



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

Workforce Innovation and Opportunity Act Fiscal and Procurement Review Monitoring Report Program Year 2015-16

July 2016

**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



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July 26, 2016

Charlotte Johnson
Henkels & McCoy, Inc.
Workforce Innovation and Opportunity Act Services
4241 Tanbark Street
San Jose, Ca 95129

Dear Ms. Johnson:

This report is to inform you of the results of our Workforce Innovation and Opportunity Act (WIOA) program year 2015-16 review of the youth services' financial management and procurement systems. For the financial management portion of this review, we focused on the following areas: internal controls including fiscal policies and procedures, allowable costs, cash management, cost allocation, single audit, and 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.

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 Henkels & McCoy, Inc.'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.

We collected the information for this report through interviews with representatives of Henkels & McCoy, Inc., a review of applicable policies and procedures, and a review of documentation supporting samples of reimbursement claims, expenditures and procurements for program year 2015-16.

BACKGROUND

Henkels & McCoy, Inc. was awarded WIOA funds from the County of San Luis Obispo in the amount of \$594,694 to provide youth employment, training and education services for program year 2015-16.

FISCAL REVIEW RESULTS

We determined Henkels & McCoy, Inc. is meeting applicable WIOA requirements concerning financial management for program year 2015-16 with one exception:

FINDING 1

Requirement: The standards for internal control in the federal government require management to clearly document internal controls and all transactions and other significant events. Additionally, transactions must be authorized and executed by a person acting within the scope of their authority.

Observation: Of the thirty-seven timecards tested four were not signed by an employee or his supervisor.

Cause: Staff neglected to document review and approval of timecards.

Effect: When timecards are not reviewed by the employee and supervisor, the risk for payroll error and fraud increases.

Recommendation: We recommend that all timecards be signed by each employee as well as reviewed and signed by the employee's supervisor.

Response: See attached Henkels & McCoy letter

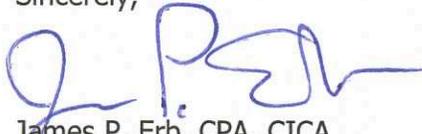
PROCUREMENT REVIEW RESULTS

We determined overall, Henkels & McCoy, Inc. is meeting applicable WIOA requirements concerning procurement for program year 2015-16. However, during our review we made one suggested improvement for an issue which did not rise to the level of non-compliance: we noted during our review the inventory log lacked equipment locations for three pieces of equipment and contained inaccurate locations for other items. Accurate and complete inventory logs aid in preventing loss, damage, or theft of property. Henkels & McCoy should work with the Department of Social Services to update the inventory list.

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 Henkels & McCoy, Inc.'s responsibility to ensure that its systems, programs, and related activities comply with the WIOA grant program, Federal and State regulations, and applicable directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, remain Henkels & McCoy, Inc.'s responsibility.

We would like to thank Henkels & McCoy, Inc. 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 Suzanne De Witt, Auditor, at (805) 781-4846 or Kerry Bailey, Chief Internal Auditor, at (805) 788-2979.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. P. Erb', with a long horizontal flourish extending to the right.

James P. Erb, CPA, CICA
Auditor-Controller

Cc: Sue Gretchen, Fiscal Manager
Danielle Christensen, Program Manager
Gladys Kintz, Department of Social Services Fiscal Manager
Tammy Aguilera, Department of Social Services Workforce Development Board Director
Dawn Boulanger, Department of Social Services WIA Program Manager