preparation/work paper review (February/March 2024)